



Summary Risk Factors

This risk factor summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this section under the heading “Risk Factors,” as well as elsewhere in this Annual Report on Form 10-K. Additional risks, beyond those summarized below or discussed elsewhere in this Annual Report on Form 10-K, may apply to the Company’s business, activities or operations as currently conducted or as may be conducted in the future. These risks include, but are not limited to, the following:

Risks Related to the COVID-19 Pandemic

- The Company’s Business, Results of Operations and Cash Flows Have Been and Will Continue to Be Adversely Impacted by the Effects of the COVID-19 Pandemic.

Risks Related to the Company’s Education Business

- Changes in International Regulations, Travel Restrictions and Sanctions.
- Difficulties of Managing Foreign Operations and Failure to Comply with Foreign Regulatory Requirements.
- Changes in U.K. Tax Laws.
- Failure to Comply with Statutory and Regulatory Requirements as a Third-Party Servicer to Title IV Participating Institutions.
- Failure to Comply with the ED’s Title IV Incentive Compensation Rule.
- Failure to Comply with the ED’s Title IV Misrepresentation Regulations.
- Compliance Reviews, Program Reviews, Audits and Investigations, Including in Connection with Borrower Defense to Repayment Claims.
- Noncompliance with Regulations by KNA’s Client Institutions.
- Kaplan May Fail to Realize the Anticipated Benefits of the Purdue Global Transaction.
- Regulatory Changes and Developments.
- Changes in the Extent to Which Standardized Tests Are Used in the Admissions Process by Colleges or Graduate Schools and Increased Competition.
- Postponement and Cancellation of Examinations and Changes in the Extent to Which Licensing and Proficiency Examinations Are Used to Qualify Individuals to Pursue Certain Careers.
- Liability under Real Estate Lease Guarantees for Certain Real Estate Leases that were Assigned to Education Corporation of America.

Risks Related to the Company’s Television Broadcasting and Media Businesses

- Changing Perceptions about the Effectiveness of Television Broadcasting in Delivering Advertising.
- Increased Competition Resulting from Technological Innovations in News, Information and Video Programming Distribution Systems and Changing Consumer Behavior.
- Changes in the Nature and Extent of Government Regulations.
- Transition to New Technical Standards for Broadcast Television Stations.
- Potential Liability for Intellectual Property Infringement.

Risks Related to the Company's Manufacturing Businesses

- Failure to Comply with Environmental, Health, Safety and Other Laws Applicable to the Company's Manufacturing Operations.
- The Company May Be Subject to Liability Claims.
- Failure to Recruit and Retain Production Staff Needed to Meet Customer Demand.

Risks Related to the Company's Healthcare Business

- Extensive Regulation of the Healthcare Industry.
- Continued Nursing Staffing Shortages.

Risks Related to the Company's Automotive Businesses

- Termination or Non-renewal of a Dealership Agreement by an Automobile Manufacturer and Limitations on the Company's Ability to Acquire Additional Dealerships.
- Changes Affecting Automobile Manufacturers.
- Changes to State Dealer Franchise Laws to Permit Manufacturers to Enter the Retail Market Directly and Technological Innovations.
- Changes in a Manufacturer's Incentive Programs.
- Changes in Environmental Regulations Governing the Operations of the Automotive Business.
- Changes in Economic Conditions and Vehicle Inventories.

Risks Related to the Company's Other Businesses

- Failure to Successfully Drive Traffic to Leaf's Marketplaces and Media Properties and Expand its Customer Base for its Marketplaces.
- Failure to Effectively Distribute Leaf's Media Content on Social Media Platforms or Effectively Optimize its Mobile Solutions in Order to Improve User Experience or Comply with Requirements of Leaf's Advertising Partners.
- Leaf's Businesses Face Significant Competition.
- Failure to Recruit and Retain Employees in the Company's Restaurants.
- Food-Borne Illness Concerns and Damage to the Company's Reputation.
- Concentration of the Company's Restaurants in the Washington, D.C. Region.

Risks Related to Cybersecurity, Information Technology and Data Management

- System Disruptions and Security Threats to the Company's Information Technology Infrastructure.
- Failure to Comply with Privacy Laws or Regulations.

Financial Risks

- Failure to Successfully Integrate Acquired Businesses.
- Changes in Business Conditions.

RISK FACTORS

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

Risks Related to the COVID-19 Pandemic

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

The COVID-19 pandemic and measures taken to prevent its spread, such as travel restrictions, shelter in place orders and mandatory closures, have materially affected the Company's businesses, including the demand for its products and services. Travel restrictions and school closures have impeded and will continue to impede the ability of students to travel to undertake overseas study or to accept a place or remain in their student halls of residence as long as they remain in place, and have reduced student applications for programs offered by Kaplan International's (KI) operations and halls of residence, including Kaplan Languages Group, KI Pathways, Kaplan Australia, Kaplan Singapore, MPW and certain KNA preparation programs that recruit foreign students. Instruction moving online reduced demand for halls of residence for international students and where such demand continued to exist in the first half of 2021, students sought discounts for periods they had not been able to stay in their accommodations due to COVID-19 travel restrictions. Further lockdowns or other measures in response to COVID-19 variants could negatively affect demand for housing and may result in residents again seeking discounts for periods they had not been able to stay in their accommodations. Travel restrictions, decreased enrollments and delays and cancellations of standardized tests have, and are expected to continue to, materially adversely affect the Company's revenues, operating results and cash flows. Manufacturing restrictions, including plant closures and disruptions in the Company's supply chains, declines in demand for products and advertising, restaurant and live art fair closures, competition for labor and COVID-19 absenteeism, and other developments related to the COVID-19 pandemic have also adversely impacted the Company's media, manufacturing, healthcare, automotive and other businesses. For example, at certain periods during the pandemic, the Company had to temporarily close all of its restaurants and entertainment venues pursuant to government orders, before later obtaining permission to resume indoor dining services. The long-term impact of the pandemic on public demand for crowded dining facilities cannot be predicted. Moreover, the Company cannot predict the duration or scope of the COVID-19 pandemic and what actions will be taken by governmental authorities and other third parties in response to the pandemic and new variants. On January 13, 2022, the U.S. Supreme Court blocked the Occupational Safety and Health Administration (OSHA) emergency temporary standard (ETS) requiring all employers with at least 100 employees to mandate vaccination or weekly testing for unvaccinated employees. In a separate decision, the U.S. Supreme Court allowed the federal Centers for Medicare & Medicaid Services (CMS) to enforce a vaccination mandate for healthcare employees at facilities receiving Medicare or Medicaid payments. Additional vaccine mandates may be announced in jurisdictions in which the Company's businesses operate. Vaccination mandates and other government mandated restrictions, such as density limitations and travel restrictions, may result in employee attrition and difficulty in meeting labor needs. The Company expects the COVID-19 pandemic and related developments to negatively impact its financial results and such impact is expected to be material to the Company's financial results, operations and cash flows. Additionally, to the extent the COVID-19 pandemic adversely affects the Company's business operations, financial condition or operating results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Risks Related to the Company's Education Business

Changes in International Regulations and Travel Restrictions Have Materially Adversely Affected and Together with Changes in Sanctions Could Continue to Materially Adversely Affect International Student Enrollments and Kaplan's Business.

