MARKETAXESS HOLDINGS INC
Form 8-K
July 12, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): July 12, 2006
MarketAxess Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware	**0-50670**	**52-2230784**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

140 Broadway, 42nd Floor
New York, New York 10005

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code **(212) 813-6000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01 Other Events.

MarketAxess Holdings Inc. (the Company) has launched a new trading service, DealerAxess , for interdealer trading of fixed-income securities. Participation in the DealerAxess service is limited to broker-dealers. In addition, consistent with current market practice, all DealerAxess trading activity is conducted anonymously, and MarketAxess Corporation acts as riskless principal in all DealerAxess transactions.

Beginning with the report of the Company s June 2006 monthly trading volumes to be released on July 12, 2006, volumes from the DealerAxess service will be included in the Company s reported U.S. high-grade or Other trading volumes, as appropriate. Consistent with reporting standards for the NASD s Transaction Reporting and Compliance Engine (TRACE), both sides of each interdealer trade will be included in the Company s reported trading volumes.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	MARKETAXESS HOLDINGS INC.
Date: July 12, 2006	By: /s/Richard M. McVey
	Name: Richard M. McVey
	Title: Chief Executive Officer

;margin-left:10.0pt;text-indent:-10.0pt;"> *UE, formerly ISLA*

On April 1, 2011, Laureate financed a portion of the acquisition of UE with two seller notes. The principal amount of the first seller note was EUR 1,485 (US $1,630 at December 31, 2015), and repayment was made in three equal annual installments of EUR 495 (US $543 at December 31, 2015) with the final installment paid in 2014. The first seller note was non-interest bearing. The principal amount of the second seller note is EUR 4,650 (US $5,103 at December 31, 2015) and is payable in five installments. The first three annual installments of EUR 550 (US $604) were paid on December 31, 2012, 2013 and 2014. The fourth annual installment of EUR 1,500 (US $1,646) was paid on December 31, 2015 and the final annual installment of EUR 1,500 (US $1,646) is payable on December 31, 2016. The annual interest rate on the second seller note is 3%. Since the notes bear interest at lower than market rates, at the acquisition date Laureate recorded the seller notes at the present value of EUR 4,870 (US $6,866 at the date of acquisition), which is being accreted over the terms of the notes. As of December 31, 2015, the carrying value of the remaining note payable was $1,541.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Due to Shareholders of Acquired Companies (Continued)

CEDEPE

Laureate financed a portion of the acquisition of CEDEPE with a seller note. The principal amount of the seller note is BRL 4,400 (US $1,123 at December 31, 2015), and repayment is due in five installments. The seller note incurs interest based on the CDI. The first installment of BRL 700 (US $179 at December 31, 2015) was due on January 4, 2013. The remaining four installments of BRL 925 (US $236 at December 31, 2015) are due annually on the anniversary of the acquisition closing date, of which two installments remain to be paid. Since the note bears interest at lower-than-market rates, Laureate recorded the seller note as of the acquisition date at the present value of BRL 3,872 (US $988), which will be accreted over the term of the note. As of December 31, 2015, the remaining carrying value of the note was $464.

Uni IBMR

On December 21, 2009, Laureate acquired a majority interest in Uni IBMR, financing part of the purchase with a seller note. During the year ended December 31, 2015, Uni IBMR settled its due to shareholder liability through the non-cash transfer of a certain building to the former owners of Uni IBMR, in accordance with the terms of the original purchase agreement.

THINK

At December 31, 2014, Laureate has recorded a current liability of $3,273 payable to the former owners of THINK, representing a contingent consideration payable under the terms of the 2013 purchase agreement. The liability was recorded through a charge to Direct costs since it was not a measurement period adjustment. This liability was paid in full in January 2015.

UPN

As part of the 2007 purchase agreement for UPN, one of Laureate's institutions in Peru, an additional amount of consideration (an earn-out payment) was payable to the sellers of UPN. On September 16, 2013, Laureate made a payment of $11,399 to the sellers. Of the $11,399, $5,725 related to compensation paid to the sellers and was therefore classified as an operating cash flow on the 2013 Consolidated Statement of Cash Flows. The remaining $5,674 was recorded within Payments of contingent consideration for acquisitions in the investing activities section of the 2013 Consolidated Statement of Cash Flows. The remaining liability balance of $1,275 as of December 31, 2014 related to contingent consideration due to one of the sellers. Full payment was made during the year ended December 31, 2015 and was included in Payments of contingent consideration for acquisitions in the investing activities section of the 2015 Consolidated Statement of Cash Flows.

M-Power Group

As described in Note 4, Acquisitions, on April 8, 2013, Laureate financed a portion of the acquisition of M-Power with a seller note that carried an annual interest rate of 10%. The principal amount of the seller note was approximately INR 535,000 and repayment was due in four installments. These installments of approximately INR 153,000 were due and paid in six-month increments starting October 8, 2013 with the final installment paid on April 8, 2015 (US $1,326 at date of payment).

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Due to Shareholders of Acquired Companies (Continued)

INTI

As described in Note 4, Acquisitions, Laureate acquired an additional 6.4% equity interest in INTI during the fourth quarter of 2014. The total purchase price was approximately $6,783, which included approximately $6,200 of purchase consideration paid in 2014 and estimated additional purchase price of $583. Payment of this amount was made during the year ended December 31, 2015.

Note 6. Business and Geographic Segment Information

Laureate's educational services are offered through four operating segments: LatAm, Europe, AMEA, and GPS. Laureate determines its operating segments based on information utilized by the chief operating decision maker to allocate resources and assess performance.

On May 2, 2016, we announced a change to our operating segments in order to align our structure more geographically. Our institution in Italy, Nuova Accademia di Belle Arti Milano (NABA), including Domus Academy, moved from our GPS segment into our Europe segment. Media Design School (MDS), located in New Zealand, moved from our GPS segment into our AMEA segment. Following the change, the GPS segment will focus on Laureate's fully online institutions operating globally and its campus-based institutions in the United States. This change was reflected in the segment information beginning in the second quarter of 2016, the period in which the change occurred. In addition, all segment information that is presented for the years ended December 31, 2015, 2014 and 2013 in these Consolidated Financial Statements has also been revised to reflect this segment change.

The LatAm segment consists of campus-based institutions and has operations in Brazil, Chile, Costa Rica, Honduras, Mexico, Panama and Peru and has contractual relationships with a licensed institution in Ecuador. The institutions provide an education that emphasizes applied, professional-oriented fields of study with undergraduate and graduate degree programs. The programs at these institutions are mainly campus-based and are primarily focused on local students. In addition, the institutions in our LatAm segment have begun introducing online and hybrid (a combination of online and in-classroom) courses and programs to their curriculum. Brazil and Chile have government-supported financing programs for higher education, while in other countries students generally finance their own education.

The Europe segment consists of campus-based institutions with operations in Cyprus, France, Germany, Italy, Morocco, Portugal, Spain and Turkey. The institutions generate revenues by providing professional-oriented undergraduate and graduate degree programs. Several institutions have begun to introduce online and hybrid programs. Students in the Europe segment generally finance their own education.

The AMEA segment consists of campus-based institutions with operations in Australia, China, India, Malaysia, New Zealand, South Africa and Thailand. AMEA also manages 11 licensed institutions in the Kingdom of Saudi Arabia and manages one additional institution in China through a joint venture arrangement. The institutions generate revenues by providing professional-oriented undergraduate and graduate degree programs. Students in the AMEA segment generally finance their own education.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Business and Geographic Segment Information (Continued)

The GPS segment consists of accredited online institutions, which serve students globally, and campus-based institutions serving students in Spain, Switzerland, the United Kingdom and the United States. The GPS segment also manages one hospitality and culinary institution in China and one hospitality and culinary institution in Jordan through joint venture and other contractual arrangements. The online institutions primarily serve working adults with undergraduate and graduate degree programs. The campus-based institutions primarily serve traditional students seeking undergraduate and graduate degrees, particularly in the fields of hospitality, art and design, culinary, and health sciences. In the United States, students have access to government-supported financing programs.

Intersegment transactions are accounted for in a similar manner as third party transactions and are eliminated in consolidation. The "Corporate" amounts presented in the following tables includes corporate charges that were not allocated to our reportable segments and adjustments to eliminate intersegment items.

We evaluate segment performance based on Adjusted EBITDA, which is a non-GAAP profit measure defined as (Loss) income from continuing operations before income taxes and equity in net income (loss) of affiliates, adding back the following items: Foreign currency exchange loss, net, Other income (expense), net, (Loss) gain on derivatives, Loss on debt extinguishment, Interest expense, Interest income, Depreciation and amortization expense, Impairment charges on long-lived assets, Share-based compensation expense and, beginning in 2014, expenses related to our Excellence-in-Process (EiP) initiative. EiP is an enterprise-wide initiative to optimize and standardize Laureate's processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. It includes the establishment of regional shared services organizations around the world, as well as improvements to the Company's system of internal controls over financial reporting.

When we review Adjusted EBITDA on a segment basis, we exclude intercompany revenues and expenses, related to network fees and royalties between our segments, that eliminate in consolidation. We use total assets as the measure of assets for reportable segments. Expenditures for long-lived assets include purchases of property and equipment, purchases of land use rights and expenditures for deferred costs, which are classified as investing activities in the Consolidated Statements of Cash Flows.

The following tables provide financial information for our reportable segments, including a reconciliation of Adjusted EBITDA to (Loss) income from continuing operations before income taxes

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Business and Geographic Segment Information (Continued)

and equity in net income (loss) of affiliates, as reported in the Consolidated Statements of Operations, for the years ended December 31, 2015, 2014 and 2013:

	LatAm	Europe	AMEA	GPS	Corporate	Total
2015:						
Revenues	$ 2,415,641	$ 486,235	$ 422,134	$ 979,920	$ (12,271)	$ 4,291,659
Adjusted EBITDA	463,691	78,439	49,869	226,804	(115,395)	703,408
Depreciation and amortization expense	147,975	32,407	39,260	55,497	7,807	282,946
Total assets	3,823,859	690,514	782,613	1,768,009	374,121	7,439,116
Expenditures for long-lived assets	230,146	27,239	40,716	46,877	21,880	366,858
2014:						
Revenues	$ 2,532,451	$ 533,862	$ 405,555	$ 954,494	$ (11,680)	$ 4,414,682
Adjusted EBITDA	541,975	72,777	30,130	222,998	(94,355)	773,525
Depreciation and amortization expense	152,142	34,131	38,035	59,071	4,952	288,331
Loss on impairment of assets	125,449	273		66		125,788
Total assets	4,506,531	720,211	839,651	1,909,293	382,438	8,358,124
Expenditures for long-lived assets	269,186	47,694	61,834	50,126	7,578	436,418
2013:						
Revenues	$ 2,340,867	$ 501,398	$ 202,251	$ 872,426	$ (3,061)	$ 3,913,881
Adjusted EBITDA	466,664	72,745	(4,843)	205,581	(93,675)	646,472
Depreciation and amortization expense	136,758	30,786	18,083	52,535	4,563	242,725
Loss on impairment of assets	21,967	1,095	1,987	8,533		33,582
Expenditures for long-lived assets	367,167	42,008	54,384	45,094	10,878	519,531

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Business and Geographic Segment Information (Continued)

For the years ended December 31,	2015	2014	2013
Adjusted EBITDA of reportable segments:			
LatAm	$ 463,691	$ 541,975	$ 466,664
Europe	78,439	72,777	72,745
AMEA	49,869	30,130	(4,843)
GPS	226,804	222,998	205,581
Total Adjusted EBITDA of reportable segments	818,803	867,880	740,147
Reconciling items:			
Corporate	(115,395)	(94,355)	(93,675)
Depreciation and amortization expense	(282,946)	(288,331)	(242,725)
Loss on impairment of assets		(125,788)	(33,582)
Share-based compensation expense	(39,021)	(49,190)	(49,512)
EiP expenses	(44,484)	(10,716)	
Operating income	336,957	299,500	320,653
Interest income	13,328	21,822	21,805
Interest expense	(398,042)	(385,754)	(350,196)
Loss on debt extinguishment	(1,263)	(22,984)	(1,361)
(Loss) gain on derivatives	(2,607)	(3,101)	6,631
Other income (expense), net	195	(1,184)	7,499
Foreign currency exchange loss, net	(149,178)	(109,970)	(3,102)
(Loss) income from continuing operations before income taxes and equity in net income (loss) of affiliates	$ (200,610)	$ (201,671)	$ 1,929

Geographic Information

No individual customer accounted for more than 10% of Laureate's consolidated revenues. Revenues from customers by geographic area, primarily generated by students enrolled at institutions in those areas, were as follows:

For the years ended December 31,	2015	2014	2013
External revenue			
United States	$ 731,979	$ 718,641	$ 647,046
Mexico	678,030	741,649	701,830
Brazil	672,372	712,921	568,443
Chile	536,530	585,645	629,185
Peru	356,684	322,938	270,519
Spain	200,284	234,781	230,822
Other foreign countries	1,115,780	1,098,107	866,036
Consolidated total	$ 4,291,659	$ 4,414,682	$ 3,913,881

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 6. Business and Geographic Segment Information (Continued)

Long-lived assets are composed of Property and equipment, net. Laureate's long-lived assets of continuing operations by geographic area were as follows:

December 31,	2015	2014
Long-lived assets		
Chile	$ 374,101	$ 421,904
Peru	278,501	258,352
Mexico	253,459	293,331
Brazil	211,675	300,405
United States	197,067	176,958
Spain	179,957	205,510
China	139,922	148,865
Switzerland	79,893	79,185
Other foreign countries	576,325	629,809
Consolidated total	$ 2,290,900	$ 2,514,319

Note 7. Goodwill and Other Intangible Assets

Goodwill

The change in the net carrying amount of Goodwill from December 31, 2013 through December 31, 2015 was composed of the following items:

	LatAm	Europe	AMEA	GPS	Total
Balance at December 31, 2013	$ 1,465,704	$ 142,230	$ 137,340	$ 631,404	$ 2,376,678
Acquisitions	398,587		25,197		423,784
Dispositions					
Impairments	(77,094)				(77,094)
Currency translation adjustments	(212,472)	(38,244)	(18,853)	15,996	(253,573)
Adjustments to prior acquisitions					
Balance at December 31, 2014	1,574,725	103,986	143,684	647,400	2,469,795
Acquisitions		5,980	989		6,969
Dispositions					
Impairments					
Currency translation adjustments	(334,714)	(10,570)	(17,439)	(796)	(363,519)
Adjustments to prior acquisitions	2,652				2,652
Balance at December 31, 2015	$ 1,242,663	$ 99,396	$ 127,234	$ 646,604	$ 2,115,897

As of both December 31, 2015 and 2014, accumulated goodwill impairment losses were $136,430, with $77,094, $19,660 and $39,676 relating to our LatAm, GPS and AMEA segments, respectively.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Goodwill and Other Intangible Assets (Continued)

Other Intangible Assets

Amortization expense for intangible assets subject to amortization was $20,430, $17,697 and $6,527 for the years ended December 31, 2015, 2014 and 2013, respectively. The estimated future amortization expense for intangible assets for the years ending December 31, 2016, 2017, 2018, 2019, 2020 and beyond is $11,225, $7,219, $6,006, $4,357, $3,077 and $20,313, respectively.

