GRAHAM HOLDINGS

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 Company's Education Business

Changes in International Laws and Regulations and Travel Restrictions and Related Policy Announcements, Have Materially Adversely Affected and Together with Changes in Immigration Laws or 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 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 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 during the pandemic. The emergence of new pandemics and consequential changes to travel and study arrangements in one or more countries could 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 war, civil unrest, geopolitical instability, imposition or extension of international sanctions, a natural disaster or a 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. Increasingly, governments have begun imposing sales taxes on digital services, such as education, offered in their jurisdictions by foreign providers. Any significant changes to the availability of government funding for education or training, visa policies for students and their dependents, 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 responsibilities 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. Agencies at both local and national levels in other countries may also impose similar requirements on Kaplan International's operations outside the U.S.

A substantial portion of KI's revenue comes from programs that prepare international students to study and travel in English-speaking countries. In 2024, university preparation programs were principally delivered in Australia, New Zealand, 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.

KI's ability to enroll international students in programs in the U.K., U.S., Singapore, Australia, New Zealand, Canada and other countries and to recruit students for study with KI's partners is directly dependent on the laws and regulations governing student immigration. Changes to Australian and Canadian student immigration rules have impacted, and will continue to impact, KI's ability to recruit students for study at its own colleges and its partner universities. Overall, there is a trend of tightening of student immigration regulations and access to student visas worldwide, including, most recently, an Australian Government international indicative student visa approval target for post-secondary education providers. Since entering office in January 2025, the new U.S. presidential administration has issued executive orders and announced policy changes that may affect international student entry to, or ability to study in, the U.S., including increased visa vetting for individuals seeking to enter the U.S. and restrictions on conduct while in the U.S. Negative perceptions regarding travel to the U.S., as well as the legal and regulatory environment's susceptibility to change by the new administration, could have a negative impact on KI's ability to recruit international students, which could materially adversely affect Kaplan's U.S. Pathways business as well as the U.S.-based Kaplan Languages Group.

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. The U.K. government is considering a reduction to funding for the Level 7 apprenticeship (L7) in 2025. Presently, these apprenticeships, equivalent to masters degree level study, can be funded from U.K. employer apprenticeship levy payments. The apprenticeship levy are payments to the government by U.K. employers of a certain minimum size calculated as a percentage of the employer's tax bill. The U.K. government is proposing to restrict the ability of employers to access their levy funds so that these can no longer be used to fund apprenticeships at L7. If such a change were implemented, this would impact Kaplan Financial (a division of Kaplan Professional UK), an apprenticeship training provider whose U.K. apprenticeship business represents nearly 50% of Kaplan Professional UK's total revenue. Kaplan anticipates that employers would fund a significant portion of L7 outside of the levy paid for apprenticeships. The extent and timing of the proposed funding changes is not yet clear.

Difficulties and Expenses in Connection with Managing Properties in England and Scotland Could Materially Impact Kaplan's Expenses.

Kaplan has a number of real estate investments in England and Scotland, usually on long-term leases. As the tenant, Kaplan is required to keep the buildings in repair. Kaplan usually benefits from a package of contractor and subcontractor arrangements in relation to defects in the buildings due to poor construction or failure to adhere to property regulations during construction of the properties. If, however, the entities who have entered into these collateral agreements become insolvent or successfully assert another defense to a claim from Kaplan under the relevant agreement, Kaplan, as the tenant, may be expected to carry out work related to the relevant defect and/or bear the relevant cost of such work. The relevant costs may be material. Kaplan's ability to enforce collateral agreements may also be impacted by other factors, including but not limited to, the operation of Scottish law on time periods permitted to bring a claim. Kaplan may be required to bear some or all of the costs of work at two of its residences, the scope of which, and Kaplan's legal responsibility for undertaking it, is yet to be established.