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

In response to the COVID-19 pandemic, many governments have imposed student travel restrictions (applicable to exit and entry), made recommendations for their students to return home and closed physical campus locations, and many state and professional bodies have postponed or canceled examination dates related to state examinations and professional education programs, all of which have materially adversely affected Kaplan International's operations and resulted in significant losses at Kaplan Languages Group. The emergence of new variants of COVID-19, and consequential changes to travel and study arrangements could further negatively affect Kaplan International and its operating results. Further changes to the regulatory environment, including changes to government policy or practice in oversight and enforcement, or other factors, including geopolitical instability, imposition or extension of international sanctions, a natural disaster or pandemic in either the students' countries of origin or countries in which they desire to study, could continue to negatively affect Kaplan's ability to attract and retain students and negatively affect Kaplan's operating results. Additionally, increasingly, governments have begun imposing sales taxes on digital services, such as education, offered in their jurisdictions by foreign providers. Any significant changes to availability of government funding for education, visa policies or other administrative immigration requirements, or the tax environment, including changes to tax laws, policies and practices, in any one or more countries in which KI operates or makes its services available could negatively affect its operating results.

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

A substantial portion of KI's revenue comes from programs that prepare international students to study and travel in English-speaking countries. In 2021, university preparation programs were principally delivered in Australia, Singapore and the U.K. KI's ability to enroll students in these programs is directly dependent on its ability to comply with complex regulatory environments. For example, the impact of Brexit on KI over time will depend on the agreed terms of the U.K.'s withdrawal from the EU. Uncertainty over the impact and terms of Brexit trade deals may materially diminish interest in traveling to the U.K. for study. If the U.K. is no longer viewed as a favorable study destination, KI's ability to recruit international students would be adversely impacted, which would materially adversely affect KI's results of operations and cash flows.

Revised U.K. immigration rules became effective on January 1, 2021, as the Brexit transition was completed. Effective January 1, 2021, all international students, including EEA and Swiss students studying in the U.K. for more than six months, are included in the Student Route, unless they are undertaking an English language course under a Short-Term Study visa of up to 11 months. Free movement ceased between the EEA (together with Switzerland) and the U.K.; students from these countries entering the U.K. are now subject to the same U.K. immigration rules as students from outside the EEA and Switzerland. EEA and Swiss nationals commencing a higher education course in England from August 2021 will no longer qualify for home fee status or have access to financial support from Student Finance England. It is unclear how international student recruitment agents and prospective international students may view the U.K. as a study destination after the introduction of any new

immigration requirements and the U.K.'s exit from the EU. The introduction of revised immigration rules has historically increased, and may continue to increase, KI's operating costs in the U.K. The introduction of new visa and other administrative requirements for entry into the U.K., Brexit and the perception of the U.K. as a less favorable study destination may have a materially adverse impact on KI's ability to recruit international students and KI's results of operations and cash flows.

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

In January 2021, President Biden reversed a previously enacted ban on travel from certain countries to the U.S. and directed the State Department to restart visa processing for individuals from the affected countries. There have since been new, unrelated travel restrictions into the U.S. due to COVID-19, and those restrictions can be expected to continue changing. On September 25, 2020, the previous U.S. presidential administration proposed significant changes to the visa rules governing entry of non-immigrant academic students and exchange visitors. In July 2021, the Biden administration formally withdrew the notice of proposed rulemaking regarding these changes. Nevertheless, negative perceptions regarding travel to the U.S. could continue to have a significant negative impact on KI's ability to recruit international students, and Kaplan's business could be adversely and materially affected. In 2018, the Australian government introduced legislation that requires higher-level education standards, a compulsory national exam and increased continuing professional development requirements for all financial advisers in Australia. It had been expected that the new requirements could result in financial advisers leaving the industry, which would have resulted in a loss of those existing students for Kaplan Professional Australia. Although advisers did leave the industry, the market leading position of Kaplan Professional meant that its student numbers actually increased. In 2021, the numbers of advisers pursuing compulsory education upgrades slowed as advisers focused on completing the national exam requirement before a year-end deadline. As predicted, there has been a loss of existing advisers as a result of their unwillingness to meet the new standards. Although Kaplan Professional was able to increase its market share due, in part, to the increased annual continuing education development requirements, the legislation has had a negative impact on results of operations.

Difficulties of Managing Foreign Operations and Failure to Comply with Foreign Regulatory Requirements Have Negatively Impacted and Could Continue to Negatively Affect Kaplan's Business.

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

In June 2021, the Committee for Private Education (CPE) in Singapore instructed Kaplan Singapore to cease new enrollments for three marketing diploma programs on both a full and part-time basis due to noncompliance with minimum entry level requirements for admission and to teach out existing students in these programs. On August 23, 2021, the CPE issued the same instructions with respect to the Kaplan Foundation diploma and four information technology diploma programs on both a full and part-time basis. In November 2021, the CPE issued the same instructions with respect to a further 23 full-time or part-time diploma programs. Post regulatory action, Kaplan Singapore is currently still able to offer 449 programs that are registered with the CPE, out of which there are 16 diploma programs, 361 bachelors programs, with the balance comprising certificate and postgraduate courses. Kaplan Singapore will apply for re-registration of diploma programs in 2022. The impact from regulatory actions by the CPE will have a significant adverse impact on Kaplan Singapore's revenues, operating results and cash flows in the future. No assurance can be given that applications for re-registration of the impacted programs will be successful. An inability to re-register one or more impacted programs could have a further material adverse effect on Kaplan Singapore's revenues, operating results and cash flows.