The following table summarizes our identifiable intangible assets as of December 31, 2015:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
Subject to amortization:				
Student rosters	$ 94,833	$ (85,794)	$ 9,039	3.1
Non-compete agreements	6,085	(6,085)		
Other	69,822	(26,664)	43,158	12.0
Not subject to amortization:				
Tradenames	1,361,125		1,361,125	
Total	$ 1,531,865	$ (118,543)	$ 1,413,322	

The following table summarizes our identifiable intangible assets as of December 31, 2014:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Yrs)
Subject to amortization:				
Student rosters	$ 114,909	$ (89,612)	$ 25,297	3.1
Non-compete agreements	6,935	(6,935)		
Other	89,016	(21,249)	67,767	12.8
Not subject to amortization:				
Tradenames	1,461,762		1,461,762	
Total	$ 1,672,622	$ (117,796)	$ 1,554,826	

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Goodwill and Other Intangible Assets (Continued)

Impairment Tests

The following table summarizes the Loss on impairment of assets:

For the years ended December 31,	2015	2014	2013
Impairments of Tradenames, by segment:			
LatAm	$	$ 47,650	$ 21,967
Europe			1,094
AMEA			
GPS			2,632
Total Impairments of Tradenames		47,650	25,693
Impairments of Goodwill LatAm segment		77,094	
Impairments of Deferred costs and Other intangible assets, net		273	4,478
Impairments of long-lived assets		771	3,411
Total	$	$ 125,788	$ 33,582

We perform annual impairment tests of our non-amortizable intangible assets, which consist of Goodwill and Tradenames, in the fourth quarter of each year. The impairment charges discussed below were recorded to reduce the assets' carrying values to fair value.

For the purposes of our annual impairment testing of the Company's goodwill, fair value measurements were determined primarily using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 20, Fair Value Measurement. These inputs include our expectations about future revenue growth and profitability, marginal income tax rates by jurisdiction, and the rate at which the cash flows should be discounted in order to determine this fair value estimate. Where a market approach is used, the inputs also include publicly available data about our competitors' financial ratios and transactions.

For purposes of our annual impairment testing of the Company's indefinite-lived tradename assets, fair value measurements were determined using the income approach, based largely on inputs that are not observable to active markets, which would be deemed "Level 3" fair value measurements as defined in Note 20, Fair Value Measurement. These inputs include our expectations about future revenue growth and profitability, marginal income tax rates by jurisdiction, and the rate at which the cash flows should be discounted in order to determine the fair value estimate for indefinite-lived tradenames using a relief-from-royalty method. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors in determining certain assumptions to assist us in estimating fair value using market participant assumptions.

2014 Loss on Impairment of Assets

In 2014, we recorded a total impairment loss of $125,788. Tradenames were impaired in the aggregate amount $47,650 related to two Chilean institutions in our LatAm segment. Also in our LatAm segment, Goodwill was impaired in the amount of $77,094, which related to our institutions in

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Goodwill and Other Intangible Assets (Continued)

Costa Rica, Honduras and Panama. Our Europe segment recorded impairments of deferred costs of $273. Our LatAm and GPS segments recorded impairments of long-lived assets of $705 and $66, respectively.

Of the total impairment of Tradenames in LatAm, approximately $16,400 related to UDLA Chile. This is an additional impairment to the charge taken in 2013. The primary driver for this additional charge was the secondary intake of enrollment that occurred during the third quarter of 2014, which provided us with additional information regarding the projected financial performance of UDLA Chile and that indicated that the financial impact of the loss of accreditation was larger than initially estimated. The Company also revised its estimates around the timing of enrollments following reaccreditation. As a result, management performed an impairment test and determined that the estimated fair value of the intangible asset was less than its carrying value. Accordingly, the Company recorded an impairment charge in order to adjust the carrying value of the intangible asset to its new estimated fair value of approximately $24,000.

The remaining impairment of Tradenames in LatAm of approximately $31,250 related to UNAB in Chile, in order to adjust the intangible asset to its new estimated fair value of approximately $76,000. The impairment at UNAB resulted from our expectation of reduced margins and lower pricing, as compared to the assumptions contained in the models previously used to value the intangible assets. The lower projections reflect weaker operating performance compared to the prior long-range plan, combined with reduced expectations as a result of a regulatory environment that favors public rather than private supply in higher education. In addition, due to the uncertainty that currently exists in Chile, the Company has decided to reduce its expected capital expenditures for growth in that market for the foreseeable future. As a result, the long-range plan used to calculate the fair value of the UNAB Tradename asset contains lower growth and profitability assumptions than the plan used in prior years for such purposes.

The Goodwill impairment of $77,094 in LatAm at our institutions in Costa Rica, Honduras and Panama can be attributed to a weaker long-range outlook as compared to the assumptions contained in the models previously used to value the intangible assets. The primary driver of this weaker outlook is a shortfall in 2014 enrollments which has caused us to decrease our long-term enrollment projections. The softened enrollment outlook has also resulted in pricing pressure on revenue. Cost cutting measures have been taken by management to mitigate margin erosion. The softer long-term outlook resulted in a lower valuation for the reporting unit. As a result of the 2014 impairment test, the Goodwill balances at these institutions were entirely written off.

2013 Loss on Impairment of Assets

In 2013, we recorded a total impairment loss of $33,582. Tradenames were impaired in the aggregate amount of $25,693 related to institutions in our LatAm, Europe and GPS segments, which recorded impairments of $21,967, $1,094 and $2,632, respectively. Our AMEA segment recorded impairments of long-lived assets of $1,987 for certain buildings that were impaired in 2013. Our GPS segment also recorded impairments of long-lived assets of $1,424 and impairments of Deferred costs and Other intangible assets, net of $4,478.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Goodwill and Other Intangible Assets (Continued)

The impairment of Tradenames in LatAm related to UDLA Chile. The primary driver for this charge was a reduction in this institution's projected revenue and income following UDLA Chile's loss of accreditation, as discussed in Note 2, Significant Accounting Policies. The current impairment charge is based on management's best estimates using current available and knowable information about the short and long term implications to the UDLA Chile financial forecast. The current projections assume reaccreditation in 2016. We will continue to monitor the situation and additional impairment losses may result from greater than expected attrition and failure to obtain reaccreditation in 2016.

The Tradenames impairment of $1,094 in our Europe segment related to one institution in Italy, and the Tradenames impairment of $2,632 in our GPS segment related to two institutions in the U.S. The impairment at the Italian institution of $1,094 resulted from our expectation of reduced margins, as compared to the assumptions contained in the models previously used to value the intangible assets. The reduced margin expectations result primarily from the ongoing weakness in the European economies, which has caused pricing decreases at certain of the institutions included in this segment, as well as enrollment declines as compared to the projections used to value the intangible assets.

In the U.S., one of the institutions recorded a Tradenames impairment of $1,300, which primarily resulted from our expectation of further reduced margins and cash flows at one institution as compared to our initial projections contained in the previous model used to value the intangible assets at this institution during our 2012 impairment testing. These expectations of further reduced margins and cash flows are largely due to the continuing poor economic conditions in the U.S., continued media focus on the cost of education as compared to earnings potential, as well as the regulatory environment, which are discussed in Note 19, Legal and Regulatory Matters. All of these factors have caused the Company to reduce its expectation of future performance for this institution. In the first quarter of 2014, one of our U.S. institutions, NHU, decided to stop enrolling new students and teach out the existing cohort of students. This decision was driven in part by recent regulatory changes. As a result, the Company has written off the entire Tradenames value of $1,332 related to this institution. In addition, NHU LLC, also wrote down capitalized curriculum, which is recorded in Deferred costs, net by $4,478 and software, which is recorded in Property and equipment, by $1,338, as it was determined that the curriculum and software cannot be redeployed. There was also an impairment of other long-lived assets in the GPS segment of $86.

Note 8. Land Use Rights

The Company has acquired rights to use certain properties for periods ranging from 20 to 899 years. The land use rights recorded for AMEA had a combined net carrying value of $46,544 and $50,290 at December 31, 2015 and 2014, respectively. The land use rights recorded for Europe have a net carrying value of $1,983 and $1,572 at December 31, 2015 and 2014, respectively. The land use rights recorded for the LatAm region have a net carrying value of $1,809 and $2,130 at December 31, 2015 and 2014, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Land Use Rights (Continued)

The land use rights recorded at net carrying value on the Company's Consolidated Balance Sheets are summarized as follows:

December 31,	2015	2014
Cost	$ 52,617	$ 54,904
Less: Accumulated amortization	(2,281)	(912)
Land use rights, net	$ 50,336	$ 53,992

Amortization expense of land use rights was $1,496, $1,547 and $1,737 for the years ended December 31, 2015, 2014 and 2013, respectively. As discussed in Note 17, Related Party Transactions, during the year ended December 31, 2014, HIEU wrote off land use rights with a net carrying value of approximately $4,350 related to several parcels of land for which it no longer has land use rights.

As of December 31, 2015, amortization expense related to land use rights for the next five years and thereafter is as follows:

2016	$ 1,495
2017	1,495
2018	1,495
2019	1,495
2020	1,495
Thereafter	42,861
Total	$ 50,336

Note 9. Debt

Outstanding long-term debt was as follows:

December 31,	2015	2014
Senior long-term debt:		
Senior Secured Credit Facility (stated maturity dates March 2018 and June 2018), net of discount	$ 2,084,093	$ 2,180,406
Senior Notes due 2019 (stated maturity date September 2019), net of discount	1,436,214	1,382,711
Total senior long-term debt	3,520,307	3,563,117
Other debt:		
Lines of credit	74,335	106,046
Notes payable and other debt	738,684	593,605
Total senior and other debt	4,333,326	4,262,768
Capital lease obligations and sale-leaseback financings	247,256	304,099
Total long-term debt	4,580,582	4,566,867
Less: total unamortized debt issuance costs	69,294	80,094

Less: current portion of long-term debt		192,354		233,286
Long-term debt, less current portion	$	4,318,934	$	4,253,487

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

As of December 31, 2015, aggregate annual maturities of the senior and other debt, excluding capital lease obligations and sale-leaseback financings, were as follows:

December 31, 2015	Senior and Other Debt
2016	$ 180,851
2017	156,248
2018	2,155,339
2019	1,541,692
2020	126,477
Thereafter	186,656
Total	4,347,263
Less: discount, net	(13,937)
Total senior and other debt	$ 4,333,326

The estimated fair value of our debt was determined using observable market prices, as the majority of our securities, including the Senior Secured Credit Facility and the Senior Notes due 2019, are traded in a brokered market. The fair value of our remaining debt instruments approximates carrying value based on their terms. As of December 31, 2015 and 2014, our long-term debt was classified as Level 2 within the fair value hierarchy, based on the frequency and volume of trading in the brokered market. The lower estimated fair value at December 31, 2015, as compared to the carrying amount, is primarily due to an approximately $550,000 trading discount related to the $1,436,214 Senior Notes due 2019 and an approximately $300,000 trading discount related to the $2,084,093 Senior Secured Credit Facility. The estimated fair value of our debt was as follows:

	December 31, 2015		December 31, 2014	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Total senior and other debt	$ 4,333,326	$ 3,482,417	$ 4,262,768	$ 4,222,334

Senior Notes

Overview

On May 13, 2008, Laureate incurred certain indebtedness with an aggregate principal amount of $1,005,822, consisting of:

1. $260,000 of senior cash pay notes (the Senior Cash Pay Notes);
2. $435,822 of senior toggle notes (the Senior Toggle Notes); and
3. $310,000 of senior subordinated notes (the Senior Subordinated Notes).

The proceeds from the issuance of the Senior Cash Pay Notes, the Senior Toggle Notes and the Senior Subordinated Notes were used to repay the outstanding balances of certain loans, plus accrued interest and associated fees and expenses, originated as part of the 2007 LBO.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

On July 25, 2012, we completed an offering of $350,000 aggregate principal amount of 9.250% Senior Notes due 2019 (the Senior Notes due 2019). The net proceeds received from the debt offering were $343,000, after payment of underwriter fees of $7,000, and were used to repay a portion of our senior secured multi-currency revolving credit facility.

On November 13, 2012, we completed an offering of $1,050,000 aggregate principal amount of additional 9.250% Senior Notes due 2019. The notes are treated as a single series with the $350,000 of 9.250% Senior Notes due 2019 that were issued in July 2012. The Company used the net proceeds from the sale of the additional Senior Notes due 2019 to purchase all of the outstanding Senior Toggle Notes and the Senior Cash Pay Notes, and to fully repay certain debt instruments under the Company's senior secured term loan facility, including the Closing Date Term Loan, the Delayed Draw Term Loan, and the Series A New Term Loan.

As discussed further in Note 13, Share-based Compensation, and Note 17, Related Party Transactions, on December 29, 2015 we issued $50,046 aggregate principal amount of Senior Notes due 2019 to the participants of the nonqualified share-based deferred compensation arrangement.

The Senior Notes due 2019 are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis, by each of Laureate's wholly owned domestic subsidiaries that guarantee Laureate's obligations under the Senior Secured Credit Facility. The Senior Notes due 2019 rank junior to the Senior Secured Credit Facility.

Senior Notes due 2019

The $1,450,046 Senior Notes due 2019 have a stated maturity of September 1, 2019. Laureate could redeem some or all of the Senior Notes due 2019 at any time prior to September 1, 2015, in each case at a price equal to 100% of the principal amount of the notes redeemed plus the applicable "make-whole" premium, and accrued and unpaid interest and special interest, as discussed in 'Registration of Senior Notes due 2019' below. The make-whole premium is defined as the greater of: (1) 1.00% of the notes' principal amount; and (2) any amount by which the present value of the redemption price of such redeemed notes, plus all required interest payments through September 1, 2015, computed using a discount rate equal to the United States Treasury Rate plus 50 basis points, exceeds the principal amount of such redeemed notes. Prior to September 1, 2015, Laureate could redeem up to 40% of the principal amount of the Senior Notes due 2019 at a redemption price equal to 109.250% of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more equity offerings. From and after September 1, 2015, we may redeem all or part of the Senior Notes due 2019 at redemption prices starting at 106.938% of the principal amount thereof and decreasing from there each year thereafter until September 1, 2018, plus accrued and unpaid interest. From and after September 1, 2018, we may redeem all or part of the Senior Notes due 2019 at a redemption price of 100%, plus accrued and unpaid interest.

The interest rate for the Senior Notes due 2019 is fixed at 9.25%, excluding the special interest discussed below, and is payable semi-annually in arrears on March 1 and September 1 each year, beginning March 1, 2013. Of the total $1,450,046 of Senior Notes due 2019, $350,000 were issued in July 2012 at par, and $1,050,000 were issued in November 2012 at a price of 97.750% of face amount, resulting in an original debt discount of $23,625, which is being amortized to interest expense over the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

term of the notes. The remaining $50,046 of Senior Notes due 2019 were issued on December 29, 2015 as discussed above. As of December 31, 2015, the outstanding balance on the Senior Notes due 2019 was $1,436,214, net of the remaining debt discount of $13,832. As of December 31, 2014, the outstanding balance on the Senior Notes due 2019 was $1,382,711, net of the remaining debt discount of $17,289.

Registration of Senior Notes due 2019 Laureate and its guarantors agreed to (1) file a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes due 2019 for new notes having terms substantially identical in all material respects to the outstanding notes (except that the new notes will not contain transfer restrictions or provide for special interest); or (2) file a shelf registration for the resale of the notes. We were required to use all commercially reasonable efforts to cause the registration statement to be declared effective on or before July 25, 2014. Since the registration statement was not declared effective by July 25, 2014, we have incurred special interest at a rate equal to 0.25% per annum for the first 90-day period of the outstanding indenture indebtedness on the outstanding notes, 0.50% per annum for the next 90-day period, and 0.75% thereafter, as liquidated damages until the registration statement is declared effective and the exchange offer is completed. In December 2015, the Company filed a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes due 2019.

The requirement to register the Senior Notes due 2019 qualifies as a "registration payment arrangement" under ASC 825-20, "Financial Instruments Registration Payment Arrangements." ASC 825-20 requires us to record a liability if we determine that it is probable that consideration, such as special interest, will be paid to the counterparty under the registration payment arrangement, and if that consideration can be reasonably estimated. Accordingly, we have recorded a liability for the amount of special interest on the Senior Notes due 2019 that we have determined to be probable and estimable based on our expected timing of registration as of each balance sheet date. As of December 31, 2015 and 2014, we had a total contingent liability for special interest on the Senior Notes due 2019 of $8,100 and $12,200, respectively, recorded in Accrued expenses and Other long-term liabilities in our Consolidated Balance Sheets, through a corresponding adjustment to Interest expense in our Consolidated Statement of Operations.