Difficulties in 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, 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. Countries have also increasingly begun imposing national data protection laws, which increases compliance costs and creates additional legal risk in relation to operating internationally. New privacy or data protection legislation placing restrictions on the processing or export of personal information enacted in a jurisdiction where Kaplan operates could have a material and adverse effect should Kaplan be unable to process personal information needed to provide the services Kaplan offers or plans to offer. Failure to effectively manage these risks could have a material adverse effect on Kaplan's operating results.

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

The UK Pathways Colleges located in England were required to register with the 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 that qualify for VAT purposes as "colleges of a university" are able to exempt their tuition fees from VAT, and UK Pathways Glasgow International 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 His 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 HMRC's application of the Supreme Court judgment and the five key tests deem 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 European Union (EU) on December 31, 2020, the U.K. may further develop its VAT rules in this complex area separate from the EU rules. Kaplan continues to closely monitor this area.

Following the U.K. general election in July 2024, the Labour party formed a new government. Effective January 1, 2025, the new government ended the VAT exemption for private schools. The resulting 20% effective increase in tuition, boarding and other costs will materially impact enrollment of new and existing students at MPW. Kaplan believes the change currently only affects MPW but continues to carefully review the implementation of this policy. The new government has also increased employer's national insurance contributions, a tax paid by U.K. employers to fund government benefits programs that increases the costs of employment for all U.K. businesses. The new government may make other changes to U.K. tax laws which increase the tax costs of KI's activities in the U.K.

Possible Changes to the Department of Education Could Negatively Impact the Company's Operations and Businesses.

It has been reported that the current U.S. presidential administration is drafting an order aiming to eliminate the Department of Education. The order could involve reassigning functions to other federal agencies or state governments or eliminating or downsizing functions. It is unclear which functions will be deemed critical, and which could be phased out or downsized. Such changes could lead to operational interruptions to systems relied upon by Kaplan's partner institutions that could impact their ability to comply with obligations to Kaplan. Operational interruptions could also interfere with Kaplan's ability to deliver services.

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, including financial aid services, and as such, KNA is a "Third-Party Servicer" for Purdue Global as currently defined by the ED and in the 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 the ED expands the definition of what services or entities fall within the Third-Party Servicer regulations, and/or, 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 provides non-financial aid services to institutions such as Purdue University, Wake Forest University, and other Title IV participating institutions. As such, if the Third-Party Servicer regulations or the interpretation of those regulations by the ED change, KNA could be considered a Third-Party Servicer to its multiple client institutions as well.

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 Kaplan University 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, KNA's client Title IV institutions' payments to KNA (including payments under the TOSA with Purdue Global) 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 ED guidance on the applicability of the incentive compensation rule, such guidance can be revoked at any time and without notice. The ED has indicated it is considering a change to this guidance as 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 with entities that engage in recruiting students. The change of control of the executive branch in 2025 decreased the likelihood of changes to this guidance and to the incentive compensation rule or limitations on the bundled service allowance through additional federal rulemaking. As previously described, the TOSA revenue sharing provisions are deferred purchase price payments rather than payments for services. KNA's services under the TOSA 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 marketing and other services to Title IV participating institutions. On October 31, 2022, the ED published a new final rule governing the "Borrower Defense to Repayment" rules that became effective July 1, 2023. Among other things, the final rule refines the standard for aggressive and deceptive recruitment tactics that might constitute misrepresentation and provides additional bases for future borrowers' defense claims against their current or former 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 Kaplan University, Kaplan retained liability for the pre-sale conduct of the KHE schools. Although Kaplan no longer owns Kaplan University or the former KHE Campuses, Kaplan may be liable to the current owners of Kaplan University 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.