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

The UK Pathways Colleges located in England were required to register with the Office for Students (OfS) to ensure they could continue operating as English higher education providers. The UK Pathways Colleges (excluding Glasgow and York) were entered on the OfS register of approved providers with Approved Fee Cap Status in August 2020. These colleges now operate under the regulatory oversight of the OfS. Colleges registered with the OfS under Approved Fee Cap status do not charge students Value Added Tax (VAT) on tuition fees based on a statutory exemption available to Approved Fee Cap providers. The York College forms part of the University of York's Approved Fee Cap registration. If KI Pathways were to lose its Approved Fee Cap status with the OfS, KI Pathways Colleges' financial results may be materially adversely impacted.

The Glasgow College is not currently included in the OfS registration as it is located in Scotland. Under a different statutory VAT exemption, bodies which qualify for VAT purposes as "colleges of a university" are able to exempt their tuition fees from VAT, and UK Pathways Glasgow College applies this status. In 2019, a tax case was determined by the U.K. Supreme Court on the meaning of "college of a university." The U.K. Supreme Court decided the case in the college's favor. The result was more favorable to private providers working in collaboration with a university. The U.K. Supreme Court emphasized five principal tests for a private provider to meet, for it to be sufficiently integrated with a university, to qualify as a "college of a university" even if it does not have a constitutional link to the university. Although the focus on these five tests has now been incorporated into official Her Majesty's Revenue and Customs (HMRC) guidance, it is not yet clear how HMRC will apply the Supreme Court judgment and the five key tests in practice. If the HMRC's application of the Supreme Court judgment and the five key tests deems Glasgow International College not to constitute a "college of a university" and not entitled to a VAT exemption, KI Pathways Colleges' financial results may be materially adversely impacted if they are not able to meet any new requirements.

Following the departure of the U.K. from the EU on December 31, 2020, the U.K. may further develop its VAT rules in this complex area separate from the EU rules. Kaplan is closely monitoring this area.

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

KNA provides services to Purdue Global, Purdue University and other Title IV participating institutions. KNA also provides financial aid services to Purdue Global, and as such, KNA meets the definition of a "third-party servicer" for Purdue Global contained in Title IV regulations. As a result, KNA is subject to applicable statutory provisions of Title IV and ED regulations that, among other things, require Kaplan to be jointly and severally liable with its Title IV participating client institution(s) to the ED for any violation by such client institution(s) of any Title IV statute or ED regulation or requirement. Separately, if KNA provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV audit of KNA's compliance with applicable ED requirements. KNA is also subject to other federal and state laws, including federal and state consumer protection laws and rules prohibiting unfair or deceptive marketing practices; data privacy, data protection and information security requirements established by federal, state and foreign governments, including, for example, the Federal Trade Commission; and applicable provisions of the Family Educational Rights and Privacy Act regarding the privacy of student records.

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

- The imposition on Kaplan of fines, other sanctions or liabilities, including repayment obligations for Title IV funds to the ED or the termination or limitation of Kaplan's eligibility to provide services as a third-party servicer to any Title IV participating institution if KNA fails to comply with statutory or regulatory requirements applicable to such service providers;
- Adverse effects on Kaplan's business and operations from a reduction or loss in KNA's revenues under the TOSA or any other agreement with any Title IV participating institution if a client institution loses or has limits placed on its Title IV eligibility, accreditation, operations or

state licensure or is subject to fines, repayment obligations or other adverse actions owing to noncompliance by KNA (or the institution) with Title IV, accreditor, federal or state agency requirements;

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

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

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

Under the ED's incentive compensation rule, an institution participating in Title IV programs may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV funds if such payment is based directly or indirectly on success in securing enrollments or financial aid. KNA is a third party providing bundled services to Title IV participating institutions, including recruiting and, in the case of Purdue Global, financial aid services. As such, KNA is also subject to the incentive compensation rule and cannot provide any commission, bonus or other incentive payment to any covered employees, subcontractors or other parties engaged in certain student recruiting, admission or financial aid activities based on success in securing enrollments or financial aid. In addition, Purdue Global's payments to KNA under the TOSA (as well as any other agreement with any Title IV participating institution) must comply with revenue sharing guidance provided by the ED related to bundled services agreements. In 2011 guidance, the ED provided that in certain arrangements with Title IV participating institutions where student recruiting services are "bundled" with other non-recruiting services, revenue sharing may be allowable despite the incentive compensation rule's general prohibition on such revenue sharing with entities or individuals that provide recruiting services. Because this guidance is not codified in any rule or law, but is instead an ED opinion on the applicability of the incentive compensation rule, such guidance can be revoked at any time and without notice. Some lawmakers and states, such as California, have publicly called for the revocation of this guidance or sought to introduce federal and state legislation seeking to prevent any such revenue sharing. The change of control of the executive branch and Congress in 2021 could increase the likelihood of changes to this guidance and to the incentive compensation rule. As previously described, the TOSA revenue sharing fee provisions are defined as deferred purchase price payments rather than payments for services. KNA's services are paid for as a percentage of KNA's costs of delivering those services to Purdue Global. KNA cannot predict how the ED or a federal court will interpret, revise or enforce all aspects of the incentive compensation rule or the bundled service revenue sharing guidance in the future or how they would be applied to the TOSA or any of KNA's agreements by the ED or in any litigation. Any revisions or changes in interpretation or enforcement could require KNA and its client institutions to change their practices or renegotiate the tuition revenue sharing payment terms of KNA's agreements with such client institutions and could have a material adverse effect on Kaplan's business and results of operations. Additionally, failure to comply with the incentive compensation rule could result in litigation or enforcement actions against KNA or its clients and could result in liabilities, fines or other sanctions against KNA or its clients, which could have a material adverse effect on Kaplan's business and results of operations.

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

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

Compliance Reviews, Program Reviews, Audits and Investigations, Including in Connection with Borrower Defense to Repayment Claims, Could Result in Findings of Noncompliance with Statutory and Regulatory Requirements and Result in Liabilities, Sanctions and Fines.

KNA and its client institutions are subject to reviews, audits, investigations and other compliance reviews conducted by various regulatory agencies and auditors, including, among others, the ED, the ED's Office of the Inspector General, accrediting bodies and state and various other federal agencies. These compliance reviews can result in findings of noncompliance with statutory and regulatory requirements that can, in turn, result in the imposition of fines, liabilities, civil or criminal penalties or other sanctions against KNA and its client institutions, which could have an adverse effect on Kaplan's financial results and operations. Separately, if KNA provides financial aid services to more than one Title IV participating institution, it will be required to arrange for an independent auditor to conduct an annual Title IV compliance audit of KNA's compliance with applicable ED requirements. KNA's client institutions are also required to arrange for an independent auditor to conduct an annual Title IV audit of their compliance with applicable ED requirements, including requirements related to services provided by KNA.