Senior Cash Pay Notes and Senior Toggle Notes

The $260,000 Senior Cash Pay Notes and the $435,822 Senior Toggle Notes had a stated maturity of August 15, 2015. The redemption prices of these notes started at 105% of the principal amount for the Senior Cash Pay Notes and 105.125% of the principal amount for the Senior Toggle Notes and decreased from there if redeemed after August 15, 2012, plus accrued and unpaid interest. As discussed above, the Senior Cash Pay Notes and Senior Toggle Notes were paid in full during the fourth quarter of 2012 with proceeds from the issuance of the additional Senior Notes due 2019.

Senior Subordinated Notes

The $310,000 Senior Subordinated Notes had a stated maturity of August 15, 2017. From and after August 15, 2012, we could redeem all or part of the Senior Subordinated Notes at redemption prices starting at 105.875% of the principal amount thereof and decreasing from there each year thereafter, plus accrued and unpaid interest. The interest rate for the Senior Subordinated Notes was fixed at

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

11.75%, excluding the special interest discussed below, and was payable semi-annually in arrears on February 15 and August 15 each year. On April 9, 2013, we commenced a tender offer to purchase for cash any and all of our outstanding 11.75% Senior Subordinated Notes, which had an outstanding balance of $285,944 at that date. Senior Subordinated Notes with a principal amount of $67,328 were tendered on or before 5:00 p.m., New York City time, on April 22, 2013 (the Early Tender Date), and the holders of those notes received the full tender offer consideration of $1.06375 for each $1 principal amount of notes accepted for purchase. Also in April 2013, Laureate called for redemption all remaining Senior Subordinated Notes not purchased in the tender offer. Accordingly, $218,616 principal amount of Senior Subordinated Notes were repaid on May 23, 2013. Holders of all purchased notes also received any accrued and unpaid interest and special interest on the notes from the last interest payment date to, but not including, the date of payment for purchased notes. As described below, Laureate obtained the proceeds required to repay the notes by borrowing an additional $310,000 on the same terms as its existing 2018 Extended Term Loan in April 2013. We paid a total of $17,136 of tender premiums and fees and call premiums which were capitalized as debt issuance costs.

Registration of Senior Cash Pay Notes, Senior Toggle Notes, and Senior Subordinated Notes Laureate and its guarantors agreed to (1) file a registration statement with the SEC for a registered offer to exchange the Senior Cash Pay Notes, the Senior Toggle Notes, and the Senior Subordinated Notes, for new notes having terms substantially identical in all material respects to these outstanding notes (except that the new notes will not contain transfer restrictions or provide for special interest); or (2) file a shelf registration for the resale of the notes. We were required to use all commercially reasonable efforts to cause the registration statement to be declared effective and to complete the exchange offer on or before January 1, 2011.

We did not comply with this SEC filing requirement on or before January 1, 2011, and were therefore subject to a "Registration Default" until these notes were repaid. During the period in which the Registration Default existed, special interest accrued on the outstanding indebtedness under the Senior Cash Pay Notes, the Senior Toggle Notes and the Senior Subordinated Notes at a rate equal to 0.25% per annum during the first 90-day period, 0.50% for the second 90-day period, 0.75% for the third 90-day period, and 1.0% thereafter, beginning October 1, 2011. Accordingly, we incurred approximately $950 of special interest under this registration payment arrangement during the year ended December 31, 2013. Accrual and payment of special interest was the only remedy available for the Registration Default. We fully repaid the Senior Cash Pay Notes and the Senior Toggle Notes during the fourth quarter of 2012, and fully repaid the Senior Subordinated Notes during the second quarter of 2013, and therefore no longer incur special interest on these notes.

Senior Secured Credit Facility

Overview

On June 16, 2011, we amended and restated our Credit Agreement dated as of August 17, 2007 (as amended and restated, our Amended and Restated Credit Agreement), in order to, among other things, extend maturity dates. Pursuant to this amendment and restatement, certain lenders in the syndicate: (1) extended the maturity dates applicable to $155,000 of our then-existing $400,000 revolving line of credit facility from August 2013 to June 2016, (2) converted $245,000 of then-existing revolving loans and revolving credit commitments into term loans that will mature in June 2018, and

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

(3) extended the maturity dates applicable to three series term loans, totaling $858,896 of aggregate principal, from August 2014 to June 2018. In addition, some existing lenders increased the amount of their revolver commitments and new lenders became lenders with respect to the revolving credit facility that originally was scheduled to mature in June 2016 but was extended to March 2018. As a result of this amendment and restatement, the credit facilities under our Amended and Restated Credit Agreement on June 16, 2011 were composed of:

1. $300,000 revolving line of credit facility; and

2. $1,269,703 senior secured term loan facility, consisting of the following series:

   (i) $1,103,896 extended term loan (the 2018 Extended Term Loan);

   (ii) $129,114 Closing Date Term Loan;

   (iii) $19,135 Delayed Draw Term Loan; and

   (iv) $17,558 Series A New Term Loan.

$25,000 Series A-2018 New Term Loan

On December 22, 2011, we entered into a joinder agreement to the Amended and Restated Credit Agreement to borrow an additional $25,000 on the same terms as the 2018 Extended Term Loan (the Series A-2018 New Term Loan), including interest rates and quarterly principal payment dates. The borrowing capacity under our revolving line of credit facility was also increased to $350,000.

$250,000 Series B New Term Loans

On January 18, 2013, we entered into the Series B New Term Loan Joinder Agreement and the First Amendment to the Amended and Restated Credit Agreement to borrow an additional $250,000 on the same terms as the 2018 Extended Term Loan (the Series B New Term Loans), including interest rates and quarterly principal payment dates. This additional loan was issued at an original issue discount of $1,250, and we paid debt issuance costs of $2,860 in connection with the borrowing, both of which will be amortized to Interest expense over the term of the loan.

$310,000 Series B Additional Term Loans

On April 23, 2013, we entered into the Series B Additional Term Loan Joinder Agreement and the Second Amendment to the Amended and Restated Credit Agreement to borrow an additional $310,000 on the same terms as the 2018 Extended Term Loan (the Series B Additional Term Loans), including interest rates and quarterly principal payment dates. This additional loan was issued at an original debt premium of $1,550, and we paid debt issuance costs of $3,872 in connection with the borrowing, both of which are being amortized to Interest expense over the term of the loan. In addition, third-party costs of $374 were charged to General and administrative expenses for the year ended December 31, 2013. The proceeds from this borrowing were used to repay all of the outstanding Senior Subordinated Notes, as described above.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

Third Amendment to Amended and Restated Credit Agreement

On October 3, 2013, we entered into a Third Amendment to Amended and Restated Credit Agreement (the Third Amendment), pursuant to which we reduced the margin applicable to our 2018 Extended Term Loan, Series A-2018 New Term Loan, Series B New Term Loans and Series B Additional Term Loans from 4.00% to 3.75% for LIBOR loans and from 3.00% to 2.75% for ABR loans. In addition to lowering the margin on these term loans, the amendment provided additional flexibility for mortgage financings.

$200,000 Additional New Series 2018 Extended Term Loans

On December 16, 2013, we entered into the Additional New Series 2018 Extended Term Loans Joinder Agreement to borrow an additional $200,000 on the same terms as the 2018 Extended Term Loans as stated in the Third Amendment. This additional loan was issued at an original debt discount of $500, and we paid debt issuance costs of $2,242 in connection with the borrowing. The original debt discount and the debt issuance costs are being amortized to Interest expense over the term of the loan.

Revolving Line of Credit Facility

Borrowings under our revolver bear interest at a rate per annum which, at our option, can be either a London Interbank Offered Rate (LIBOR) or an Alternate Base Rate (ABR) plus, in each case, a margin. LIBOR loans under our revolver accrue interest at the applicable LIBOR rate plus a 3.75% margin. The LIBOR rate with respect to our revolver is subject to a floor of 1.25%. Interest on ABR revolving borrowings accrues at the ABR (which is the higher of the Federal Funds rate plus 0.50% or the prime rate for the agent bank) plus a 2.75% margin. The ABR with respect to our revolver is subject to a floor of 2.25%. For LIBOR revolving borrowings, the interest period is set at our option for a period of one, two, three, six, nine or 12 months. ABR revolving borrowings have no interest period and the interest rate on any ABR revolving borrowing is subject to change when the underlying indices change. In addition, our Amended and Restated Credit Agreement provides for the payment of a commitment fee based on the daily unused portion of our revolver. The commitment fee rate of 0.625% per annum is payable quarterly in arrears.

On July 7, 2015, we amended our Senior Secured Credit Facility, in order to extend the maturity date of our $350,000 revolving line of credit facility from June 2016 to March 2018. As a result of this amendment, during the third quarter of 2015 we wrote off $331 of unamortized debt issuance costs associated with the old revolver as Loss on debt extinguishment, as several of the original creditors did not participate in the new revolver. In addition, in July 2015 we paid approximately $11,300 in debt issuance costs related to the modification. The debt issuance costs that were paid in connection with the modification were capitalized and will be amortized through interest expense over the extended term of the revolver.

At December 31, 2015, the total amount outstanding under our revolver was $269,261, which consisted entirely of LIBOR loans at an interest rate of 5.00%. At December 31, 2014, the total amount outstanding under our revolver was $346,727, which consisted of $301,385 in LIBOR loans at an interest rate of 5.00% and $45,342 in ABR loans at an interest rate of 6.00%.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

2018 Extended Term Loan, Series A-2018 New Term Loan, Series B New Term Loans, Series B Additional Term Loans and Additional New Series 2018 Extended Term Loans

The portions of our term loans under the original Credit Agreement that did not remain outstanding as the Closing Date Term Loan, Delayed Draw Term Loan or Series A New Term Loan (see below) were extended to a maturity date of June 2018. In addition, some existing lenders increased the amount of term loans and new lenders became lenders with respect to the 2018 Extended Term Loan, which matures in June 2018. Following the amendment and restatement on June 16, 2011, the aggregate amount of the 2018 Extended Term Loan was $1,103,896. The interest rate for our 2018 Extended Term Loan is set at a rate per annum which, at our option, can be either the LIBOR rate or the ABR rate, plus in each case, a margin. As stated above, the Series A-2018 New Term Loan, Series B New Term Loans, Series B Additional Term Loans and Additional New Series 2018 Extended Term Loans all have the same terms as the 2018 Extended Term Loan.

Following the October 2013 amendment to the Amended and Restated Credit Agreement discussed above, the margin for LIBOR loans is 3.75% and the margin for ABR loans is 2.75%. Prior to the amendment, the margin for LIBOR loans was 4.00% and the margin for ABR loans was 3.00%. The LIBOR rate is subject to a floor equal to 1.25% and the ABR is subject to a floor equal to 2.25%. For LIBOR loans, the interest period is set at our option for a period of one, two, three, six, nine, or 12 months. Once the interest period is set, the interest rate is fixed until the selected interest period ends. ABR loans have no interest period and the interest rate on any ABR loan is subject to change when the underlying indices change.

With respect to our 2018 Extended Term Loan, Series A-2018 New Term Loan, Series B New Term Loans, the Series B Additional Term Loans and the Additional New Series 2018 Extended Term Loans, we are required to make fixed quarterly principal payments in an aggregate amount equal to $4,722 per quarter. All unpaid principal and interest on these loans shall be paid in full in June 2018. As of December 31, 2015 and 2014, these loans had an aggregate outstanding balance of $1,814,832 (net of debt discount of $105) and $1,833,679 (net of debt discount of $147), respectively, and an interest rate of 5.00% at each date.

Default Interest

In the event that we fail to pay all or a portion of the principal and interest amounts when due, the interest rates under our Senior Secured Credit Facility will be increased by 2.00% from the date of such non-payment to the date on which the payment is paid in full.

Guarantee

As of the effective date of the Amended and Restated Credit Agreement, all obligations under our Senior Secured Credit Facility are unconditionally guaranteed by the same subsidiaries that were guarantors under the original Credit Agreement. Pursuant to Supplement No. 2 to the Guarantee dated as of July 15, 2011, Exeter Street Holdings LLC, a Maryland limited liability company subsidiary, became an additional guarantor of the obligations under our Senior Secured Credit Facility.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

Senior Secured Credit Facility Outstanding

As of December 31, 2015, the $2,084,093 balance of the Senior Secured Credit Facility consists of $1,814,832 in the 2018 Extended Term Loan, the Series A-2018 New Term Loan, the Series B New Term Loans, and the Series B Additional Term Loans, and the revolver of $269,261. As of December 31, 2014, the $2,180,406 balance of the Senior Secured Credit Facility consists of $1,833,679 in the 2018 Extended Term Loan and the Series A-2018 New Term Loan, and the revolver of $346,727.

Senior Secured Credit Facility Borrowers and Guarantors

The multi-currency revolving line of credit facility (the revolver), the 2018 Extended Term Loan, the Series A-2018 New Term Loan, the Series B New Term Loans, the Series B Additional New Term Loans, and the Additional New Series 2018 Extended Term Loans, are collectively referred to as the "Senior Secured Credit Facility." Laureate Education, Inc. (the U.S. Borrower) is the borrower under our Senior Secured Credit Facility. Iniciativas Culturales de España S.L. (the Foreign Borrower) is a borrower only under the revolver of our Senior Secured Credit Facility.

All of Laureate's required United States legal entities, excluding Walden University, LLC (Walden), Kendall College (Kendall), NewSchool of Architecture and Design (NewSchool), NHU and St. Augustine, are guarantors of the Senior Secured Credit Facility, and all of the guarantors' assets, both real and intangible, are pledged as collateral. Certain Walden assets are also pledged as collateral, including all of Walden's United States receivables other than Title IV student loans, all of its copyrights, patents, and trademarks. As of December 31, 2015 and 2014, the carrying value of the Walden receivables and intangibles pledged as collateral was $404,331 and $390,827, respectively. Additionally, not more than 65% of the shares held by United States guarantors in non-domestic subsidiaries are pledged as collateral. There is also a separate guarantee and pledge agreement for the Foreign Borrower sub-facility of the revolver (the Spanish Tranche). The Spanish Tranche is secured by certain of the Foreign Borrower's assets, including intercompany loans and shares owned in other non-domestic subsidiaries, to secure the foreign obligations. Of the $350,000 revolving line of credit facility noted above, we can borrow up to $100,000 under the Spanish Tranche.

Certain Covenants

Our senior long-term debt contains certain negative covenants including, among others: (1) limitations on additional indebtedness; (2) limitations on dividends; (3) limitations on asset sales, including the sale of ownership interests in subsidiaries and sale-leaseback transactions; and (4) limitations on liens, guarantees, loans or investments. In connection with the extension of our revolving line of credit facility in July 2015, we are now subject to a Consolidated Senior Secured Debt to Consolidated EBITDA, as defined in the bank agreement, financial maintenance covenant beginning in the third quarter of 2015. The maximum ratio, as defined, is 5.3x, 4.5x and 3.5x at December 31, 2015, 2016 and 2017, respectively. The ratio as of December 31, 2015 was 3.9x. In addition, notes payable at some of our locations contain financial maintenance covenants. We are in compliance with our debt covenants.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

On April 4, 2014, we notified our lenders of the occurrence of a default under our Amended and Restated Credit Agreement, due to our failure to deliver our audited Consolidated Financial Statements for the year ended December 31, 2013 within 95 days after the fiscal year end (the 2013 Audited Financial Statement Delivery Default). The reason for the 2013 Audited Financial Statement Delivery Default is the additional time needed to completely and accurately reflect several items in the 2013 Consolidated Financial Statements. We cured the 2013 Audited Financial Statement Delivery Default by delivering the 2013 Consolidated Financial Statements to the administrative agent on April 14, 2014, the date that the 2013 Consolidated Financial Statements were issued, which was within the 30-day grace period provided for in the Amended and Restated Credit Agreement.

Loss on Debt Extinguishment

During the year ended December 31, 2015, Laureate recorded a Loss on debt extinguishment of $1,263, of which $932 was related to mortgage breakage fees paid as a part of the Swiss sale leaseback transaction discussed in Note 3, Discontinued Operations and Assets Held for Sale, and $331 which was related to the extension of the maturity date for the $350,000 revolving line of credit facility under the Senior Secured Credit Facility from June 2016 to March 2018, as discussed above.