In May 2021, Kaplan received notice from the ED that it would be conducting a fact-finding process pursuant to the BDTR regulations to determine the validity of BDTR claims and a request for documents related to several of Kaplan's previously owned schools. In 2021, Kaplan received claims and related information requests seeking discharge of approximately $35 million in loans, excluding interest, from former Kaplan University students. 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. 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. On August 16, 2022, the ED announced the approval of discharges for just under 100 borrowers who had enrolled in the medical assistant or medical billing and coding program at Kaplan Career Institute's Kenmore Square location in Massachusetts from July 1, 2011 to February 16, 2012, when the institution stopped enrolling new students. These are borrowers the Massachusetts Attorney General identified as part of an investigation in 2013-2015. The location closed in February 2013. To date, the ED has not sought to recoup any discharged amount from Kaplan. Although the ED did not announce the total amount discharged, Kaplan believes it to be approximately $200,000. Kaplan believes that each of the students subject to discharge was likely previously covered by Kaplan's prior settlement with the Massachusetts Attorney General through which they should have received refunds of all or part of their tuition.

As part of the Sweet v. Cardona settlement described below, the ED agreed to review any borrower defense applications submitted between June 23, 2022, and November 15, 2022 on an expedited basis. In January 2024, Kaplan was informed that the ED received applications during this time period regarding former Kaplan University and Purdue Global students and Kaplan has begun to receive them. Unknown at this time is the total discharge amount sought or how much of that amount would apply to Kaplan University students. The Sweet v. Cardona settlement requires the ED to adjudicate applications received during the designated time period pursuant to the requirements of the 2016 Borrower Defense Regulation. To the extent these applications apply to Kaplan University, Kaplan anticipates that it will have defenses similar to those described above.

The settlement agreement in Sweet v. Cardona, a case brought by plaintiffs against the ED and discharges all pending BDTR claims against Kaplan filed through the date of the settlement agreement in June 2022. Although the ED may argue that it has the right to separately adjudicate those BDTR claims to attempt to seek recoupment from Kaplan, it is not clear whether a federal court would hold that the Sweet settlement resolves or moots all such claims. As noted above, the Sweet settlement also applies to claims filed prior to November 15, 2022. Although those post-June 23, 2022 claims were not automatically discharged, the settlement commits the ED to adjudicate those claims prior to January 2026.

In any case, Kaplan expects to vigorously defend any attempt by the ED to hold Kaplan liable for any ultimate student discharges and responded to the prior 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. Kaplan will similarly respond to all future claims it receives. As noted, 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 additional 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, in the case of the deferred purchase price, 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 BDTR 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; require compliance with the Title IV definition of nonprofit institution; 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, requiring the institution to comply with additional regulatory requirements reserved for schools not meeting the definition of a nonprofit institution including 90/10 and Gainful Employment requirements, and/or 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. On November 25, 2024, the ED approved Purdue Global’s Application for Participation in the Title IV program and granted a full Program Participation Agreement. This Program Participation Agreement expires on December 31, 2028 and will need to be renewed prior to that date pursuant to federal regulations. Pursuant to the terms of the Program Participation Agreement Purdue Global must report to the ED any accreditation or governmental agency action or class action lawsuit. 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 or future 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 the institution (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, pursuant to the TOSA, Purdue Global began providing certain functions previously provided by KNA in-house. Those functions include human resources, finance and accounting, facility management, and communications services. The TOSA (Kaplan's service agreement with Purdue Global) acknowledges that the Purdue Global Board of Trustees controls the university. While the TOSA provides financial protections to Kaplan to ensure payment of certain of its fees, actions by Purdue Global that change university policies, direct the provision of certain non-academic service functions, or increase costs associated with the non-academic service functions could impact Kaplan's ability to achieve the benefits of the transaction.