On September 3, 2015, Kaplan sold substantially all of the assets of the former Kaplan Higher Education Campuses (KHE Campuses). As part of the transaction, similar to the transfer of KU, Kaplan retained liability for the pre-sale conduct of the KHE schools. Although Kaplan no longer owns KU or the former KHE Campuses, Kaplan may be liable to the current owners of KU and the former KHE Campuses, for the pre-sale conduct of the schools, and the pre-sale conduct of the schools has been and could be the subject of future compliance reviews, regulatory proceedings or lawsuits that could result in monetary liabilities or fines or other sanctions.

On May 6, 2021, Kaplan received a notice from the ED that it would be conducting a fact-finding process pursuant to the borrower defense to repayment regulations to determine the validity of more than 800 borrower defense to repayment claims and a request for documents related to several of Kaplan's previously owned schools. Beginning in July 2021, Kaplan started receiving the claims and related information requests. In total, Kaplan received 1,449 borrower defense applications that seek discharge of approximately \$35 million in loans. Most claims received are from former KU students. The ED's process for adjudicating these claims is subject to the borrower defense regulations but it is not clear to what extent the ED will exclude claims based on the underlying statutes of limitations, evidence provided by Kaplan, or any prior investigation related to schools attended by the student applicants. Kaplan believes it has defenses that would bar any student discharge or school liability including that the claims are barred by the applicable statute of limitations, unproven, incomplete and fail to meet regulatory filing requirements. Kaplan expects to vigorously defend any attempt by the ED to hold Kaplan liable for any ultimate student discharges and is responding to all claims with documentary and narrative evidence to refute the allegations, demonstrate their lack of merit, and support the denial of all such claims by the ED. If the claims are successful, the ED may seek reimbursement for the amount discharged from Kaplan. If

the ED initiates a reimbursement action against Kaplan following approval of former students' borrower defense to repayment applications, Kaplan may be subject to significant liability.

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

KNA currently provides services to higher education institutions that are heavily regulated by federal and state laws and regulations and by accrediting bodies. Currently, a substantial portion of KNA's revenue is attributable to service fees and deferred purchase price payments it receives under its agreement with Purdue Global, which are dependent upon revenue generated by Purdue Global and upon Purdue Global's eligibility to participate in the Title IV federal student aid program. To maintain Title IV eligibility, Purdue Global and KNA's other client institutions must be certified by the ED as eligible institutions, maintain authorizations by applicable state education agencies and be accredited by an accrediting commission recognized by the ED. Purdue Global and KNA's other client institutions must also comply with the extensive statutory and regulatory requirements of the Higher Education Act and other state and federal laws and accrediting standards relating to their financial aid management, educational programs, financial strength, disbursement and return of Title IV funds, facilities, recruiting practices, representations made by the school and other parties, and various other matters. Additionally, Purdue Global and other client institutions are subject to laws and regulations that, among other things, limit student default rates on the repayment of Title IV loans; permit borrower defenses to repayment of Title IV loans based on certain conduct of the institution; establish specific measures of financial responsibility and administrative capability; regulate the addition of new campuses and programs and other institutional changes; require compliance with state professional licensure board requirements to the extent applicable to institutional programs; and require state authorization and institutional and programmatic accreditation. In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act of 2021, and subsequent guidance from the ED have created changes in the administration of federal financial assistance programs, the interpretation of which may not yet be fully understood.

If the ED finds that Purdue Global or any other KNA client institution has failed to comply with Title IV requirements or improperly disbursed or retained Title IV program funds, it may take one or more of a number of actions, including fining the school, requiring the school to repay Title IV program funds, limiting or terminating the school's eligibility to participate in Title IV programs, initiating an emergency action to suspend the school's participation in the Title IV programs without prior notice or opportunity for a hearing, transferring the school to a method of Title IV payment that would adversely affect the timing of the institution's receipt of Title IV funds, requiring the school to submit a letter of credit, denying or refusing to consider the school's application for renewal of its certification to participate in the Title IV programs or for approval to add a new campus or educational program and referring the matter for possible civil or criminal investigation. There can be no assurance that the ED will not take any of these or other actions in the future, whether as a result of lawsuits, program reviews or otherwise. In addition, on October 15, 2021, Purdue Global received from the ED a new PPPA granting provisional certification until June 30, 2022. Under this PPPA, Purdue Global must apply for and receive approval for expansion or any substantial change before it may award, disburse or distribute Title IV funds based on the substantial change. Substantial changes generally include, but are not limited to: (a) establishment of an additional location; (b) increase in the level of academic offering beyond those listed in the institution's Eligibility and Certification Approval Report (ECAR); (c) addition of any educational program (including degree, non-degree or short-term training programs), or (d) the addition of any new degree program. In addition, the institution must pay any liabilities found in a currently open program review prior to the expiration of the PPPA. The provisional certification ends upon the ED's notification to the institution of the ED's decision to grant or deny a six-year certification to participate in the Title IV, HEA programs. If Purdue Global or another KNA client institution loses or has limits placed on its Title IV eligibility, accreditation or state licensure, or if Purdue Global or another KNA client institution is subject to fines, repayment obligations or other adverse actions owing to its or Kaplan's noncompliance with Title IV regulations, accreditor or state agency requirements, or other state or federal laws, Kaplan's financial results of operations could be adversely affected. Additionally, as a prior owner of Title IV institutions, KNA may retain certain liability for student loans related to the current BDTR applications described above or future similar applications.

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

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

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

Kaplan's ability to realize the anticipated benefits of the Purdue Global transaction will depend, in part, on its ability to successfully and efficiently provide services to Purdue Global. Achieving the anticipated benefits is subject to a number of uncertainties, including whether the services can be provided in the manner and at the cost Kaplan anticipated and whether Purdue Global is able to realize anticipated student enrollment levels. If Kaplan is unable to effectively execute its post-transaction strategy, it may take longer than anticipated to achieve the benefits of the transaction or it may not realize those benefits at all. In 2022 Purdue Global began working with KNA to provide certain human resources, finance and accounting, facility management, and communications services itself, in-house.