During the year ended December 31, 2014, Laureate recorded a Loss on debt extinguishment of $22,984 that was almost entirely related to the purchase of previously leased property in Brazil and settlement of the related lease obligation. In connection with the 2010 acquisition of Universidade Potiguar (UNP), Laureate entered into a lease agreement for certain property, which was accounted for as a failed sale-leaseback and recorded as a lease asset and liability. The sellers had a right to put the property to Laureate, which they exercised in December 2014. Laureate recorded the excess of the approximately $29,300 purchase price over the capital lease liability as Loss on debt extinguishment in accordance with ASC 470-50, "Modifications and Extinguishments."

During the year ended December 31, 2013, we recorded a Loss on debt extinguishment of $1,361 in the accompanying Consolidated Statements of Operations in connection with the Third Amendment discussed above. This loss relates to the write-off of unamortized debt issuance costs associated with facilities that were deemed to be extinguished. We also paid third-party costs of $1,510 in connection with the amendment, which were recorded as General and administrative expenses for the year ended December 31, 2013.

Debt Issuance Costs

On January 1, 2016, Laureate adopted ASU 2015-03, which simplified the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from debt. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected, therefore these costs will continue to be amortized as interest expense. At adoption, the new guidance was applied retrospectively to all prior periods presented.

Amortization of debt issuance costs and accretion of debt discounts that are recorded in Interest expense in the Consolidated Statements of Operations totaled $26,100, $24,400 and $22,861 for the years ended December 31, 2015, 2014 and 2013, respectively. During the years ended December 31,

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

2015, 2014 and 2013, we paid and capitalized a total of $13,020, $3,282 and $30,618, respectively, in debt issuance costs. As of December 31, 2015 and 2014, our unamortized debt issuance costs were $69,294 and $80,094, respectively.

Currency and Interest Rate Swaps

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt service payments is subject to fluctuations in the value of the USD relative to foreign currencies, because a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has entered into a foreign currency swap contract and floating-to-fixed interest rate swap contracts. See Note 14, Derivative Instruments, for further disclosures.

Other Debt

Lines of Credit

Individual Laureate subsidiaries have the ability to borrow pursuant to unsecured lines of credit and similar short-term borrowing arrangements (collectively, lines of credit). The lines of credit are available for working capital purposes and enable us to borrow for and repay until those lines mature.

Interest rates on our lines of credit ranged from 5.08% to 20.00% at December 31, 2015, and 4.82% to 20.00% at December 31, 2014. Our weighted-average short-term borrowing rate was 7.98% and 6.75% at December 31, 2015 and 2014, respectively.

Laureate's aggregate lines of credit (outstanding balances plus available borrowing capacity) were $114,706 and $155,777 as of December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the aggregate outstanding balances on our lines of credit were $74,335 and $106,046, respectively, which are included in the current portion of long-term debt. Accordingly, the available borrowing capacity under our lines of credit was $40,371 and $49,731 at December 31, 2015 and 2014, respectively.

Notes Payable

Notes payable include mortgages payable that are secured by certain fixed assets. The notes payable have varying maturity dates and repayment terms through 2030. These loans contain certain financial maintenance covenants and Laureate is in compliance with these covenants. Interest rates on notes payable ranged from 2.30% to 19.04% and 2.23% to 22.16% at December 31, 2015 and 2014, respectively.

On December 21, 2007, UVM Mexico entered into an agreement with a bank for a loan of MXN 2,750,000 (approximately US $250,000 at that time). Under the terms of the loan, UVM Mexico could borrow the total amount of the loan through one or more draws, provided that each draw of the loan was evidenced by a promissory note. On July 1, 2008, Laureate made a draw in the amount of MXN 2,575,600 (US $250,000 at July 1, 2008) to acquire Universidad Tecnológica de México (UNITEC Mexico). The loan was originally scheduled to mature on July 1, 2015. UVM Mexico began semi-annual

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

repayments of MXN 257,560 (US $19,685) on July 15, 2010. In order to align the payments with the new loan described below, in May 2014 the loan maturity date was extended to May 15, 2021, and the repayments were suspended until May 16, 2016, when UVM Mexico will resume semi-annual repayments of MXN 120,418 (US $6,972 at December 31, 2015). These payments will continue through maturity in 2021. Interest is payable monthly and accrued at the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation is established based on the ratio of debt to EBITDA, as defined in the agreement. As of December 31, 2015 and 2014, the interest rate on the loan was 5.82% and 5.30%, respectively, and the outstanding balance on the loan was $76,695 and $89,855, respectively.

In May 2012, the Company entered into an agreement with a bank for a loan of MXN 900,000 (approximately US $52,111 at December 31, 2015), in order to fund payment of the amounts owed to the former noncontrolling interest holders of Planeación de Sistemas, S.A. de C.V. (Plansi) under the terms of the agreement to purchase their remaining 10% interest in Plansi. The loan carries a variable interest rate (5.82% and 5.30% at December 31, 2015 and 2014, respectively) and was originally scheduled to mature on May 15, 2019. In May 2014, the loan maturity date was extended to May 15, 2021, and the repayments were suspended until May 16, 2016. As of December 31, 2015 and 2014, this loan had an outstanding balance of $52,111 and $61,052, respectively.

In addition to the loans above, in August 2015, UVM Mexico entered into an agreement with a bank for a loan of MXN 1,300,000 (approximately US $79,000 at the time of the loan). The loan carries a variable interest rate (5.87% at December 31, 2015) and matures in August 2020. As of December 31, 2015, the outstanding balance of this loan was $75,271.

The Company has also obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas (UPC Peru). During 2012, we made an initial borrowing of approximately $19,500 in order to begin the construction. Additional borrowings for this construction project of approximately $33,000, $25,000 and $23,000 occurred during 2015, 2014 and 2013, respectively, and during 2015 and 2014 Laureate made repayments of approximately $17,000 and $10,000, respectively. As of December 31, 2015 and 2014, the outstanding balance on the loans was $60,553 and $52,073, respectively, and had a weighted average interest rate of 7.74% and 7.25%, respectively. These loans have varying maturity dates with the final payment due in October 2022. As of December 31, 2015 and 2014, $26,371 and $28,085, respectively, of the outstanding balances on the loans were payable to one of the institutional investors referred to in Note 13, Share-based Compensation.

In May 2014, the Company obtained financing to fund the construction of a new campus at one of our institutions in Panama. As of December 31, 2015 and 2014, the outstanding balance on this loan was $25,000 and $12,500, respectively. This loan is payable to one of the institutional investors referred to in Note 13, Share-based Compensation. It has a fixed interest rate of 8.11% and matures in 2024.

Laureate has outstanding notes payable at HIEU in China. As of December 31, 2015 and 2014, the outstanding balance on the loans was $90,426 and $91,022, respectively. The interest rates on these loans range from 4.75% to 7.84% per annum as of December 31, 2015 and from 6.30% to 7.20% per annum as of December 31, 2014. These notes are repayable in installments with the final installment due in November 2019.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

Laureate has outstanding notes payable at a real estate subsidiary in Chile. As of December 31, 2015 and 2014, the outstanding balance on the loans was $55,047 and $65,839, respectively. The interest rates on these loans range from 5.64% to 9.58% per annum as of December 31, 2015 and from 4.79% to 8.31% per annum as of December 31, 2014. These notes are repayable in installments with the final installment due in August 2028.

As discussed in Note 4, Acquisitions, Laureate acquired THINK on December 20, 2013. Laureate financed a portion of the purchase price for THINK by borrowing AUD 45,000 (US $32,702 at December 31, 2015) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The syndicated facility agreement also provides for additional borrowings of up to AUD 20,000 (US $14,534 at December 31, 2015) under a capital expenditure facility and a working capital facility. The first term loan (Facility A) has a term of five years and principal is payable in quarterly installments of AUD 1,125 (US $818 at December 31, 2015) beginning on March 31, 2014. The second term loan (Facility B) has a term of five years and the total principal balance of AUD 22,500 is payable at its maturity date of December 20, 2018. The two term loans bear interest at a variable rate plus a margin of up to 3.2% for Facility A and 3.5% for Facility B that is determined based on THINK's leverage ratio, and interest is payable periodically. As of December 31, 2015, the interest rates on Facility A and Facility B were 4.68% and 4.98%, respectively, and as of December 31, 2014, the interest rates on Facility A and Facility B were 5.19% and 5.49%, respectively. The terms of the syndicated facility agreement required THINK to enter into an interest rate swap within 45 days from the agreement's December 20, 2013 effective date, in order to convert at least 50% of the AUD 45,000 of term loan debt from a variable interest rate to a fixed interest rate. Accordingly, on January 31, 2014 THINK executed an interest rate swap agreement to satisfy this requirement and converted AUD 22,500 (US $16,351 at December 31, 2015) of the variable rate component of the term loan debt to a fixed interest rate of 3.86%. This interest rate swap was not designated as a hedge for accounting purposes. As of December 31, 2015 and 2014, $25,696 and $33,137, respectively, was outstanding under these loan facilities.

As discussed in Note 4, Acquisitions, Laureate acquired FMU on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259,139 (approximately US $110,310 at the borrowing date). The loans require semi-annual principal payments beginning at BRL 6,478 in October 2014 and increasing to a maximum of BRL 22,027 beginning in October 2017 and continuing through their maturity dates in April 2021. As of December 31, 2015 and 2014, the outstanding balance of these loans was $58,865 and $95,071, respectively. Both loans mature on April 15, 2021 and bear interest at an annual variable rate of CDI plus 3.7% (approximately 18% and 15% at December 31, 2015 and 2014, respectively).

On November 18, 2015, the Company entered into an agreement with two banks to borrow a total of EUR 100,000 (approximately US $106,500 at the agreement date) for a term of 10 years at a fixed annual interest rate of 3%. The loan is collateralized by real estate at one of our campuses in Spain and requires 40 quarterly principal payments of EUR 1,875 beginning in February 2016, and a final principal payment of EUR 25,000 upon maturity of the loan, in November 2025. As of December 31, 2015, the outstanding balance on this loan was $107,100.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Debt (Continued)

Capital Lease Obligations and Sale-Leaseback Financings

Capital leases and sale-leaseback financings, primarily relating to real estate obligations, are included in debt and have been recorded using interest rates ranging from 1.00% to 42.87%. During 2015 and 2014, we had additions to assets and liabilities recorded as sale-leaseback financings and build-to-suit arrangements of $8,147 and $67,846, respectively, including additions through acquisition. We had assets under capital leases and sale-leaseback financings of $210,840 and $271,878 at December 31, 2015 and 2014, respectively, net of accumulated amortization. The amortization expense for capital lease assets is recorded in Depreciation and amortization expense.

The aggregate maturities of our total future value and present value of the minimum capital lease payments and payments related to sale-leaseback financings at December 31, 2015 were as follows:

	Future Value of Payments	Interest	Present Value of Payments
2016	$ 40,263	$ 28,760	$ 11,503
2017	46,965	28,187	18,778
2018	47,172	27,034	20,138
2019	38,940	25,473	13,467
2020	33,130	24,367	8,763
Thereafter	284,021	109,414	174,607
Total	$ 490,491	$ 243,235	$ 247,256

Note 10. Leases

Laureate conducts a significant portion of its operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of Laureate's higher education facilities. The terms of these operating leases vary and generally contain renewal options. Some of the operating leases provide for increasing rents over the terms of the leases. Laureate also leases certain equipment under noncancelable operating leases, which are typically for terms of 60 months or less. Total rent expense under these leases is recognized ratably over the initial term of each lease. Any difference between the rent payment and the straight-line expense is recorded as an adjustment to the liability or as a prepaid asset.

Laureate has entered into sublease agreements for certain leased office space. These agreements allow us to annually adjust rental income to be received for increases in gross operating rent and related expenses. The sublease agreements have various expiration dates through 2026.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Leases (Continued)

Future minimum lease payments and sublease income at December 31, 2015, by year and in the aggregate, under all noncancelable operating leases and subleases are as follows:

	Lease Payments	Sublease Income
2016	$ 206,646	$ 5,306
2017	192,721	5,044
2018	177,549	5,078
2019	163,818	4,168
2020	154,139	1,103
Thereafter	1,126,906	6,703
Total	$ 2,021,779	$ 27,402

Rent expense, net of sublease income, for all cancelable and noncancelable leases was $234,003, $230,941 and $207,841 for the years ended December 31, 2015, 2014 and 2013, respectively.

Note 11. Commitments and Contingencies

Noncontrolling Interest Holder Put Arrangements and Company Call Arrangements

The following section provides a summary table and description of the various noncontrolling interest holder put arrangements that Laureate had outstanding as of December 31, 2015. As further described in Note 2, Significant Accounting Policies, Laureate has elected to accrete changes in the arrangements' redemption values over the period from the date of issuance to the earliest redemption date. The redeemable noncontrolling interests are recorded at the greater of the accreted redemption value or the traditional noncontrolling interest. Until the first exercise date, the put instruments' reported values may be lower than the final amounts that will be required to settle the minority put arrangements. As of December 31, 2015, the carrying value of all noncontrolling interest holder put arrangements was $43,149, which includes accreted incremental value of $26,016 in excess of traditional noncontrolling interests.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

If the minority put arrangements were all exercisable at December 31, 2015, Laureate would be obligated to pay the noncontrolling interest holders an estimated amount of $43,149, as summarized in the following table:

December 31, 2015	Nominal Currency	First Exercisable Date	Estimated Value as of December 31, 2015 redeemable within 12-months:	Reported Value
Noncontrolling interest holder put arrangements				
INTI Education Holdings Sdn Bhd (INTI) 10%	MYR	Current	$ 9,061	$ 9,061
Pearl Retail Solutions Private Limited and Creative Arts Education Society (Pearl) 45%	INR	Current	6,666	6,666
University of St. Augustine for Health Sciences, LLC (St. Augustine) 20%	USD	Current	27,367	27,367
National Hispanic University (NHU LLC) 20%	USD	Current		
Stamford International University (STIU) Puttable preferred stock of TEDCO	THB	Current	55	55
Total noncontrolling interest holder put arrangements			43,149	43,149
Puttable common stock currently redeemable	USD	Current	6	6
Puttable common stock not currently redeemable	USD	*		8,591
Total redeemable noncontrolling interests and equity			$ 43,155	$ 51,746

* Contingently redeemable

THB: Thai Baht

Laureate's noncontrolling interest put arrangements are specified in agreements with each noncontrolling interest holder. The terms of these agreements determine the measurement of the redemption value of the put options based on a non-GAAP measure of earnings before interest, taxes, depreciation and amortization (EBITDA, or recurring EBITDA), the definition of which varies for each particular contract.

Commitments and contingencies are generally denominated in foreign currencies.

INTI

As part of the acquisition of INTI, formerly known as Future Perspective, Sdn Bhd, the noncontrolling interest holders of INTI had put options denominated in MYR to require the Company to purchase the remaining noncontrolling interest. As of December 31, 2015, there is one put option remaining for the holder of the approximately 10% minority interest. The put option for the approximately 10% noncontrolling interest holder is exercisable for the 30-day period commencing after issuance of the audited financial statements for each of the years ending December 31, 2012 through December 31, 2025. The holder may exercise his option to sell all of his equity interest to the Company for a purchase price that is equal to defined multiples of recurring EBITDA. Purchase price multiples have been defined as eight times up to approximately the first $12,200 of EBITDA plus six times

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

EBITDA above this amount. This put option expires after the 30-day period related to delivery of the 2025 audited financial statements. As of December 31, 2015, the Company recorded $9,061 for this arrangement in Redeemable noncontrolling interests and equity on its Consolidated Balance Sheet.

The Company has call options to purchase any or all of the remaining 10% noncontrolling interest. The call option for the noncontrolling interest can be exercised during the 30-day period commencing after the issuance of the audited financial statements for each of the years ending December 31, 2012 through December 31, 2025. The call option price is eight times recurring EBITDA, as defined in the agreement. This call option had no impact on the Company's financial statements as of December 31, 2015.