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. Regulations enacted as a result of a 2021 Negotiated Rulemaking, that became effective in July 2023 (July 2023 Regulations), include restrictions on revenue-sharing arrangements between universities and former university owners, as discussed above. This could impact KNA Higher Education managed service provider contracts with Purdue Global and other KNA client institutions such as Wake Forest, Purdue, Creighton, Lynn or others. In addition, the July 2023 Regulations included new rules and changes to existing rules related to 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, 2023; the BDTR adjudication process; recoupment of BDTR discharges from institutions; closed school loan discharges; disability loan discharges; public loan forgiveness; income-driven repayment plans; colleges and universities undergoing changes in ownership; and arbitration agreements. The ED also changed 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 and other KNA client institutions to additional regulatory requirements. Additionally, the application of the July 2023 Regulations related to BDTR 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. Further, the changes to the ability of students to discharge loans owed as a result of 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. These and other regulatory, policy or legal changes could include the imposition of outcome metrics on universities, a form of free community college, and changes to the financial aid system, including broad loan forgiveness. Other regulatory requirements or developments 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:

Reductions 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 may also 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.

Changes in legislation, regulations or interpretations: 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 may also issue new regulations and guidance or change their interpretation of regulations at any time. In addition, 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 Kaplan University 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.

Increases in 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, or private plaintiffs. 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 2025 could decrease the amount of regulation of service companies like Kaplan and online schools like Kaplan's client institutions. However, new legislation or regulation could affect Kaplan's participation in Title IV programs as a third-party servicer to Purdue Global or such other client institutions. In addition, legislative proposals that restrict the ability of entities like KNA to provide certain admissions-related services to Title IV participating institutions under revenue sharing arrangements could impact KNA agreements.

Reductions in the Use of Standardized Tests 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. Certain colleges have moved away from the historical reliance on standardized admissions tests.

Reductions in the use of standardized tests in college or graduate school admissions processes have had and could continue to have an adverse effect on KNA'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, stand-alone offerings, or if competitors offer lower-cost, stand-alone offerings or free test prep products that are more attractive to students than KNA's products.

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.

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

Changing Perceptions About the Effectiveness of Television Broadcasting in Delivering Advertising and Competition from Digital Platforms 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, particularly local advertising. There can be no guarantee that this historical perception will guide future decisions by advertisers. To the extent that advertisers shift advertising expenditures, including local advertising, away from broadcast television to other media outlets, including digital distribution platforms, the profitability of the Company's television broadcasting business could be adversely affected.

Increased Competition Resulting from Technological Innovations in 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 delivery of programming via online platforms, including both ad-supported and subscription video programming services and the national broadcast networks' direct-to-consumer services, 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. A number of these platforms make local programming, including local news, available to viewers and subscribers. Subscription service Amazon Prime Video has publicly discussed the availability of local news on its platform.

In many cases, internet-based platforms and services compete with GMG's broadcast stations for both viewers and advertising revenues. Changing consumer behavior may also put pressure on the Company's media businesses to alter traditional distribution methods. The Company obtains significant revenue from its retransmission consent agreements with traditional cable and satellite distributors.

These payments are calculated on a per-subscriber basis, so that payments to the Company may decrease as customers “cut the cord” and cancel their cable and satellite subscriptions. The Company also receives payments for the distribution of its stations’ signals on certain internet-based services (through “opt-in” agreements negotiated by the national networks and agreements with the networks for distribution of local programming on network-owned direct-to-consumer platforms); however, these revenues may be less than those received from traditional cable and satellite distribution. Anticipating and adapting to changes in technology and consumer behavior on a timely basis will affect the ability of the Company’s media businesses 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, including unregulated digital programming distribution platforms. 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, significant changes in applicable regulations could adversely affect the profitability and/or competitive positions of the Company’s businesses.

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 evolve as the new broadcast television station technical standard, ATSC 3.0, is made available in a growing number of television markets across the country; today, ATSC 3.0 streams are available in more than 75 markets. Competing stations that transition to ATSC 3.0 may increase competition for the Company’s stations and/or create competitive pressure for the Company’s stations to launch ATSC 3.0 streams. As noted above, all of GMG stations have begun broadcasting ATSC 3.0 streams. The pace of transition to and consumer adoption of the ATSC 3.0 broadcasting standard may also be affected by the availability of ATSC 3.0-capable consumer devices. Equipment manufacturers began releasing certain TV models with built-in ATSC 3.0-capable receivers in 2020, and an increasing number of external tuners or converter boxes are available, but ATSC 3.0-capable consumer devices are not yet widely available or in use in the U.S. The ongoing transition to ATSC 3.0 may have material effects on the Company’s media businesses that cannot now be reliably predicted and that may have an adverse effect on the Company’s operating results.