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

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

The laws, regulations and other requirements applicable to KNA or any KNA client institutions are subject to change and to interpretation. Regulatory activity in 2022 may include possible restrictions on revenue sharing arrangements with universities, as discussed above, which could impact KNA Higher Education managed service provider contracts with Purdue, Purdue Global, Wake Forest and other client institutions. Additional regulatory, policy or legal changes could include imposing outcome metrics on universities, a form of free community college, changes to the financial aid system, and the reinstatement of broader borrower defenses to loan repayment. In addition, a Negotiated Rulemaking began in October 2021 that covered, in part, rules related to the borrower defense to repayment adjudication process and recovery from institutions, closed school loan discharges, disability loan discharges, public loan forgiveness, income driven repayment plans and arbitration agreements. As part of this current Rulemaking, in a session that began in January 2022, the ED also proposed a change to the Title IV definition of "Nonprofit" institution to generally exclude from that definition any institution that is an obligor on a debt owed to a former owner of the institution or maintains a revenue-based service agreement with a former owner of the institution. Such regulatory changes as well as those described above could subject

Purdue Global to additional regulatory requirements. Any resulting new rules or changes to existing rules are not likely to be effective until July 1, 2023. In addition, there are other factors related to Purdue Global's and other client institutions' compliance with federal, state and accrediting agency requirements—many of which are largely outside of Kaplan's control—that could have a material adverse effect on Purdue Global's and other client institutions' revenues and, in turn, on Kaplan's operating results, including, for example:

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

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

Legislative and regulatory change: Congress periodically revises the Higher Education Act and other laws and enacts new laws governing the Title IV programs and annually determines the funding level for each Title IV program and may make changes in the laws at any time. The ED and other federal and state agencies also may issue new regulations and guidance or change their interpretation of regulations at any time. For example, on September 23, 2019, the ED released new final regulations affecting the ability of student borrowers to obtain discharges of their obligations to repay certain Title IV loans that were first disbursed on or after July 1, 2020, and loans disbursed between July 2017 and July 1, 2020. The new regulations, among other things, expand the ability of borrowers to obtain loan discharges based on substantial misrepresentations. Application of these regulations to Purdue Global or other client institutions could materially affect revenue and result in liabilities to the ED. In addition, application of these regulations to KNA for loans disbursed between July 1, 2017, and March 22, 2018, the close of the Purdue Global transaction, could materially affect Kaplan's revenues. Additionally, changes to the ability of students to discharge loans owing to prior school closures could impose liability on Kaplan for loans made to students at institutions previously owned by Kaplan and closed during Kaplan's ownership. ED also published final regulations on September 2, 2020, regarding distance education and various other matters. Any action by Congress or the ED that significantly reduces funding for Title IV programs or the ability of Purdue Global or other client institutions to receive funding through these programs could reduce Purdue Global's or other client institutions' enrollments and tuition revenues and, in turn, the revenues KNA receives under the TOSA or other agreements. Any action by Congress or the ED that impacts the ability of Purdue Global to contract with KNA to receive a share of revenue as deferred payment for the sale of KU or the ability of KNA to contract with any client institution to provide bundled services in exchange for a share of tuition revenue could require KNA to modify the TOSA, other agreements or its practices and could impact the revenues KNA may receive under such agreements. Congress, the ED and other federal and state regulators may create new laws or take actions that may require Purdue Global, other client institutions or KNA to modify practices in ways that could have a material adverse effect on Kaplan's business and results of operations.

Increased regulatory scrutiny of postsecondary education and service providers: The increased scrutiny of online schools that offer programs similar to those offered by Purdue Global or other client institutions and of service providers that provide services similar to Kaplan's has resulted, and may continue to result, in additional enforcement actions, investigations and lawsuits by the ED, other federal agencies, Congress, state Attorneys General and state licensing agencies. Recent enforcement actions have resulted in substantial liabilities,

restrictions and sanctions and in some cases have led to the loss of Title IV eligibility and closure of institutions. The change of control of the executive branch and Congress in 2021 could increase the amount of regulation and scrutiny of service companies like Kaplan and online schools like Kaplan's client institutions. This increased activity and other current and future activity may result in further legislation, rulemaking and other governmental actions affecting the amount of student financial assistance for which Purdue Global's or other client institutions' students are eligible, or Kaplan's participation in Title IV programs as a third-party servicer to Purdue Global or such other client institutions. In addition, increased scrutiny and legislative proposals restricting the ability of entities like KNA that provide certain admissions related services to Title IV participating institutions under revenue sharing arrangements could impact KNA agreements. Such scrutiny could result in requests to Kaplan for information or negative publicity that could adversely affect KNA and its client institutions.

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

KNA Supplemental Education Exam Preparation provides courses that prepare students for a broad range of admissions examinations that are considered by colleges and graduate schools. Historically, colleges and graduate schools have required standardized tests as part of the admissions process. As a result of the COVID-19 pandemic, a number of colleges and graduate schools have waived standardized tests as part of the admissions process for the upcoming academic year or longer. These changes have had a negative impact on KNA's results of operations for the test preparation products. In addition, there had already been some movement away from the historical reliance on standardized admissions tests among certain colleges, which have phased out admissions tests, are in the process of phasing out admissions tests or have adopted "test-optional" admissions policies. Moreover, as a part of a settlement in a lawsuit brought by students in 2019, a large public university will no longer use the SAT and ACT for admissions or scholarship decisions for its system of 10 schools. Any significant reduction in the use of standardized tests in the college or graduate school admissions processes could have an adverse effect on Kaplan's operating results.

Additionally, KNA faces increased competition from competitors offering lower-cost or free test prep products that may be used by students to piece together alternatives to traditional comprehensive test prep programs. Kaplan's operating results may be adversely affected if student demand for KNA's traditional comprehensive programs shifts to KNA's lower-cost, standalone offerings, or if competitors offer lower-cost, standalone offerings or free test prep products that are more attractive to students than KNA's products.

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

A material portion of KNA's and KI's revenue comes from preparing individuals for licensing or technical proficiency examinations in various fields. Any significant relaxation or elimination of licensing or technical proficiency requirements in those fields served by KNA's and KI's businesses could negatively affect Kaplan's operating results. As a result of the COVID-19 pandemic, a number of professional certification examinations have been cancelled or permanently altered. While the impact of these changes on Kaplan's operations improved in 2021 relative to 2020, further changes and impacts on student timing due to the pandemic may impact Kaplan's results.