Pearl

As part of the acquisition of Pearl, the minority owners have a put option to require Laureate to purchase the remaining 45% noncontrolling interest. The put option became exercisable in 2015, and expires fifteen days after Pearl's audited statutory financial statements for the fiscal year ending March 31, 2017 are presented to Pearl's board. During this period, the minority owners may exercise their option to sell any or all of their equity interest to Laureate for a purchase price equal to 6.0 times EBITDA for the immediately preceding fiscal year, less long-term liabilities and plus net current assets as of the immediately preceding March 31; multiplied by the noncontrolling interest percentage being acquired.

The put option also contains a formulaic floor and ceiling. As of December 31, 2015, the amount recorded in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet is $6,666.

Laureate has a call option to require the minority owners to sell to Laureate up to 35% of the total equity of Pearl that is still owned by the noncontrolling interest holders (i.e. approximately 78% of the remaining 45% noncontrolling interest). The call option is exercisable beginning fifteen days after Pearl's audited statutory financial statements for the fiscal year ending March 31, 2016 are presented to Pearl's board, and expires fifteen days after Pearl's audited statutory financial statements for the fiscal year ending March 31, 2018 are presented to Pearl's board. The purchase price for the call option is defined as 6.5 times EBITDA for the immediately preceding fiscal year, less long-term liabilities and plus net current assets as of the immediately preceding March 31; multiplied by the noncontrolling interest percentage being acquired. The call option also contains a formulaic floor and ceiling. This call option had no impact on the Company's financial statements as of December 31, 2015.

St. Augustine

Beginning on November 21, 2015 and continuing until November 21, 2018, the noncontrolling interest holders have a put option to require Laureate to purchase all, but not less than all, of the remaining noncontrolling interest of 20%. Beginning on November 21, 2017 and continuing until November 21, 2023, Laureate also has a call option to acquire the remaining noncontrolling interest. The put option purchase price and the call option purchase price are based on 7.0 times Adjusted EBITDA of St. Augustine, as defined in the agreement, for the twelve months ended as of the last day of the fiscal quarter most recently ended prior to the date on which notice of exercise is given;

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

multiplied by the percentage interest being acquired. As of December 31, 2015, we recorded $27,367 for the put option in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet. The call option had no impact on our Consolidated Financial Statements as of December 31, 2015.

NHU LLC

Effective April 16, 2014, NHU NFP, the noncontrolling interest holder of NHU LLC, has two put options to require Laureate to purchase all or a portion of its 20% ownership interest in NHU LLC. The first put option gives the noncontrolling interest holder the right to require us to purchase a minimum of 50% of the NHU LLC equity interest. The second put option gives the noncontrolling interest holder the right to require us to purchase all of its remaining equity interest in NHU LLC. There is no expiration date on either of these two put options. The purchase price of these put options would be equal to 6.5 times adjusted EBITDA for certain defined periods, multiplied by the percentage interest to be purchased. As of December 31, 2015, we recorded $0 for these arrangements in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet, as the adjusted EBITDA measure specified in the agreement was negative.

Effective April 16, 2020, we have a call option that will allow us to purchase any remaining noncontrolling interests in NHU LLC. The call price would be equal to 6.5 times adjusted EBITDA multiplied by the percentage interest that Laureate purchases, subject to a minimum call price. The minimum call price would be (a) $5,000 if the noncontrolling interest holder's percentage ownership is equal to or exceeds its initial 20% interest on the exercise date, or (b) if its ownership is less than its initial 20% interest, $5,000 times the quotient of the noncontrolling interest holder's percentage ownership on the exercise date divided by 20%. This call option had no impact on our Consolidated Financial Statements as of December 31, 2015.

Uni IBMR

During 2015, the put and call options for Uni IBMR expired unexercised. In addition, we entered into a commitment to purchase the remaining 10% minority interest in Uni IBMR for a purchase price of BRL 2,500 (US $638 at December 31, 2015). The agreement closed on March 10, 2016 and we paid BRL 2,500. Additional purchase price could be paid post closing if certain contingent sale conditions are met.

Contingently Redeemable Equity Instruments

Puttable Common Stock Termination Agreement (Currently Redeemable)

During 2008, in connection with a termination agreement, a Laureate employee who held shares of the Company's common stock was granted a contractual right to put shares back to Laureate at a price equal to the fair market value of our common stock at the time of exercise (the put right). This put right is exercisable annually during the 45-day period subsequent to the stockholder's receipt of Laureate's annual appraisal. The put right terminates at the earliest of a change in control of Laureate, an initial public offering of Laureate's common stock, or such time as Laureate repurchases the employee's shares. We account for the puttable common stock as contingently redeemable securities.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

Since the stock is currently redeemable, we recognize its fair value, the maximum redemption amount, as temporary equity at the end of each reporting period, with the changes in fair value recorded through Additional paid-in capital. As of December 31, 2015 and 2014, $6 and $7, respectively, of puttable common stock was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets, and one thousand shares remained outstanding as of each balance sheet date.

Puttable Common Stock Director Stockholder Put (Not Currently Redeemable)

Each of the individual director stockholders of Laureate has entered into a stockholder's agreement with Laureate and Wengen. The director stockholder's agreement makes all shares of common stock subject to a stockholder put option at the fair market value of the stock. The stockholder put option is only exercisable upon the loss of capacity to serve as a director due to death or disability (as defined in the stockholder's agreement). The director stockholder put option expires only upon a change in control of Laureate.

Since the put option can only be exercised upon death or disability, we account for the common stock as contingently redeemable equity instruments that are not currently redeemable and for which redemption is not probable. Accordingly, the redeemable equity instruments are presented in temporary equity based on their initial measurement amount, as required by ASC 480-10-S99, "Distinguishing Liabilities from Equity SEC Materials." No subsequent adjustment of the initial measurement amounts for these contingently redeemable securities is necessary unless the redemption of these securities becomes probable. Accordingly, the amount presented as temporary equity for the contingently redeemable common stock outstanding is its issuance-date fair value.

As of December 31, 2015, $2,397 of contingently redeemable common stock attributable to director stockholder puts was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet. As of December 31, 2014, $1,711 was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet for director stockholder puts.

Put Right on Share-Based Awards Granted to Executive (Not Currently Redeemable)

During the first quarter of 2015, the Company and an executive entered into an agreement whereby this executive was granted certain put rights on his share-based awards once they become vested. The put right becomes exercisable in 2018 if certain events have not occurred by that time. As a result, we reclassified permanent equity to temporary equity for equity awards relating to approximately 750 shares of common stock that are contingently redeemable. As of December 31, 2015, $6,194 of contingently redeemable common stock attributable to this put right was included in Redeemable noncontrolling interests and equity on the Consolidated Balance Sheet.

Other Loss Contingencies

Laureate is subject to legal actions arising in the ordinary course of its business. In management's opinion, we have adequate legal defenses, insurance coverage, and/or accrued liabilities with respect to the eventuality of such actions. We do not believe that any settlement would have a material impact on

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

our Consolidated Financial Statements. Refer to Note 19, Legal and Regulatory Matters, for a discussion of certain matters.

Contingent Liabilities for Taxes

In May 2012, a Brazilian state supreme court ruling declared that a law passed by one of its municipal governments was unconstitutional. The municipality's federal appeal of the state ruling is pending. This municipal law, passed in the third quarter of 2010, had nullified certain tax assessments against one of our institutions in Brazil. As a result of the May 2012 state supreme court ruling, we recorded a liability for these tax contingencies of approximately $20,100. During 2013, the Company revised its estimate for this Brazil tax contingency and recorded an additional $3,800 of Direct costs. During the fourth quarter of 2013, we settled this tax assessment with the municipality and paid the entire liability. We initiated legal proceedings under the purchase agreement arbitration provisions against the former owners to recover the amounts paid for this tax contingency as the liability stems exclusively from the pre-acquisition period. During the year ended December 31, 2014, we reached a settlement with the former owners and recorded a gain of approximately $6,700 in Operating income.

As of December 31, 2015 and 2014, Laureate has recorded cumulative liabilities totaling $73,775 and $121,867, respectively, for taxes other-than-income tax, principally payroll-tax-related uncertainties due to acquisitions of companies primarily in Latin America. The changes in this recorded liability are related to new acquisitions, interest and penalty accruals, changes in tax laws, expirations of statutes of limitations, settlements and changes in foreign currency exchange rates. The terms of the statutes of limitations on these contingencies vary but can be up to 10 years. This liability is included in Other long-term liabilities on the Consolidated Balance Sheets. We have also recorded current liabilities for taxes other-than-income tax of $4,217 and $2,362, respectively, as of December 31, 2015 and 2014, in Other current liabilities on the Consolidated Balance Sheets. We estimate our liabilities for taxes other-than-income tax that have a reasonable possibility of loss to be in the range of $0 to approximately $1,000, as of December 31, 2015, and we have not accrued for such potential losses. The recorded value of contingent liabilities is reduced when they are extinguished or the related statutes of limitations expire. Changes in the recorded values of non-income tax contingencies and the related indemnification assets impact operating income. The (decrease) increase to operating income for adjustments to non-income tax contingencies and indemnification assets were approximately $(5,600), $4,600 and $7,200 for the years ended December 31, 2015, 2014 and 2013, respectively.

In addition, as of December 31, 2015 and 2014, Laureate has recorded cumulative liabilities for income tax contingencies of $139,160 and $126,466, respectively.

In most cases, Laureate has received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies, and therefore, we do not believe we will sustain an economic loss even if we are required to pay these additional amounts. As of December 31, 2015 and 2014, indemnification assets primarily related to acquisition contingencies were $123,904 and $184,916, respectively. These indemnification assets covered contingencies for income taxes and taxes other-than-income taxes.

Income tax contingencies are disclosed and discussed further in Note 15, Income Taxes.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

Other Loss Contingencies

Laureate has accrued liabilities for certain civil actions against our institutions that existed prior to our acquisition of these entities. As of December 31, 2015 and 2014, approximately $14,000 and $13,000, respectively, of pre-acquisition loss contingencies were included in Other long-term liabilities and Other current liabilities on the Consolidated Balance Sheets. Laureate intends to vigorously defend against these lawsuits.

UNAB Chile Settlement

The planned March 2013 opening of a new campus building at UNAB Chile in our LatAm segment was delayed, resulting in the need to relocate students to temporary facilities while the building was completed. This also caused a several week delay to the start of the 2013 academic calendar year for these students. As a concession for the inconvenience experienced by the students who were affected, Laureate agreed to a one-time settlement in the form of discounts on those students' tuition. This settlement was recognized in the first quarter of 2013 as a reduction of Revenue, in accordance with ASC 605-50-45-2, "Customer Payments and Incentives." For the year ended December 31, 2013, the total reduction of Revenue for this settlement was approximately $10,100.

Settlement of Insurance Claims

In February 2010 and April 2010, earthquakes struck near Concepción, Chile and in the Baja California region of Mexico, respectively, resulting in damage to a number of our locations in those areas. All significant repair work has since been completed, and we filed claims with our insurance carriers for both property damage and business interruption losses. We negotiated in good faith with our insurance carriers regarding disputed amounts of deductibles applied and losses covered; however we were unable to resolve these matters through negotiations. As a result, on October 12, 2011, we filed suit against the relevant insurance carrier in the U.S. District Court for the Southern District of New York (*Laureate Education, Inc. v. Insurance Company of the State of Pennsylvania,* Case No. 11 CIV 7175), seeking money damages in excess of $11,000, a declaratory judgment that the carrier was obligated to indemnify us for our losses, and our costs, expenses and attorneys' fees. Discovery in this proceeding was completed and the parties both filed motions for summary judgment. On April 3, 2014, the court granted summary judgment for the carrier with respect to the $5,000 in property damage claims, granted summary judgment for us for approximately $900 with respect to one of the business interruption claims, and determined that a trial would be required for the remaining claims, which totaled approximately $4,800, including prejudgment interest. On June 24, 2014, Laureate settled these remaining claims with the insurance carrier for $3,350. The settlement proceeds were received by Laureate on June 30, 2014 and recorded as a reduction of General and administrative expenses during the second quarter of 2014. In December 2014, we reached a final settlement agreement with another party for one of the property damage claims discussed above. The settlement amount was $1,475, and was recorded as a reduction of General and administrative expenses during the fourth quarter of 2014.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

Material Guarantees Student Financing

Chile

The accredited Chilean institutions in the Laureate network also participate in a government-sponsored student financing program known as Crédito con Aval del Estado (the CAE Program). The CAE Program was formally implemented by the Chilean government in 2006 to promote higher education in Chile for lower socio-economic level students in good academic standing. The CAE Program involves tuition financing and guarantees that are provided by our institutions and the government. As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled, and the guarantees are assumed entirely by the government upon the student's graduation. When a student leaves one of Laureate's institutions and enrolls in another CAE-qualified institution, the Laureate institution will remain guarantor of the tuition loans that have been granted up to the date of transfer, and until the student's graduation from a CAE-qualified institution. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately $428,000 and $432,000 at December 31, 2015 and 2014, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2015 and 2014, we recorded $18,829 and $19,918, respectively, as estimated long-term guarantee liabilities for these obligations.

On October 4, 2012, the Chilean Congress approved Law No. 20.634 which amended Law No. 20.027, introducing an interest rate reduction from 6% to 2% on CAE loans. Current students could benefit from the reduction starting in March 2013 if they were current on their payments. The Law also provides that CAE loans cannot exceed the reference price established by the government for the program in which the student is enrolled, that the student begins to make payments 18 months after graduation, and that monthly payments may not exceed 10% of the participant's income if requested by the student. The prior government in Chile had proposed other changes to the student loan program. However, in the second quarter of 2014 the new government that was inaugurated on March 11, 2014 announced the withdrawal of all of the prior administration's higher education proposals and its intent to submit new bills to the Chilean Congress. We cannot predict the extent or outcome of any changes to the student loan system that may be implemented in Chile or whether any such changes may have a material impact on our Consolidated Financial Statements. See Note 2, Significant Accounting Policies.

Material Guarantees Other

In conjunction with the purchase of UNP, Laureate pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, Laureate may be required to transfer the books and management of UNP to the former owners.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Commitments and Contingencies (Continued)

As discussed in Note 4, Acquisitions, Laureate acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, Laureate pledged 49% of its total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, as described in Note 4, Acquisitions, Laureate pledged 75% of the acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. See Note 9, Debt, for further description of the loans. Laureate pledged the remaining 25% of the acquired shares to the sellers as a guarantee of our payment obligations under the purchase agreement for the seller notes described in Note 5, Due to Shareholders of Acquired Companies. In the event that we default on any payment of the loans or seller notes, the purchase agreement provides for a forfeiture of the relevant pledged shares. Upon maturity and payment of the seller notes in September 2017, the shares pledged to the sellers will be pledged to the third-party lenders until full payment of the loans, which mature in April 2021.

Standby Letters of Credit

As of December 31, 2015 and 2014, Laureate had outstanding letters of credit (LOCs) of $126,677 and $107,377, respectively, which primarily consisted of the items discussed below.

As of December 31, 2015 and 2014, we had $86,599 and $89,322, respectively, posted as LOCs in favor of the DOE. These LOCs were required to allow Walden, Kendall, NewSchool, St. Augustine and NHU LLC to continue participating in the DOE Title IV program. These LOCs are fully collateralized with cash equivalents and certificates of deposit, which are classified as Restricted cash and investments on our December 31, 2015 Consolidated Balance Sheet.

As of December 31, 2015 and 2014, we had $36,527 and $14,447, respectively, posted as cash-collateralized LOCs related to the Spain Tax Audits. See Note 15, Income Taxes, for further detail. The cash collateral for these LOCs was classified as Restricted cash and investments on our December 31, 2015 and 2014 Consolidated Balance Sheets.

Surety Bonds and Other Commitments

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2015 and 2014, the total face amount of these surety bonds was $3,366 and $7,314, respectively. These bonds are fully collateralized with cash, which is classified as Restricted cash and investments on our December 31, 2015 Consolidated Balance Sheet.