Changes in MVPD Subscriber Numbers, Retransmission Consent Fees, “Reverse Retransmission Consent” Payments to the Networks, and Broadcast Exclusivity Could Adversely Affect the Company’s Revenues.

As the number of subscribers to traditional cable, satellite and telecommunications services continues to decline, GMG faces the possibility of declining revenues under its existing retransmission agreements, which typically provide for payment to GMG on a per-subscriber basis. Those subscribers who “cut the cord” and move to internet-based subscription streaming services may not generate the same revenues as GMG receives under its existing retransmission consent agreements, because, as discussed above, the per-subscriber fees paid to network-affiliated stations under the distribution agreements that apply to vMVPDs may be less than the fees paid by traditional MVPDs under GMG’s retransmission consent agreements.

At the same time, GMG’s network affiliation agreements typically require payments to the networks with which GMG stations are affiliated in the form of “reverse retransmission consent fees,” which require GMG to share a specified portion of its retransmission consent revenues with the respective networks. As reverse retransmission consent fee payments required to be paid to the networks escalate, GMG potentially could retain smaller shares of revenues generated by its retransmission consent agreements. The reverse retransmission consent fee obligations are sometimes structured as annual flat fees. In those cases, as the number of subscribers to traditional MVPD platforms decreases, GMG bears the costs and risks of declining retransmission consent revenues.

As the national networks have launched and continue to market and invest in their direct-to-consumer platforms, an increasing amount of network programming, including valuable sports programming, that was once available exclusively on an in-market network-affiliated station is now being made available on ad-supported or subscription services such as Paramount+ (CBS) and Peacock (NBC), either exclusively or simultaneously with its over-the-air broadcast. Disney has announced it is planning to launch new direct-to-consumer sports programming service ESPN Flagship in 2025. The diminishing program exclusivity provided by network affiliation could decrease local broadcasters’ leverage in retransmission consent negotiations with MVPDs. This paradigm could create a growing imbalance for GMG, as “reverse retrans” payments to the networks increase at the same time network-affiliated stations’ exclusivity–and with it, the revenues generated by retransmission consent agreements–continues to decline.

Taken together, these factors together could adversely affect GMG’s revenues and operating results.

Risks Related to the Company’s Manufacturing Businesses

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 have experienced in recent years a highly competitive market for production labor. While the market has improved, competitiveness in the industrial sector for experienced skilled workers will continue, which 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.

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.

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 payors, 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 payors 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 Impact 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 payors, which could result in negative findings that adversely impact the business. The federal Centers for Medicare and Medicaid Services (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. The costs associated with these actions as well as potential negative outcome could materially adversely affect GHG’s results of operations.

Federal and State Changes to Reimbursement and Other Aspects of Medicare and Medicaid Could Have a Material Adverse Effect on the Company’s Healthcare Business.

The Company’s Healthcare business derives revenue primarily from Medicare. Payments received from Medicare are subject to changes made through federal legislation. When changes are implemented, internal billing processes and procedures must be modified, which can require significant time and expense. These changes can include changes to base payments, adjustments for home health services, changes to cap limits and per diem rates for hospice services, changes to Medicare eligibility and documentation requirements and changes designed to restrict utilization. Health care reform and legislation and continuing efforts of governmental payors to contain health care costs could decrease payments made for services. Within the Medicare program, the hospice benefit is often specifically targeted for cuts. Reimbursement payments under governmental payor programs, including Medicare supplemental insurance policies, may not remain at levels comparable to present levels or be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to these programs. Any such changes, including retroactive adjustments, could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

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.