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

On September 3, 2015, Kaplan sold to ECA substantially all of the assets of the KHE Campuses. The transaction included the transfer of certain real estate leases that were guaranteed or purportedly guaranteed by Kaplan. ECA is currently in receivership, has terminated all of its higher-education operations and has sold most, if not all, of its remaining assets (including New England College of Business). Additionally, the receiver has repudiated all of ECA's real estate leases. Although ECA is

required to indemnify Kaplan for any amounts Kaplan must pay due to ECA's failure to fulfill its obligations under the real estate leases guaranteed by Kaplan, ECA's current financial condition and the amount of secured and unsecured creditor claims outstanding against ECA make it unlikely that Kaplan will recover from ECA. If Kaplan is not successful in mitigating these liabilities, the Company's results could be materially adversely impacted. In the second half of 2018, the Company recorded an estimated \$17.5 million in losses on guarantor lease obligations in connection with this transaction in other non-operating expense. The Company recorded an additional estimated \$1.1 million in non-operating expense in 2019 and \$1 million in non-operating expense in 2020, and \$1.1 million in non-operating expense in 2021, in each case consisting of legal fees and lease costs. The Company continues to monitor the status of these obligations.

Risks Related to the Company's Television Broadcasting and Media Businesses

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

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

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

The continuing growth and technological expansion of internet-based services has increased competitive pressure on the Company's media businesses. Examples of such developments include online delivery of programming, technologies that enable users to fast-forward or skip advertisements and devices that allow users to consume content on demand and in remote locations while avoiding traditional commercial advertisements or cable and satellite subscriptions. Changing consumer behavior may also put pressure on the Company's media businesses to change traditional distribution methods. The Company obtains significant revenue from its retransmission consent agreements with traditional cable and satellite distributors. These payments are on a per-subscriber basis and payments to the Company may decrease as customers "cut the cord" and cancel their cable and satellite subscriptions. The Company also receives payments for distribution of its stations' signals on certain online "over-the-top" services, however these revenues may be less than those from traditional cable and satellite distribution. Anticipating and adapting to changes in technology and consumer behavior on a timely basis will affect the Company's media businesses' ability to continue to increase their revenue. The development and deployment of new technologies and changing consumer behavior have the potential to negatively and significantly affect the Company's media businesses in ways that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

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

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

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

The Company cannot predict how the market will react to the new broadcast television station technical standard, ATSC 3.0, as the period for voluntary transition to the new standard has only recently begun, and some of the market rollouts originally planned for 2020 or 2021 have been delayed by the COVID-19 pandemic. Equipment manufacturers began releasing certain TV set models with built-in ATSC 3.0-capable receivers in 2020, but ATSC 3.0-capable consumer devices are not yet widely available in the U.S. As part of the voluntary transition, many station groups are beginning to test ATSC 3.0 streams. Notably, there is a large consortium led by Pearl TV (of which GMG is a member) that has been leading test trials in the Phoenix, Detroit, Portland and other markets. ATSC 3.0 streams are now available in more than 40 markets across the country. Competing stations that transition to ATSC 3.0 may increase competition for the Company's stations and/or create competitive pressure for the Company's stations to launch ATSC 3.0 streams. As noted above, GMG stations' WDIV-TV, WKMG-TV and KPRC-TV have begun broadcasting ATSC 3.0 streams over the course of 2020 and 2021. The transition to ATSC 3.0 may cause the Company to incur substantial costs over time. More generally, the deployment of ATSC 3.0 may have other material effects on the Company's media businesses that cannot now be reliably predicted and that may have a material adverse effect on the Company's operating results.

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

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

Risks Related to the Company's Manufacturing Businesses

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

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

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

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

could materially adversely affect the Company's results of operations, financial position or cash flows.

Failure to Recruit and Retain Production Staff Needed to Meet Customer Demand Could Have a Material Adverse Effect on the Company's Manufacturing Businesses.

The Company's manufacturing operations are experiencing a highly competitive market for production labor that may limit its ability to meet customer demand. If staffing cannot be hired at a cost-efficient wage rate relative to product pricing, volume will be impacted. In addition, COVID-19 absenteeism and potential vaccine mandates announced in jurisdictions in which the Company's manufacturing businesses operate, will result in employee attrition and difficulty in meeting labor needs. Both factors impacting labor availability could have an adverse effect on future revenues and costs, which could be material.

Risks Related to the Company's Healthcare Business

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

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

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

Managed-care organizations, hospitals, physician practices and other third-party payers continue to consolidate in response to the evolving regulatory environment, thereby enhancing their ability to influence the delivery of healthcare services and decreasing the number of organizations serving patients. This consolidation could adversely impact GHG's businesses if they are unable to maintain their ability to participate in established networks. In addition, CSI Pharmacy and Weiss Medical both face risks from manufacturer supply shortages, competitive vertical integration and pricing power, and government intervention on drug pricing.

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

Continued Nursing Staffing Shortages Could Adversely Affect the Growth of the Company's Healthcare Businesses.

The country's severe shortage of nurses could adversely affect GHG's ability to meet customer demand and may impact its ability to take on new business. In addition, competition to attract new nurses necessitates offering increased wages and benefits, which increases costs.

Risks Related to the Company's Automotive Businesses

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

The Company's automobile dealerships are dependent on maintaining strong relationships with manufacturers, and the Company's ownership and operation of automobile dealerships is subject to its

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

Changes Affecting Automobile Manufacturers Could Adversely Affect the Company's Automotive Business.

The Company's dealerships are dependent on the products and services offered by the brand of automobiles that its dealerships sell. The ability of the Company's dealerships to sell and service these brands may be adversely affected by negative conditions faced by manufacturers such as negative changes to a manufacturer's financial condition, negative publicity concerning a manufacturer or vehicle model, declines in consumer demand or brand preferences, changes in consumer preferences driven by fuel price volatility, disruptions in production and delivery, including those caused by natural disasters or labor strikes, new laws or regulations, including more stringent fuel economy and greenhouse gas emission standards, and technological innovations in ride-sharing, electric vehicles and autonomous driving. The ability of the Company's dealerships to align with manufacturers and adapt to evolving consumer demand for electric vehicles could adversely affect new and used vehicle sales volumes, parts and service revenue and results of operations.

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

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

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

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

Changes in Environmental Regulations Governing the Operations of the Automotive Business Could Result in Increased Costs.

The Company is subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the operation and removal of above-ground and underground storage tanks, the use, handling, storage and disposal of hazardous substances and other materials, and

the investigation and remediation of environmental contamination at facilities that are owned or operated. The business involves the generation, use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, filters, transmission fluid, antifreeze, refrigerant, batteries, solvents, lubricants, tires and fuel. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations and changes to such regulations could result in increased costs.