Note 12. Financing Receivables

Laureate's financing receivables consist primarily of trade receivables related to student tuition financing programs with an initial term in excess of one year. We have offered long-term financing through execution of note receivable agreements with students at some of our institutions. The

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Financing Receivables (Continued)

repayment terms on these tuition financing programs vary and range from three to 18 years. Our disclosures include financing receivables that are classified in our Consolidated Balance Sheets as both current and long-term, reported in accordance with ASC 310, "Receivables."

Laureate's financing receivables balances were as follows:

December 31,	2015	2014
Financing receivables	$ 32,802	$ 41,404
Allowance for doubtful accounts	(10,576)	(15,240)
Financing receivables, net of allowances	$ 22,226	$ 26,164

We do not purchase financing receivables in the ordinary course of our business. We may sell certain receivables that are significantly past due. No material amounts of financing receivables were sold during the periods reported herein.

Delinquency is the primary indicator of credit quality for our financing receivables. Receivable balances are considered delinquent when contractual payments on the loan become past due. Delinquent financing receivables are placed on non-accrual status for interest income. The accrual of interest is resumed when the financing receivable becomes contractually current and when collection of all remaining amounts due is reasonably assured. We record an Allowance for doubtful accounts to reduce our financing receivables to their net realizable value. The Allowance for doubtful accounts is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions, and student enrollment status. Each of our institutions evaluates its balances for potential impairment. We consider impaired loans to be those that are past due one year or greater, and those that are modified as a troubled debt restructuring (TDR). The aging of financing receivables grouped by country portfolio was as follows:

	Chile	Other	Total
As of December 31, 2015			
Amounts past due less than one year	$ 10,404	$ 1,166	$ 11,570
Amounts past due one year or greater	4,048	606	4,654
Total past due (on non-accrual status)	14,452	1,772	16,224
Not past due	11,159	5,419	16,578
Total financing receivables	$ 25,611	$ 7,191	$ 32,802
As of December 31, 2014			
Amounts past due less than one year	$ 12,390	$ 2,217	$ 14,607
Amounts past due one year or greater	5,254	542	5,796
Total past due (on non-accrual status)	17,644	2,759	20,403
Not past due	13,520	7,481	21,001
Total financing receivables	$ 31,164	$ 10,240	$ 41,404

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Financing Receivables (Continued)

The following is a rollforward of the Allowance for doubtful accounts related to financing receivables from December 31, 2012 through December 31, 2015, grouped by country portfolio:

	Chile	Other	Total
Balance at December 31, 2012	$ (28,385)	$ (2,977)	$ (31,362)
Charge-offs	8,718	582	9,300
Recoveries	149	21	170
Reclassifications		(471)	(471)
Provision	(407)	(2,039)	(2,446)
Currency adjustments	2,090	435	2,525
Balance at December 31, 2013	(17,835)	(4,449)	(22,284)
Charge-offs	6,800	782	7,582
Recoveries			
Reclassifications		(274)	(274)
Provision	(2,345)	(586)	(2,931)
Currency adjustments	2,317	350	2,667
Balance at December 31, 2014	(11,063)	(4,177)	(15,240)
Charge-offs	3,648	232	3,880
Recoveries		4	4
Reclassifications		(16)	(16)
Provision	(1,105)	(46)	(1,151)
Currency adjustments	1,280	667	1,947
Balance at December 31, 2015	$ (7,240)	$ (3,336)	$ (10,576)

Restructured Receivables

A TDR is a financing receivable in which the borrower is experiencing financial difficulty and Laureate has granted an economic concession to the student debtor that we would not otherwise consider. When we modify financing receivables in a TDR, Laureate typically offers the student debtor an extension of the loan maturity and/or a reduction in the accrued interest balance. In certain situations, we may offer to restructure a financing receivable in a manner that ultimately results in the forgiveness of contractually specified principal balances. Our only TDRs are in Chile.

The number of financing receivable accounts and the pre- and post-modification account balances modified under the terms of a TDR during the years ended December 31, 2015, 2014 and 2013 were as follows:

	Number of Financing Receivable Accounts	Pre-Modification Balance Outstanding	Post-Modification Balance Outstanding
2015	1,044	$ 5,251	$ 4,796
2014	1,070	$ 7,002	$ 6,452
2013	1,167	$ 9,604	$ 9,210

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Financing Receivables (Continued)

The preceding table represents accounts modified under the terms of a TDR during the year ended December 31, 2015, whereas the following table represents accounts modified as a TDR between January 1, 2014 and December 31, 2015 that subsequently defaulted during the year ended December 31, 2015:

	Number of Financing Receivable Accounts	Balance at Default
Total	705	$ 2,864

The following table represents accounts modified as a TDR between January 1, 2013 and December 31, 2014 that subsequently defaulted during the year ended December 31, 2014:

	Number of Financing Receivable Accounts	Balance at Default
Total	726	$ 4,376

The following table represents accounts modified as a TDR between January 1, 2012 and December 31, 2013 that subsequently defaulted during the year ended December 31, 2013:

	Number of Financing Receivable Accounts	Balance at Default
Total	533	$ 4,652

Note 13. Share-based Compensation

Share-based compensation expense was as follows:

For the years ended December 31,	2015	2014	2013
Stock compensation for directors' fees	$ 827	$ 825	$ 300
Stock options, net of estimated forfeitures	23,120	25,772	36,284
Restricted stock awards	10,173	13,981	3,821
Executive profits interest plan		115	735
Total non-cash stock compensation	34,120	40,693	41,140
Deferred compensation arrangement	4,901	7,653	8,372
Stock options liability		844	
Total	$ 39,021	$ 49,190	$ 49,512

Share-based Deferred Compensation Arrangement

Immediately prior to August 17, 2007 (the Merger Date), Laureate's Chief Executive Officer and another then-member of the Board of Directors held vested equity-based awards which they exchanged on the Merger Date for unfunded, nonqualified share-based deferred compensation arrangements having an aggregate fair value at that time of $126,739. Prior to the occurrence of an initial public offering, each deferred compensation arrangement allows the participant the potential to earn an amount (at any time, a Plan Balance) equal to the product of (A) the number of "phantom shares"

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

credited to the participant's account, and (B) the lesser of (i) the fair market value per "phantom share" on the Merger Date plus a 5% compounded annual return thereon, and (ii) the fair market value per "phantom share" on the earlier of September 17, 2014 (the Distribution Date) or a change of control. On and after the occurrence of an initial public offering, each deferred compensation arrangement allows the participant the potential to earn a Plan Balance equal to the product of (A) the number of "phantom shares" credited to the participant's account as of the initial public offering and (B) the fair market value per "phantom share" on the Distribution Date or a change of control, as applicable. Under these deferred compensation arrangements $81,000 was paid out on the Distribution Date. This payment was included in Accounts payable and accrued expenses within the operating activities section of the Consolidated Statement of Cash Flows for the year ended December 31, 2014. The Plan Balances remaining after the Distribution Date accrue interest at a compound annual interest rate of 5%. Under the terms of the plan, the next $81,000 plus accrued interest on the Plan Balances remaining after the Distribution Date would be paid out on the first anniversary of the Distribution Date. The remaining Plan Balance after the first anniversary distribution would be paid out on the second anniversary from the Distribution Date.

If Laureate has not consummated an initial public offering prior to the first or second anniversary of the Distribution Date, as applicable, the scheduled distribution will be made in cash. Distributions made after Laureate has consummated an initial public offering would generally be made in shares of Laureate common stock, the number of which will depend on the value of the shares on the date of distribution. Notwithstanding the foregoing, immediately upon a change of control, the arrangements will be terminated and liquidated and the Plan Balances will be distributed in a lump sum. A change of control would generally occur if all or substantially all of the assets of Laureate or more than 50% of our equity interests are sold. Prior to the Distribution Date, we recognize the deferred compensation arrangement expense ratably based on the 5% compounded annual rate of return, which can be reduced based on the estimated fair value of Laureate's common stock if the compounded annual rate of return of Laureate's common stock is less than a 5% compounded annual growth rate. After the Distribution Date, we recognize the deferred compensation arrangement expense ratably based on the 5% compounded annual interest rate.

For the years ended December 31, 2015, 2014 and 2013, Laureate recorded share-based compensation expense for this deferred compensation arrangement of $4,901, $7,653 and $8,372, respectively. As of December 31, 2014, the total liability recorded for the deferred compensation arrangement was $99,679, of which $82,165 was payable on September 17, 2015, the first anniversary of the Distribution Date, and was therefore recorded as a current liability in Deferred compensation on the 2014 Consolidated Balance Sheet. The remaining noncurrent portion of the liability of $17,514 was recorded in Deferred compensation as a noncurrent liability. The participants agreed to extend the payment due on September 17, 2015 (the 2015 Obligation), the first anniversary of the Distribution Date, until December 31, 2015, in order to agree with the Company on a form of payment that we believe more closely aligns with the long-term interests of the Company and our securityholders.

On December 29, 2015 (the 2015 Executive DCP Closing Date), we satisfied the 2015 Obligation by paying the participants a total amount of $87,117, including $6,117 in interest from the Distribution Date to the 2015 Executive DCP Closing Date. The payment consisted of $37,071 in cash and $50,046 in aggregate principal amount of Senior Notes due 2019. The participants agreed not to offer or sell

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

their Senior Notes due 2019, other than to the Company, until 12 months after the 2015 Executive DCP Closing Date. See also Note 9, Debt and Note 17, Related Party Transactions.

As of December 31, 2015, the total liability recorded for the deferred compensation arrangement was $17,463, which is payable on September 17, 2016, the second anniversary of the Distribution Date, and was therefore recorded as a current liability in Deferred compensation on the 2015 Consolidated Balance Sheet.

2007 Stock Incentive Plan

In August 2007, the Board of Directors approved the Laureate Education, Inc. 2007 Stock Incentive Plan (2007 Plan). The total shares authorized under the 2007 Plan were 9,232. Shares that are forfeited, terminated, canceled, allowed to expire unexercised, withheld to satisfy tax withholding, or repurchased are available for re-issuance. Any awards that have not vested upon termination of employment for any reason are forfeited. Following the October 2, 2013 modification discussed further below, upon voluntary or involuntary termination without cause (including death or disability), the grantee (or the estate) has a period of time after termination to exercise options vested prior to termination. The 2007 Plan's restricted stock awards have a claw-back feature whereby all vested shares, or the gross proceeds from the sale of those shares, must be returned to Laureate for no consideration if the employee does not abide by the agreed-upon restrictive covenants such as covenants not to compete and covenants not to solicit.

Stock Options Under 2007 Plan

Stock option awards under the 2007 Plan have a contractual life of 10 years and were granted with an exercise price equal to the fair market value of Laureate's stock at the date of grant. Our option agreements generally divide each option grant equally into options that are subject to time-based vesting (Time Options) and options that are eligible for vesting based on achieving pre-determined performance targets (Performance Options). Prior to the October 2013 modification, discussed below, under the 2007 Plan these performance targets were Pro-rata EBITDA earnings targets. The Time Options generally vest ratably on the first through fifth grant date anniversary. The Performance Options are divided into tranches. Each tranche is eligible to vest annually upon the Board of Directors' determination that Laureate has attained fiscal year earnings (Pro-rata EBITDA, as defined in the agreement) that equal the performance targets (Pro-rata EBITDA targets). These performance targets are set at the time of the award's issuance and, for options outstanding at the time, were amended in August 2010 and October 2013. Our option agreements provide that if our fiscal year earnings are at least 95%, at least 90%, or below 90%, of the applicable earnings target then 75%, 50%, or 0%, respectively, of the applicable Performance Option tranche will vest. The Plan includes a "catch-up" provision such that, in the event that we do not achieve 100% of the performance target in a particular fiscal year, the Performance Option Tranche may vest in any subsequent year, within eight years from the date of the grant, if and to the extent a greater percentage of a subsequent year's earnings target is achieved. Certain Performance Option awards granted prior to February 2, 2008 also included a separate tranche, equal to 30% of the total performance award, that vested upon the Board of Directors' determination that Laureate had attained a higher earnings target prior to August 17, 2017 (Special 30% Performance Vesting). During 2013, we believed it was probable that we would

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

attain the predetermined higher earnings target for the Special 30% Performance Vesting tranche in 2014; accordingly, we accrued $4,499 additional performance option expense related to this special tranche in 2013. This Special 30% Performance Vesting tranche was fully vested as of December 31, 2014.

Stock options and restricted stock awards granted under the 2007 Plan have provisions for accelerated vesting if there is a change in control of Laureate. As defined in the 2007 Plan, a change in control would occur if substantially all of the assets of Laureate or more than 50% of our equity interests are sold. If a change in control should occur, all of the outstanding Time Options and unvested restricted stock held by the employees would become fully vested and immediately exercisable. The Performance Options will become immediately exercisable in the event of a change in control only if, and to the extent, the Board of Directors, in its discretion, elects to vest them.

Compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. For Time Options, expense is recognized ratably over the five-year vesting period. For Performance Options, expense is recognized under a graded expense attribution method, to the extent that it is probable that the stated annual performance target will be achieved and options will vest for any year. We assess the probability of each option tranche vesting throughout the life of each grant.

2007 Plan Stock Option Modifications

On October 2, 2013, the Compensation Committee of Laureate's Board of Directors modified the 2007 Plan. The modification i) changed the performance metrics and targets for all unvested Performance Options to match the targets of the 2013 Plan beginning with the 2013 target; ii) modified the post termination exercise provisions for resignation, good leaving, death and disability, and retirement to match the termination provision under the 2013 Plan, which is a post termination exercise period of: 90 days for resignation, two years for termination due to death or disability or, after an initial public offering of our common stock, good leaving, and five years for retirement; iii) reallocated the outstanding unvested 2012 performance tranche to vest in the remaining performance years of the grant on a pro-rata basis for only those employees who received stock options awards for first time in 2012; and iv) forfeit all other outstanding unvested 2012 performance options, disallowing the ability to catch up on the vesting, as the performance target was not met. As a result of this modification, we recognized $5,547 of additional Performance Option expense in 2013.

2013 Long-Term Incentive Plan

On June 13, 2013, Laureate's Board of Directors approved the Laureate Education, Inc. 2013 Long-Term Incentive Plan (2013 Plan), as a successor plan to Laureate's 2007 Plan. The 2013 Plan became effective in June 2013, following approval by the stockholders of Laureate. No further awards will be made under the 2007 Plan now that the 2013 Plan is effective. Under the 2013 Plan, the Company may grant stock options, stock appreciation rights, unrestricted common stock or restricted stock (collectively, "stock awards"), unrestricted stock units or restricted stock units, and other stock-based awards, to eligible individuals on the terms and subject to the conditions set forth in the 2013 Plan. As of the effective date, the total number of shares of common stock issuable under the 2013 Plan were 7,521, which is equal to the sum of (i) 7,074 shares plus (ii) 447 shares of common stock that

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

were still available for issuance under Laureate's 2007 Plan. In September 2015, the Board of Directors approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 1,219. Shares that are forfeited, terminated, canceled, allowed to expire unexercised, withheld to satisfy tax withholding, or repurchased are available for re-issuance. Any awards that have not vested upon termination of employment for any reason are forfeited. Holders of restricted stock shall have all of the rights of a stockholder of common stock including, without limitation, the right to vote and the right to receive dividends. However, dividends declared payable on performance-based restricted stock shall be subjected to forfeiture at least until achievement of the applicable performance target related to such shares of restricted stock. Any accrued but unpaid dividends on unvested restricted stock shall be forfeited upon termination of employment. Holders of stock units do not have any rights of a stockholder of common stock and are not entitled to receive dividends. All awards outstanding under the 2013 Plan terminate upon the liquidation, dissolution or winding up of Laureate. The 2013 Plan will remain in effect until the earlier of (a) the earliest date as of which all awards granted under the Plan have been satisfied in full or terminated and no shares of common stock are available to be granted or (b) June 12, 2023.