Value-based Purchasing Could Negatively Impact Medicare Reimbursement.

Both private and government payors are increasingly looking to value-based purchasing to lower costs. Value-based purchasing focuses on quality of outcomes and care efficiency, rather than quantity of care. Effective January 1, 2023, under the 2022 Home Health final rule for Medicare home health providers, value-based purchasing was expanded to all 50 states. Under the expanded model, home health agencies receive adjustments to their Medicare fee-for-service payments based on their performance against a set of quality measures, relative to their peers' performance. Performance on these quality measures in a specified year (performance year) impacts payment adjustments in a later year (payment year). The Home Health Final Rule for 2024, published on November 1, 2023, introduced significant updates that will take effect in 2025, altering the risk profile for home health providers. These changes include a redefined set of quality measures, updated performance benchmarks, and adjustments to payment methodologies, potentially intensifying the financial and operational pressures on providers. CMS could also create a similar plan for hospice providers in the future. Private and government payors' implementation of value-based purchasing requirements could negatively impact Medicare reimbursement and have an adverse effect on GHG's financial condition, results of operations and overall cash flows.

The Company's Healthcare Business Is Limited in its Ability to Control Rates Received for its Services, Which Could Materially Adversely Affect its Business if it Is Unable to Maintain or Reduce Costs to Provide Such Services.

Medicare is the primary payor for the Company's Healthcare business and rates are established through federal legislation. Additionally, non-Medicare rates are difficult to negotiate because such payors are under pressure to reduce their own costs. As a result, the Healthcare business must manage costs in order to achieve a desired level of profitability including, but not limited to, centralization of various processes, utilization of technology/automation and management of the number of employees utilized. If the Healthcare business is unable to streamline its processes and reduce costs, its business and consolidated financial condition, results of operations and cash flows could be materially adversely affected.

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 subject to state laws, 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 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 the results of the Company's dealerships.

Risks Related to the Company's Other Businesses

If Saatchi Art is Unable to Attract and Retain Artists, Convert Visitors, Retain Customers and Successfully Drive Traffic to its Marketplaces and Events, its Business and Results of Operations Would Be Adversely Affected.

Saatchi Art's business and results of operations depend upon attracting and retaining artists whose artwork adds value to its marketplaces and that consumers want to purchase, and upon attracting customers who convert into new and repeat purchasers. Saatchi Art must continue to ensure there is a strong value proposition for artists to join and remain in the marketplace due to the quality of the service offered and the sales commissions it can generate. If Saatchi Art is unable to do any of these functions effectively, then its business and results of operations would be adversely affected.

If Society6 is Unable to Attract and Retain Customers and Successfully Drive Traffic to its Marketplace, its Business and Results of Operations Would Be Adversely Affected.

Society6's business and results of operation depend upon attracting and retaining customers who convert into new and repeat purchasers. Its ability to attract new customers, some of whom may already purchase similar products from competitors, depends in part on its ability to successfully drive traffic to its marketplace using social media platforms, email marketing campaigns and promotions, paid referrals, and search engines. If Society6 is unable to effectively attract and retain customers, then its business and results of operations would be adversely affected.

If WGB Is Unable to Attract and Retain Visitors and Successfully Drive Traffic to its Media Properties, its Business and Results of Operations Would Be Adversely Affected.

WGB's business and results of operations depend upon attracting new visitors to its media properties and retaining its existing visitors. WGB's success in attracting traffic to its media properties and converting these visitors into repeat users depends, in part, upon its ability to identify, create and distribute high-quality and reliable content and meet rapidly changing consumer demand. WGB 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. WGB depends on search engines to direct a significant amount of traffic to its media and marketplace properties, and WGB utilizes search engine optimization efforts to help generate search referral traffic to its media properties. Changes in the methodologies or algorithms used by search engines to display results have caused and could continue to cause WGB's properties to receive less favorable placements in the search results. If WGB 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 WGB is unable to generate increased or diversified traffic from other sources such as social media, email, direct navigation and online marketing activities, WGB could continue to experience substantial declines in traffic to its media properties which would adversely impact WGB’s business and results of operations.