Changes in Economic Conditions and Vehicle Inventories Are Difficult to Predict and May Adversely Impact the Results of Operations of the Company's Dealerships.

Sales of new and used vehicles are cyclical. Historically there have been periods of downturns characterized by weak demand due to general economic conditions, excess supplies, consumer confidence, discretionary income and credit availability. Recently, supply shortages have led to a period of higher average new and used selling prices as a result of strong consumer demand and inventory shortages related to supply chain disruptions and production delays at vehicle manufacturers. These conditions may deteriorate in the future. Changes in these conditions could materially adversely impact sales and related margins of new and used vehicles, parts and repair and maintenance services.

Risks Related to the Company's Other Businesses

If Leaf is Unable to Successfully Drive Traffic to its Marketplaces and Media Properties and Expand its Customer Base for its Marketplaces, its Business and Results of Operations Would be Adversely Affected.

In order for Leaf's businesses to grow, Leaf must attract new visitors and customers to its marketplaces and media properties and retain its existing visitors and customers. Leaf's success in attracting traffic to its media properties and converting these visitors into repeat users depends, in part, upon Leaf's ability to identify, create and distribute high-quality and reliable content through engaging products and Leaf's ability to meet rapidly changing consumer demand. Leaf may not be able to identify and create the desired content or produce an engaging user experience in a cost-effective or timely manner, if at all. Leaf depends on search engines, primarily Google, to direct a significant amount of traffic to its media properties, and Leaf utilizes search engine optimization efforts to help generate search referral traffic to its media properties. If Leaf is unable to successfully modify its search engine optimization practices in response to changes regularly implemented by search engine algorithms and in search query trends, or if Leaf is unable to generate increased or diversified traffic from other sources such as social media, email, direct navigation and online marketing activities, Leaf could experience substantial declines in traffic to its media properties and to its partners' media properties, which would adversely impact Leaf's business and results of operations. One of the key factors to growing the marketplace platforms for Society6 Group and Saatchi Art Group is expanding their new and repeat customer base. Their ability to attract new customers, some of whom may already purchase similar products from competitors, depends in part on Leaf's ability to successfully drive traffic to Leaf's marketplaces using social media platforms, email marketing campaigns and promotions, paid referrals and search engines.

If Leaf is Unable to Effectively Distribute its Media Content on Social Media Platforms or Effectively Optimize its Mobile Solutions in Order to Improve User Experience or Comply with Requirements of Leaf's Advertising Partners, Leaf's Business and Results of Operation Could Be Negatively Impacted.

The number of people who access the internet through mobile devices such as smartphones and tablets, rather than through desktop or laptop computers, has increased substantially in recent years. Additionally, individuals are increasingly consuming publisher content through social media platforms. If Leaf cannot effectively distribute its media content, products and services on these devices or through these platforms, Leaf could experience a decline in visits and traffic and a corresponding decline in revenue. The significant increase in consumption of Leaf's media content on mobile devices and through social media platforms depresses revenue per one thousand visits, or RPVs. As a result of these factors, the increasing use of mobile devices and social media platforms to access Leaf's content could negatively impact its business and results of operations.

Further, consumers are increasingly conducting online shopping on mobile devices, including smartphones and tablets, rather than on desktop or laptop computers. Although Leaf continually strives to improve the mobile experience for users accessing its marketplaces through mobile devices, the smaller screen size and reduced functionality associated with some mobile device interfaces may make the use of Leaf's marketplace platforms more difficult or less appealing to its members. Historically, visits to Leaf's marketplaces on mobile devices have not converted into purchases as often as visits made through desktop or laptop computers, and the average order value for mobile transactions has been lower than desktop transactions. If conversion rates and average order values for mobile transactions on Leaf's marketplaces do not increase, the revenue and results of operations of Society6 Group and Saatchi Art Group may be adversely affected.

Leaf's Businesses Face Significant Competition, Which Leaf Expects Will Continue to Intensify, and Leaf May Not Be Able to Maintain or Improve its Competitive Position or Market Share.

Leaf's Society6 Group and Saatchi Art Group businesses compete with a wide variety of online and brick-and-mortar companies selling comparable products. Leaf expects competition to continue to intensify given the low barrier of entry into online channels and the increase in conversion and competition between online and offline businesses. Leaf's Media Group faces intense competition from a wide range of competitors. Leaf's current principal competitors include online media properties, some of which have much larger audiences than Leaf, for online marketing budgets. Leaf also competes with companies and individuals that provide specialized consumer information online, including through enthusiast websites, message boards and blogs. Many of Leaf's current and potential competitors enjoy substantial competitive advantages, such as greater brand recognition, greater technical capabilities, access to larger customer bases and, in some cases, the ability to combine their online marketing products with traditional offline media such as newspapers or magazines. These companies may use these advantages to offer similar products and services at a lower price, develop different products to compete with Leaf's current offerings and respond more quickly and effectively than Leaf can to new or changing opportunities, technologies, standards or customer requirements. For example, if Google chose to compete more directly with Leaf as a publisher of similar content, Leaf may face the prospect of the loss of business or other adverse financial consequences due to Google's significantly greater customer base, financial resources, distribution channels and patent portfolio.

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

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

Food-Borne Illness Concerns and Damage to the Company's Reputation Could Harm the Company's Restaurant Business.

Historically, reports of food-borne illness or food safety issues, even if caused by food suppliers or distributors, have had negative effects on restaurant sales. Because food safety issues could be experienced at the source by food suppliers or distributors, food safety could, in part, be out of the Company's control. Even instances of food-borne illness at a location served by one of the Company's competitors could result in negative publicity regarding the food service industry generally and could negatively impact restaurant revenue. Regardless of the source or cause, negative publicity about food-borne illness or other food safety issues could adversely impact the Company's reputation. Similarly, publicity about litigation, violence, complaints or government investigations could have a negative effect on restaurant sales.