Stock options, stock appreciation rights and restricted stock units granted under the 2013 Plan have provisions for accelerated vesting if there is a change in control of Laureate. As defined in the 2013 Plan, a change in control means the first of the following to occur: i) a change in ownership of Laureate or Wengen or ii) a change in the ownership of assets of Laureate. A change in ownership of Laureate or Wengen shall occur on the date that more than 50% of the total voting power of the capital stock of Laureate is sold or more than 50% of the partnership interests of Wengen is sold in a single or a series of related transactions. A change in the ownership of assets of Laureate would occur if 80% or more of the total gross fair market value of all of the assets of Laureate are sold during a 12-month period. The gross fair market value of Laureate is determined without regard to any liabilities associated with such assets. Upon consummation of the change in control and an employee's "qualifying termination" (as defined in the employee's award agreement): a) those time-based stock options and stock appreciation rights that would have vested and become exercisable on or prior to the third anniversary of the effective time of change in control would become fully vested and immediately exercisable; b) those performance-based stock options and stock appreciation rights that would have vested and become exercisable had Laureate achieved the performance targets in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control, excluding the portion of awards that would have vested only pursuant to any catch-up provisions, would become fully vested and immediately exercisable; c) those time-based restricted stock awards that would have become vested and free of forfeiture risk and lapse restriction on or prior to the third anniversary of the effective time of such change in control would become fully vested and immediately exercisable; d) those performance-based restricted stock awards that would have vested and become free of forfeiture risk and lapse restrictions had Laureate achieved the target performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control would become fully vested and immediately exercisable; e) those time-based restricted stock units that would have become vested or earned on or prior to the third anniversary of the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable; and f) those performance-based restricted stock units, performance shares and performance units that would have become vested or earned had Laureate achieved the target

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

performance in the three fiscal years ending coincident with or immediately subsequent to the effective time of such change in control would become vested and earned and be settled in cash or shares of common stock as promptly as practicable. After giving effect to the foregoing change in control acceleration, any remaining unvested time-based and performance-based stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance share units shall be forfeited for no consideration.

Stock Options Under 2013 Plan

Stock option awards under the 2013 Plan have a contractual term of 10 years and are granted with an exercise price equal to the fair market value of Laureate's stock at the date of grant. During 2015, 2014 and 2013, we granted various employees stock options for 1,447, 386 and 4,344 shares respectively. These options vest over a period of five years. Of the options granted in 2015, 2014 and 2013, 1,073, 353 and 3,369, respectively, are Time Options and the remainder are Performance Options. The Performance Options granted under the 2013 Plan are eligible for vesting based on achieving annual pre-determined Equity Value performance targets, as defined in the plan, and the continued service of the employee. The performance based awards include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is achieved as long as the following year is within eight years from the grant date.

Compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. For Time Options, expense is recognized ratably over the five-year vesting period. For Performance Options, expense is recognized under a graded expense attribution method, to the extent that it is probable that the stated annual earnings target will be achieved and options will vest for any year. We assess the probability of each option tranche vesting throughout the life of each grant.

Equity Award Modifications

Equity Restructuring Modification

In December 2013, the combination of entities under common control caused an equity restructuring and therefore resulted in a modification of share-based awards granted to employees under ASC 718-10-35-6 "Stock Compensation." The amount of the stock compensation charge resulting from this modification was determined based on the estimated fair value of Laureate Asia at the date it was transferred to Laureate.

In connection with the combination of Laureate Asia into Laureate, Wengen and another institutional investor group that is a minority shareholder of Laureate entered into a share transfer agreement, pursuant to which the minority shareholder agreed to transfer to Wengen a portion of its Laureate shares based upon the outcome of certain events. Under the terms of the share transfer agreement, the minority shareholder will be required to transfer a portion of its Laureate shares to Wengen. This share transfer will have the effect of reducing the institutional investor group's ownership in Laureate, but will not reduce the Company's employee shareholders' ownership in Laureate. Therefore, Wengen's recapitalization of Laureate through a contribution of Laureate Asia resulted in a modification of all share-based awards granted to employees. As a result of this modification, we

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Note 13. Share-based Compensation (Continued)

recognized $6,455 of additional expense in 2013 for vested Performance Options, vested Time Options and shares held by current and former employees.

Modification of a Former Executive's Award

In 2014, the Company issued a note payable to a former executive for $3,771 in exchange for vested share-based compensation. We accounted for this as an equity-to-liability award modification. The note has an interest rate of 5% and is payable upon the earlier of: 1) the occurrence of certain contingent events or 2) July 31, 2019.

Stock Option Activity for 2007 and 2013 Plans

The following tables summarize the stock option activity and the assumptions used to record the related share-based compensation expense for the years ended December 31, 2015, 2014 and 2013:

	2015			2014			2013		
	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1	10,919	$ 25.84	$ 48,851	12,102	$ 25.40	$ 57,094	8,459	$ 20.40	$ 119,604
Granted	1,447	$ 26.72		386	$ 27.76		4,344	$ 34.52	
Exercised	(460)	$ 18.76	3,365	(841)	$ 19.36	11,046	(226)	$ 19.08	3,503
Forfeited or expired	(479)	$ 28.52		(728)	$ 27.04		(475)	$ 22.36	
Outstanding at December 31	11,427	$ 26.12	$ 20,339	10,919	$ 25.84	$ 48,851	12,102	$ 25.40	$ 57,094
Exercisable at December 31	8,293	$ 24.32	$ 20,328	7,600	$ 22.88	$ 47,812	6,839	$ 21.32	$ 48,159
Vested and expected to vest	11,110	$ 26.08	$ 20,339	10,499	$ 25.56	$ 48,833	10,666	$ 24.60	$ 55,289

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

	Options Outstanding		Options Exercisable		Assumption Range*		
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Number of Shares	Weighted Average Remaining Contractual Terms (Years)	Risk-Free Interest Rate	Expected Terms in Years	Expected Volatility
Year Ended December 31, 2015							
$18.36 - $19.56	3,790	1.8	3,790	1.8	0.32% - 4.20%	1.90 - 6.95	26.85% - 52.47%
$20.16 - $21.28	353	2.7	353	2.7	0.42% - 3.60%	2.11 - 6.52	33.24% - 52.47%
$21.48 - $21.52	516	4.8	512	4.8	0.68% - 2.63%	3.38 - 6.58	38.16% - 52.47%
$21.68 - $22.32	344	4.1	344	4.1	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
$22.88 - $31.92	2,634	8.2	1,108	7.1	0.73% - 2.86%	4.00 - 6.52	39.03% - 58.84%
$34.52	3,788	7.8	2,184	7.8	1.76% - 2.07%	6.02 - 7.12	51.51% - 53.51%
Year Ended December 31, 2014							
$18.36 - $19.56	4,308	2.8	4,308	2.8	0.32% - 4.20%	1.90 - 6.95	26.85% - 52.47%
$20.16 - $21.28	376	3.7	376	3.7	0.42% - 3.60%	2.11 - 6.52	33.24% - 52.47%
$21.48 - $21.52	550	5.8	470	5.8	0.68% - 2.63%	3.38 - 6.58	38.16% - 52.47%
$21.68 - $22.32	354	5.1	317	5.1	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
$22.88 - $31.92	1,322	7.7	590	7.2	0.73% - 2.86%	4.00 - 6.52	39.03% - 58.84%
$34.52	4,008	8.8	1,537	8.8	1.76% - 2.07%	6.02 - 7.12	51.51% - 53.51%
Year Ended December 31, 2013							
$18.36 - $19.56	5,178	3.7	4,459	3.7	0.32% - 4.20%	1.90 - 6.55	26.85% - 52.47%
$20.16 - $21.28	563	3.5	560	3.1	0.42% - 3.60%	2.11 - 6.52	33.24% - 52.47%
$21.48 - $21.52	608	6.8	399	6.8	0.68% - 2.63%	3.38 - 6.58	38.16% - 52.47%
$21.68 - $22.32	401	6.1	273	6.1	0.57% - 3.03%	2.18 - 6.52	36.78% - 52.47%
$22.88 - $31.92	1,005	8.0	325	7.8	0.73% - 2.86%	4.00 - 6.52	39.03% - 53.80%
$34.52	4,344	9.8	821	9.8	1.76% - 2.07%	6.02 - 7.12	51.51% - 53.51%

* The expected dividend yield is zero for all options in all years.

The weighted-average estimated fair value of stock options granted was $13.80, $15.68 and $17.96 per share for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, Laureate had $44,148 of unrecognized share-based compensation costs related to stock options outstanding. Of the total unrecognized cost, $37,316 relates to Time Options and $6,832 relates to Performance Options. The unrecognized Time Options expense is expected to be recognized over a weighted-average expense period of 2.7 years.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

Non-Vested Restricted Stock and Restricted Stock Units

The following table summarizes the non-vested restricted stock and restricted stock units activity for the years ended December 31, 2015, 2014 and 2013:

	2015		2014		2013	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1	694	$ 32.48	931	$ 33.76	148	$ 23.52
Granted	449	$ 26.28	159	$ 28.00	869	$ 34.52
Vested	(215)	$ 31.48	(337)	$ 33.56	(66)	$ 24.52
Forfeited	(63)	$ 31.08	(59)	$ 34.24	(20)	$ 21.52
Non-vested at December 31	865	$ 29.60	694	$ 32.48	931	$ 33.76

Restricted stock units granted under the 2013 Plan consist of time-based restricted stock units and performance-based restricted stock units with various vesting periods over the next five years. Performance-based restricted stock units are eligible to vest annually upon the Board of Directors' determination that the annual performance targets are met. The performance targets are the same as for Performance Options, as defined in the 2013 Plan. The performance-based restricted stock units include a catch-up provision, allowing the grantee to vest in any year in which a target is missed if a following year's target is obtained as long as the following year is within eight years from the grant date.

Restricted stock granted under the 2007 Plan consists of time-based restricted stock with vesting periods of five years.

The fair value of the non-vested restricted stock awards in the table above is measured using the fair value of Laureate's common stock on the date of grant or the most recent modification date whichever is later.

As of December 31, 2015, unrecognized share-based compensation expense related to non-vested restricted stock and restricted stock units awards was $15,543. Of the total unrecognized cost, $5,843 relates to time-based restricted stock and restricted stock units and $9,700 relates to performance-based restricted stock units. This unrecognized expense for time-based restricted stock and restricted stock units will be recognized over a weighted-average expense period of 2.3 years.

Common Shares Issued or Deferred for Directors' Fees

In 2015, 2014 and 2013, certain directors elected to receive their annual Board of Directors compensation in shares of common stock. For the years ended December 31, 2015, 2014 and 2013, respectively, Board compensation paid in shares was $209, $275 and $300, and we issued 8, 10 and 8 shares of common stock at per share fair values of $25.76, $27.48 and $34.52. In addition, for the years ended December 31, 2015 and 2014, we recognized additional compensation expense of $618 and $550, respectively, for restricted stock granted to directors. Certain directors have elected to defer their annual compensation in accordance with the provisions of our directors' Deferred Compensation Plan.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Share-based Compensation (Continued)

In 2013 and again in 2014, a member of our Board of Directors elected to receive 1 shares that had been previously deferred. Accordingly, the shares were issued and distributed. As of both December 31, 2015 and 2014, the number of shares of common stock that remained reserved for future issuance to directors was 7.

Executive Profits Interests

On behalf of Laureate, Wengen granted to our CEO the Executive Profits Interests award (EPI). The EPI contained a time-based portion that vested over a five-year schedule and a performance-based portion that vested to the extent that the Company achieved predetermined earnings targets similar to performance options over a five-year period. This award was fully vested by December 31, 2014.

Note 14. Derivative Instruments

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We may seek to control a portion of these risks through a risk management program that includes the use of derivative instruments.

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt payments is subject to fluctuations in the value of the USD against foreign currencies, since a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has entered into a foreign currency swap contract and floating-to-fixed interest rate swap contracts. In addition, we occasionally enter into foreign exchange forward contracts to reduce the earnings impact of other non-functional currency-denominated receivables and payables.

We do not enter into speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. We generally intend to hold our derivatives until maturity.

Laureate reports all derivatives at fair value. These contracts are recognized as either assets or liabilities, depending upon the derivative's fair value. Gains or losses associated with the change in the fair value of these swaps are recognized in our Consolidated Statements of Operations on a current basis over the term of the contracts, unless designated and effective as a hedge. For swaps that are designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the swaps are recognized in our Consolidated Balance Sheets as a component of Accumulated Other Comprehensive Income (AOCI) and amortized into earnings as a component of Interest expense over the term of the related hedged items.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Derivative Instruments (Continued)

The reported fair value of our derivatives, which are primarily classified in Derivative instruments on our Consolidated Balance Sheets, were as follows:

December 31,	2015	2014
Derivatives designated as hedging instruments:		
Long-term liabilities:		
Interest rate swaps	$ 13,250	$ 18,879
Derivatives not designated as hedging instruments:		
Current assets:		
Cross currency and interest rate swaps	238	
Current liabilities:		
Cross currency and interest rate swaps	688	
Long-term liabilities:		
Cross currency and interest rate swaps	5,662	4,755
Interest rate swaps	414	621
Total derivative instrument assets	$ 238	$
Total derivative instrument liabilities	$ 20,014	$ 24,255

Derivatives Designated as Hedging Instruments

Interest Rate Swaps

In September 2011, Laureate entered into two forward interest rate swap agreements with notional amounts of $450,000 and $300,000, respectively. We have designated these derivatives as cash flow hedges. The swaps were associated with existing debt, and effectively fix interest rates on existing variable-rate borrowings in order to manage our exposure to future interest rate volatility. Both swaps have an effective date of June 30, 2014 and mature on June 30, 2017. The terms of the swaps require Laureate to pay interest on the basis of fixed rates of 2.61% on the $450,000 notional amount swap and 2.71% on the $300,000 notional amount swap, and receive interest for both swaps on the basis of three-month LIBOR, with a floor of 1.25%. The gain or loss on these swaps is deferred in AOCI and will be reclassified into earnings as a component of Interest expense in the same period during which the hedged forecasted transactions will affect earnings. Laureate determines the effectiveness of these swaps using the hypothetical derivative method. During the years ended December 31, 2015, 2014 and 2013, the amount of gain or loss recognized in income on the ineffective portion of derivative instruments designated as hedging instruments was $0, as the swaps were 100% effective. During the next 12 months, approximately $9,900 is expected to be reclassified from AOCI into income. As of December 31, 2015 and 2014, these interest rate swaps had an estimated fair value of $13,250 and $18,879, respectively.

The table below shows the total recorded unrealized gain (loss) of these swaps in Comprehensive income (loss). The impact of derivative instruments designated as hedging instruments on

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Derivative Instruments (Continued)

Comprehensive income (loss), Interest expense and AOCI for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Gain (Loss) Recognized in Comprehensive Income (Loss) (Effective Portion)			Income Statement Location	Loss Reclassified from AOCI to Income (Effective Portion)		
	2015	2014	2013		2015	2014	2013
Interest rate swaps	$ 5,629	$ (733)	$ 2,667	Interest expense	$ (10,660)	$ (5,374)	$

Derivatives Not Designated as Hedging Instruments

USD to Swiss Franc (CHF) Foreign Currency Forward Swaps

In November 2015, Laureate entered into a USD to CHF foreign exchange forward swap agreement. We executed an initial conversion of CHF 14,000 to US $14,113. The swap had an original maturity of March 9, 2016 that was extended to June 8, 2016, at a fixed exchange rate of $0.9920. For accounting purposes, the swap was not designated as a hedging instrument. As of December 31, 2015, the swap had an estimated fair value of $238, and was included in Prepaid expenses and other current assets on the Consolidated Balance Sheet.