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. Tipped wage legislation is presenting new challenges to balance menu pricing, service standards, staffing levels, operating costs and public awareness as new wage laws are implemented.

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 at restaurants, even if caused by food suppliers or distributors, have had negative effects, and may continue to have, 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 the Company’s restaurant business.

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 the Company’s Stock Ownership and Operations

As a Controlled Company, the Rights of Class B Common Stockholders Are Limited.

The Company has two classes of shares, Class A Common Stock and Class B Common Stock. Class B Common Stock has limited voting rights, including the right to elect 30% of the Company’s Board of Directors, to vote on the reservation of shares for option grants and on the acquisition of the stock or assets of other companies under certain circumstances. The descendants of Katharine Graham and trusts for the benefit of those descendants own the majority of the shares of Class A Common Stock and have the right to vote for 70% of the Board of Directors and to vote on all other matters. As a result, control of the Company has been and is expected to remain with members of the Graham family. In addition, the Company is a “controlled company” under the corporate governance rules of the New York Stock Exchange (NYSE) and as such, the Company is exempt from certain corporate governance requirements of the NYSE.

Pandemics or Other Outbreaks of Disease, Such as the COVID-19 Pandemic, Have Had, and Future Outbreaks Could Have, Adverse Impacts on the Company’s Businesses.

Pandemics and other disease outbreaks, such as the COVID-19 pandemic, have materially affected, and may in the future, materially adversely affect the Company’s businesses, including the demand for its products and services. As a result of the COVID-19 pandemic, travel restrictions and school closures impeded the ability of students to travel to undertake overseas study resulting in reduced enrollments for programs offered by KI, reduced demand for student housing and delays and cancellations of standardized tests. The adverse impact of a new health crisis could include, and in the past has included, reduced demand for the Company’s products and services, supply chain disruptions, asset impairment charges, labor and manufacturing disruptions and restaurant and other closures.

Failure to Comply with Environmental and Health and Safety Laws Applicable to the Company’s Operations Could Negatively Impact the Company’s Businesses.

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 Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA) and state and local regulatory authorities in the U.S. as well as similar laws and regulations internationally where the Company operates. Such laws and regulations affect operations and require compliance with various environmental registrations, licenses, permits, inspections and other approvals. In the U.K., the Company will be subject to new registration requirements under the U.K. Building Safety Act in 2022 with respect to its dormitories as well as compliance with existing U.K. and local legislation regarding licensing occupancy of such dormitories. 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.

Environmental laws and regulations to which the Company is subject include 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 by the Company. The Company may be subject to liability, for example, in the automotive business, because 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. In addition, climate change could cause increases in hurricanes, floods, wildfires, and other risks that could produce losses affecting the Company’s businesses. Although in connection with certain acquisitions, the Company has obtained indemnification for certain environmental liabilities and insurance policies, such rights and policies may not be sufficient to reimburse the Company for all losses that it might incur. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs to comply with such laws and regulations and changes to such regulations, including any new regulations related to climate change, could give rise to additional compliance or remedial costs.

Failure to Successfully Integrate Acquired Businesses Could Negatively Affect the Company’s Operating Results.

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

Changes in Business Conditions 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 macro-economic factors, pandemics and changes in demand for products and services. In the fourth quarter of 2024, the Company recorded an intangible asset impairment of $22.9 million of the MPW brand name and in the second quarter of 2024, the Company recorded a goodwill and intangible asset impairment of $26.3 million at WGB due to substantial digital advertising revenue declines. Additional declines in revenue could result in 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.