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

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

Risks Related to Cybersecurity, Information Technology and Data Management

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

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

The Company's systems and the third-party systems on which it relies are subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses; security breaches; cyberattacks, including the use of ransomware; catastrophic events such as fires, floods, earthquakes, tornadoes and hurricanes; infectious disease outbreaks (such as COVID-19); acts of war or terrorism; and design or usage errors by our employees, contractors or third-party service providers. Although the Company and the third-party service providers seek to maintain their respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts may not be successful. As a result, the Company or its service providers could experience errors, interruptions, delays or cessations of service in key portions of the Company's information technology infrastructure, which could significantly disrupt its operations and be costly, time-consuming and resource-intensive to remedy. Any security breach or unauthorized access also could result in a misappropriation of the Company's proprietary information or the proprietary information of the Company's users, customers or partners, which could result in significant legal and financial exposure and damage to the Company's reputation. If an actual or perceived breach of the Company's security occurs, or if the Company's consumer facing sites become the subject of external attacks that affect or disrupt service or availability, the market perception of the effectiveness of the Company's security measures could be harmed and the Company could lose users, customers, advertisers or partners, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. Any security breach at a company providing services to the Company or the Company's users, including third-party payment processors, could have similar effects and the Company may not be fully indemnified for the costs it may incur as a result of any such breach. To the extent that such vulnerabilities require remediation, such remedial measures could require significant resources and may not be implemented before such vulnerabilities are exploited. As the cybersecurity landscape evolves, the Company may also find it necessary to make significant further investments to protect data and infrastructure, including continuing to evaluate control changes and investments needed to support an increased remote workforce. Any of these events could have a material adverse effect on the Company's businesses and results of operations. Sustained or repeated system failures or security breaches that interrupt the Company's ability to process information in a timely manner or that result in a breach of proprietary or personal information could have a material adverse effect on the Company's operations and reputation.

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

Various U.S. federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. This area of the law is evolving, and interpretations of applicable laws and regulations differ. Legislative activity in the privacy area may result in new laws that are relevant

to the Company's operations, including restrictions on the collection, use and sharing of consumer data that could limit our ability to use the data for marketing or advertising, and could result in exposure to material liability. For example, general data privacy regulations adopted by the European Union known as the General Data Protection Regulation (GDPR), became effective in May 2018. These regulations require certain of the Company's operations to meet extensive requirements regarding the handling of personal data, including its use, protection and transfer. In addition, the GDPR provides the legal right for persons whose data is stored to request access to or correction or deletion of their personal data, among other rights. Failure to meet the applicable requirements in the GDPR could result in fines of up to 4% of the Company's annual global revenues. In addition to the GDPR in Europe, new privacy laws and regulations are rapidly developing elsewhere around the globe, including amendments to the scope, penalties and other provisions of existing data protection laws. Failure to comply with these international data protection laws and regulations could have a negative impact on the Company's reputation and subject the Company to significant fines, penalties or other liabilities, all of which may increase the cost of operations, reduce customer growth, or otherwise harm the Company's business.

The California Consumer Privacy Act of 2018 (CCPA), which became effective on January 1, 2020, provided a new private right of action for data breaches and requires companies that process personal information pertaining to California residents to make disclosures to consumers about their data collection, use and sharing practices and allows consumers to opt out of certain data sharing with third parties. The enforcement of the CCPA by the California Attorney General commenced on July 1, 2020. In November 2020, the California Privacy Rights Act (CPRA) was approved by California voters, and goes into effect on January 1, 2023. The CPRA includes new requirements that are not in the CCPA. In 2020, Virginia and Colorado passed similar laws that are effective January 1, 2023 and July 1, 2023, respectively. In addition, data privacy bills have been introduced in various U.S. state legislatures, including, but not limited to Washington, New York and Florida. There are also bills that have been introduced at the U.S. federal level. The passage of any additional laws could result in further uncertainty and cause the Company to incur additional costs and expenses in order to comply. Compliance with the GDPR, the CCPA, the CPRA and other applicable international and U.S. privacy laws can be costly and time-consuming. If the Company fails to properly respond to security breaches of its or its third-party's information technology systems or fails to properly respond to consumer requests under these laws, the Company could experience damage to its reputation, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing the Company's growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities.

Claims of failure to comply with the Company's privacy policies or applicable laws or regulations could form the basis of governmental or private party actions against the Company and could result in significant penalties. Additionally, evolving concerns regarding data privacy may cause the Company's customers and potential customers to resist providing the data necessary to allow the Company to deliver its solutions effectively. Even the perception that personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales and any failure to comply with such laws and regulations could lead to significant fines, penalties or other liabilities. Such claims and actions could cause damage to the Company's reputation and could have an adverse effect on the Company's businesses.

Financial Risks

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

Acquisitions involve various inherent risks and uncertainties, including difficulties in efficiently integrating the service offerings, accounting and other administrative systems of an acquired business; the challenges of assimilating and retaining key personnel; the consequences of diverting the attention of senior management from existing operations; the possibility that an acquired business does not meet or exceed the financial projections that supported the purchase price; and the possible failure of the due diligence process to identify significant business risks or liabilities associated with the acquired business. In June 2021, the Company acquired Leaf, a diversified consumer internet company that builds creator-driven brands in lifestyle and home and art design categories. A failure to effectively manage growth and integrate acquired businesses such as Leaf could have a material adverse effect on the Company's operating results.

Changes in Business Conditions Have Caused and May in the Future Cause Goodwill and Other Intangible Assets to Become Impaired.

Goodwill generally represents the purchase price paid in excess of the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is not amortized and remains on the Company's balance sheet indefinitely unless there is an impairment or a sale of a portion of the business. Goodwill is subject to an impairment test on an annual basis and when circumstances indicate that an impairment is more likely than not. Such circumstances include an adverse change in the business climate for one of the Company's businesses or a decision to dispose of a business or a significant portion of a business. Each of the Company's businesses faces uncertainty in its business environment due to a variety of factors, including challenges in operating environments created by the COVID-19 pandemic. In the first quarter of 2020, the Company recorded a goodwill and indefinite-lived intangible asset impairment charge at Clyde's and an indefinite-lived intangible asset impairment charge at the auto dealerships. In the third quarter of 2021, the Company recorded a goodwill impairment charge at Dekko. Additional COVID-19 disruptions could result in future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with fair value estimates and could lead to additional future impairments, which could be material. The Company may experience other unforeseen circumstances that adversely affect the value of the Company's goodwill or intangible assets and trigger an evaluation of the amount of the recorded goodwill and intangible assets. There also exists a reasonable possibility that changes to the discounted cash-flow model used to perform the quantitative goodwill impairment review, including a decrease in the assumed projected cash flows or long-term growth rate, or an increase in the discount rate assumption, could result in an impairment charge. Future write-offs of goodwill or other intangible assets as a result of an impairment in the business could materially adversely affect the Company's results of operations and financial condition.