Changes in International Income Tax Laws Have Subjected and Could Further Subject the Company to Increased Taxes and Increased Compliance Costs.

Many countries have proposed or enacted changes to their tax laws to implement a minimum 15% tax rate on certain multinational companies based on a set of rules known as Pillar Two issued by the Organization for Economic Co-operation and Development (OECD). Global tax developments, such as Pillar Two, have subjected and could further subject the Company to increased taxes and increased compliance costs.

Current Tariffs and the Introduction of Additional Tariffs Could Increase Material Costs and Reduce Demand

The Company's businesses purchase materials from suppliers in both the U.S. and other countries, including Mexico, Canada and China. Some of its businesses source products and parts from regions that have already been subject to tariffs that have impacted the cost of their products. Should new tariffs be levied on goods or materials imported from other countries, it could result in cost increases to both the Company and its customers and could impact customer demand. Widespread imposition of tariffs could materially adversely affect the Company's results of operations.

Risks Related to Cybersecurity, Privacy, Artificial Intelligence and Intellectual Property

System Disruptions and Security Threats to the Company's Information Technology Infrastructure, or Those of Third Parties, 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 have been subjected to, and will continue to be subject to, damage or interruption from a number of causes, including but not limited to power outages; computer and telecommunications failures; computer viruses; industry-wide software supply chain vulnerabilities and security breaches; cyberattacks, including phishing and other forms of social engineering such as deepfakes, hacking, denial-of-service attacks, cyber extortion, including the use of ransomware and other actions or attempts to exploit vulnerabilities; 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. The techniques used by computer hackers and cyber criminals to obtain unauthorized access to data or to sabotage computer systems change frequently, continue to grow in sophistication and volume, and may not be detected until after an incident has occurred. These techniques include using artificial intelligence, including generative AI to enhance their attacks, which may increase our cybersecurity risk. 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, including manufacturing production delays, 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. In addition, minor incidents, even if dealt with promptly, could lead to severe legal, financial and reputational issues, such as investigations by authorities, enforcement, lawsuits and negative publicity, and a collection of incidents, though not considered material individually at the time they occur, may be deemed material later in the aggregate.

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 personal 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 personal data that could limit our ability to use the data for marketing or advertising, and could result in exposure to material liability. For example, data privacy regulations adopted by the EU 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 and being implemented 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 or restrict the Company's ability to continue operating its existing business processes, 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 went into effect on January 1, 2023. The CPRA included new requirements that were not in the CCPA. Similar privacy laws also went into effect in Virginia, Colorado, Connecticut and Utah during 2023, other privacy laws have been passed that will go into effect in 2024 and 2025, and data privacy bills continue to be introduced at the state level. There are also comprehensive privacy bills that have been introduced at the U.S. federal level. In addition to the comprehensive privacy laws and bills, the recent emergence of new AI tools has raised some additional information security and privacy issues. There are currently numerous bills for new laws to regulate the use of AI both at the U.S. federal and state level, and in other locations in which the Company does business such as the EU. 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 an individual's 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.

Uncertainty in the Development, Deployment, and Use of AI in the Company's Products and Services, as Well as its Businesses More Broadly, Could Adversely Affect the Company's Business and Reputation.

The Company is building and expects to use systems and tools that incorporate AI-based technologies, including generative AI, for its customers and workforce. The development, adoption and use of generative AI technology remains in early stages, and effective or inadequate AI or generative AI development or deployment practices by the Company or third parties could result in unintended consequences. For example, AI algorithms that the Company uses may be flawed or may be (or perceived to be) based on datasets that are biased or insufficient. In addition there is uncertainty around the validity and enforceability of intellectual property rights related to the Company's development, deployment and use of AI. Compliance with new or changing laws, regulations or industry standards relating to AI may impose significant operational costs and may limit the Company's ability to develop, deploy or use AI technologies. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action or brand and reputational harm.

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 property 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 with copyright holders, 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.