In May 2015, Laureate entered into two USD to CHF foreign exchange forward swap agreements. These swaps were intended to hedge the currency effects of the strengthening USD for anticipated cash outlays in CHF over the seven months subsequent to the execution date for a tax payment, along with expected working capital requirements. We executed an initial conversion of CHF 18,700 to US $19,840 using two swaps. The first swap had a notional amount of CHF 9,000 and matured on September 1, 2015 at a fixed exchange rate of $0.9459. The second swap had a notional amount of CHF 9,700 and matured on January 5, 2016 at a fixed exchange rate of $0.9394. For accounting purposes, the swaps were not designated as hedging instruments. As of December 31, 2015, the remaining swap had an estimated fair value of $624, and was included in Derivative instruments as a current liability on the Consolidated Balance Sheet.

In December 2015, Laureate entered into two USD to CHF foreign exchange forward swap agreements. We executed an initial conversion of CHF 16,000 to US $16,470 using two swaps. The first swap had a notional amount of CHF 9,000 and had an original maturity of March 14, 2016 that was extended to June 10, 2016, at a fixed exchange rate of $0.9796. The second swap has a notional amount of CHF 7,000 with an original maturity of February 5, 2016 that was extended to November 10, 2016 at a fixed exchange rate of $0.9612. For accounting purposes, the swaps were not designated as hedging instruments. As of December 31, 2015, these swaps had an estimated fair value of $64, and were included in Derivative instruments as a current liability on the Consolidated Balance Sheet.

CLP to Unidad de Fomento (UF) Cross Currency and Interest Rate Swaps

The cross currency and interest rate swap agreements are intended to provide a better correlation between our debt obligations and operating currencies. In 2010, one of our subsidiaries in Chile entered into four cross currency and interest rate swap agreements. One of the swaps matures on

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Derivative Instruments (Continued)

December 1, 2024, and the remaining three mature on July 1, 2025 (the CLP to UF cross currency and interest rate swaps). The UF is a Chilean inflation-adjusted unit of account. The four swaps have an aggregate notional amount of approximately $31,000, and convert CLP-denominated, floating-rate debt to fixed-rate UF-denominated debt. The CLP to UF cross currency and interest rate swaps were not designated as hedges for accounting purposes. As of December 31, 2015 and 2014, these swaps had an estimated fair value of $5,662 and $4,755, respectively.

THINK Interest Rate Swaps

Laureate acquired THINK on December 20, 2013, and financed a portion of the purchase price by borrowing AUD 45,000 (US $32,702 at December 31, 2015) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The terms of the syndicated facility agreement required THINK to enter into an interest rate swap within 45 days from the agreement's December 20, 2013 effective date, in order to convert at least 50% of the AUD 45,000 of term loan debt from a variable interest rate based on the BBSY bid rate, an Australia bank rate, to a fixed interest rate. Accordingly, on January 31, 2014, THINK executed an interest rate swap agreement with an original notional amount of AUD 22,500 to satisfy this requirement and converted AUD 22,500 (US $16,351 at December 31, 2015) of the variable rate component of the term loan debt to a fixed interest rate of 3.86%. The notional amount of the swap decreases quarterly based on the terms of the agreement, and the swap matures on December 20, 2018. This interest rate swap was not designated as a hedge for accounting purposes, and had an estimated fair value of $414 and $621 at December 31, 2015 and 2014, respectively, which was recorded in Derivative instruments as a long-term liability.

Components of the reported (Loss) gain on derivatives not designated as hedging instruments in the Consolidated Statements of Operations were as follows:

For the years ended December 31,	2015	2014	2013
Unrealized (Loss) Gain			
Cross currency and interest rate swaps	$ (2,133)	$ 25,725	$ 38,008
Interest rate swaps	145	4,076	6,200
	(1,988)	29,801	44,208
Realized (Loss) Gain			
Cross currency and interest rate swaps	(407)	(27,788)	(30,519)
Interest rate swaps	(212)	(5,114)	(7,058)
	(619)	(32,902)	(37,577)
Total (Loss) Gain			
Cross currency and interest rate swaps	(2,540)	(2,063)	7,489
Interest rate swaps	(67)	(1,038)	(858)
(Loss) gain on derivatives, net	$ (2,607)	$ (3,101)	$ 6,631

Credit Risk and Credit-Risk-Related Contingent Features

Laureate's derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation. The amount of our credit risk exposure is equal to the fair value

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Derivative Instruments (Continued)

of the derivative when any of the derivatives are in a net gain position. As of December 31, 2015, the fair value of derivatives in a gain position were immaterial. As of December 31, 2014, none of our derivatives were in a gain position.

At December 31, 2015 and 2014, one institution, which was rated A1, one institution which was rated A2, two institutions which were rated Aa2, and one institution which was rated Baa3 by the global rating agency of Moody's Investors Service, accounted for all of Laureate's derivative credit risk exposure.

Laureate's agreements with its derivative counterparties contain a provision under which we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to a default on the indebtedness. As of December 31, 2015 and 2014, we had not breached any default provisions and had not posted any collateral related to these agreements. If we had breached any of these provisions, we could have been required to settle the obligations under the derivative agreements for an amount that we believe would approximate their estimated fair value of $20,014 as of December 31, 2015 and $24,255 as of December 31, 2014.

Note 15. Income Taxes

Significant components of the Income tax (expense) benefit on earnings from continuing operations were as follows:

For the years ended December 31,	2015	2014	2013
Current:			
United States	$ (6,304)	$ (4,749)	$ (6,328)
Foreign	(126,597)	(119,190)	(101,068)
State	(392)	(258)	(57)
Total current	(133,293)	(124,197)	(107,453)
Deferred:			
United States	(4,629)	(99)	8
Foreign	19,319	164,426	15,701
State	873	(1,070)	498
Total deferred	15,563	163,257	16,207
Total income tax (expense) benefit	$ (117,730)	$ 39,060	$ (91,246)

For the years ended December 31, 2015, 2014 and 2013, foreign income from continuing operations before income taxes was $105,919, $83,760 and $154,391, respectively. For the years ended December 31, 2015, 2014 and 2013, domestic loss from continuing operations before income taxes was $306,528, $285,431 and $152,462, respectively.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Income Taxes (Continued)

Significant components of deferred tax assets and liabilities arising from continuing operations were as follows:

December 31,	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	$ 900,778	$ 817,380
Depreciation	54,083	31,097
Deferred revenue	48,669	46,259
Allowance for doubtful accounts	24,005	30,016
Deferred compensation	66,971	95,562
Unrealized loss	83,368	54,581
Nondeductible reserves	30,486	33,085
Interest	26,195	13,678
Other		850
Total deferred tax assets	1,234,555	1,122,508
Deferred tax liabilities:		
Investment in subsidiaries	111,761	112,457
Amortization of intangible assets	376,639	424,373
Other	1,342	
Total deferred tax liabilities	489,742	536,830
Net deferred tax assets	744,813	585,678
Valuation allowance for net deferred tax assets	(1,092,951)	(994,434)
Net deferred tax liabilities	$ (348,138)	$ (408,756)

At December 31, 2015 and 2014, undistributed earnings from foreign subsidiaries totaled $1,153,953 and $1,152,824, respectively. We have not recognized deferred tax liabilities for these undistributed earnings because we believe that they will be indefinitely reinvested outside of the United States. These earnings could become subject to additional taxes if they are remitted as dividends, loaned to us or to one of our United States affiliates, or if we sold our interests in the subsidiaries. It is not practicable for us to determine the amount of additional taxes that might be payable on the unremitted earnings.

Approximately 76% (66% federal and 10% states) of our worldwide net operating loss carryforwards (NOLs) as of December 31, 2015 originated in the United States, derived from both federal and various state jurisdictions. The U.S. federal NOLs will begin to expire in 2025.

The valuation allowance relates to the uncertainty surrounding the realization of tax benefits primarily attributable to NOLs of the parent company and of certain foreign subsidiaries, and future deductible temporary differences that are available only to offset future taxable income of subsidiaries in certain jurisdictions.

The Company assesses the realizability of deferred tax assets by examining all available evidence, both positive and negative. A valuation allowance is recorded if negative evidence outweighs positive evidence. A company's three-year cumulative loss position is significant negative evidence in

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Income Taxes (Continued)

considering whether deferred tax assets are realizable. Accounting guidance restricts the amount of reliance the Company can place on projected taxable income to support the recovery of the deferred tax assets. In 2014, valuation allowances were released at entities in Chile and Mexico of approximately $22,000 and $66,000, respectively, due to the change from a three-year cumulative loss position to a three-year cumulative income position, as well as other positive factors including projections of future profitability.

During 2015, objective and verifiable negative evidence, such as continued U.S. operating losses, continued to outweigh positive evidence. The Company recorded a Federal and State Net Operating Loss deferred tax asset of approximately $112,619 and a corresponding increase in the valuation allowance of the same amount, as a result of the negative evidence cited above. Recording the valuation allowance does not restrict the Company's ability to utilize the future deductions and net operating losses associated with the deferred tax assets if taxable income is generated in future periods. The most significant U.S. deferred tax assets are federal net operating losses, totaling $588,126, that begin to expire in 2025.

The reconciliations of the reported Income tax expense to the amount that would result by applying the United States federal statutory tax rate of 35% to income from continuing operations before income taxes were as follows:

For the years ended December 31,	2015	2014	2013
Tax benefit at the United States statutory rate	$ 70,213	$ 70,585	$ (675)
Permanent differences	(24,970)	(16,560)	(47,475)
State income tax benefit (expense), net of federal tax effect	312	(1,238)	461
Tax effect of foreign income taxed at lower rate	31,856	37,370	73,534
Change in valuation allowance	(151,501)	(31,502)	(55,908)
Settlements with taxing authorities		(3,456)	(319)
Investment in subsidiaries		(538)	(25,216)
Effect of tax contingencies	(34,572)	(5,704)	(9,048)
Tax credits	25,557	25,968	16,000
Withholding taxes	(35,332)	(35,865)	(42,600)
Other	707		
Total income tax (expense) benefit	$ (117,730)	$ 39,060	$ (91,246)

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Income Taxes (Continued)

The reconciliations of the beginning and ending amount of unrecognized tax benefits were as follows:

For the years ended December 31,	2015	2014	2013
Beginning of the period	$ 67,804	$ 57,404	$ 66,972
Additions for tax positions related to prior years	32,388	28,613	126
Decreases for tax positions related to prior years	(12,640)	(17,131)	(7,251)
Additions for tax positions related to current year	233	4,732	6,073
Decreases for unrecognized tax benefits as a result of a lapse in the statute of limitations	(4,919)	(4,245)	(8,049)
Settlements for tax positions related to prior years	(344)	(1,569)	(467)
End of the period	$ 82,522	$ 67,804	$ 57,404

Laureate records interest and penalties related to uncertain tax positions as a component of Income tax expense. During the years ended December 31, 2015, 2014 and 2013, Laureate recognized interest and penalties related to income taxes of $16,270, $11,225 and $11,029, respectively. Laureate had $60,186 and $62,210 of accrued interest and penalties at December 31, 2015 and 2014, respectively. During the years ended December 31, 2015, 2014 and 2013, Laureate derecognized $8,090, $5,116 and $8,795, respectively, of previously accrued interest and penalties. Approximately $79,000 of unrecognized tax benefits, if recognized, will affect the effective income tax rate. It is reasonably possible that Laureate's unrecognized tax benefits may decrease within the next 12 months by up to approximately $21,000 as a result of the lapse of statutes of limitations and as a result of the final settlement and resolution of outstanding tax matters in various jurisdictions.

Laureate and various subsidiaries file income tax returns in the United States federal jurisdiction, and in various states and foreign jurisdictions. With few exceptions, Laureate is no longer subject to United States federal, state and local, or foreign income tax examinations by tax authorities for years before 2009. United States federal and state statutes are generally open back to 2012; however, the Internal Revenue Service (the IRS) has the ability to challenge 2005 through 2011 net operating loss carryforwards. Statutes of other major jurisdictions, such as Brazil, Chile and Spain are open back to 2011, and Mexico is open back to 2006.

During 2010 and 2013, Laureate was notified by the Spain Tax Authorities (STA) that two tax audits of our Spanish subsidiaries were being initiated for 2006 through 2007, and for 2008 through 2010, respectively. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. (ICE), our Spanish holding company, for EUR 11,051 (US $12,128 at December 31, 2015), including interest, for the 2006 through 2007 period. Laureate has appealed this final assessment related to the 2006 through 2007 period, and issued a cash-collateralized letter of credit in July 2012, in order to continue the appeal process. In October 2015, the STA issued a final assessment to ICE for the 2008 through 2010 period for approximately EUR 17,187 (approximately US $18,862 at December 31, 2015), including interest, for those three years. In order to continue the appeals process, we have issued cash-collateralized letters of credit for the 2008 to 2010 period assessment amount, plus interest and surcharges. In total, as of December 31, 2015 we have issued cash-collateralized letters of credit for the ICE tax audit matters of EUR 33,282 (US $36,527 at December 31, 2015), as also described in Note 11, Commitments and Contingencies.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Income Taxes (Continued)

During the quarter ended June 30, 2015, the Company reassessed its position regarding the ICE tax audit matters as a result of recent adverse decisions from the Spanish Supreme Court and the Spanish National Court on cases for taxpayers with similar facts, and determined that it could no longer support a more-likely-than-not position. As a result, during 2015, the Company has recorded a provision totaling EUR 37,610 (approximately US $42,100) for the period January 1, 2006 through December 31, 2015. The Company plans to continue the appeals process for the periods already audited and assessed.

Chile Tax Reform

On September 29, 2014, Chile enacted major income tax law changes. The significant change impacting the Company is the increase in income tax rates, which are retroactive to January 2014. The tax rates are increasing from 21% to 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 and beyond. Deferred taxes were revalued and a benefit of approximately $2,700 and $6,100 was recorded in 2015 and 2014, respectively. Prior to 2015, the law also included two alternative methods for computing shareholder-level income taxation. During 2015, the law changed to include one method for computing shareholder-level income taxation.

Spanish Tax Reform

During 2014, Spain enacted major income tax law changes. One change decreased the corporate income tax rate from 30% to 28% in 2015 and to 25% beginning in 2016. The impact of the rate changes was a benefit to income tax expense of approximately $600 and $6,700 in 2015 and 2014, respectively.

Mexican Fiscal Reform

In December 2013, Mexico enacted the 2014 Fiscal Reform (Fiscal Reform). The changes in the Fiscal Reform, which are generally effective for tax years beginning on or after January 1, 2014, include the elimination of the flat tax regime that previously applied to most of Laureate's Mexico entities. These entities will now be subject to the corporate income tax. Other changes resulting from the Fiscal Reform include adjustments to the Value-Added Tax (VAT) rate in certain locations and limitations on the deductibility of certain tax-exempt payments made to employees. Since this law was enacted in 2013, we have recalculated our deferred tax assets and liabilities that are subject to the Tax Reform using the new tax rates in the Fiscal Reform. As described further in Note 18, Benefit Plans, because Laureate's Mexico entities are now subject to corporate income tax, the Company is required to comply with profit-sharing legislation, whereby 10% of the taxable income at Laureate's Mexican operations will be set aside as employee compensation.

Note 16. Earnings (Loss) Per Share

Laureate computes basic earnings per share (EPS) by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted EPS reflects the potential dilution that would occur if share-based compensation awards/arrangements or contingently issuable shares were exercised or converted into common stock. To calculate the diluted EPS, the basic weighted average number of shares is increased by the dilutive

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Earnings (Loss) Per Share (Continued)

effect of stock options, restricted stock, and other share-based compensation arrangements determined using the treasury stock method.

The following table summarizes the computations of basic and diluted earnings per share:

For the years ended December 31,	2015	2014	2013
Numerator used in basic and diluted earnings (loss) per common share:			
Loss from continuing operations attributable to Laureate Education, Inc.	$ (316,248)	$ (158,291)	$ (74,824)
Accretion of redemption value of redeemable noncontrolling interests and equity	(13,041)	(9,187)	(9,797)
Adjusted for: accretion related to noncontrolling interests and equity redeemable at fair value	6,879	743	286
Distributed and undistributed earnings to participating securities	(11)	(3)	(22)
Loss from continuing operations available to common stockholders	(322,421)	(166,738)	(84,357)
Income from discontinued operations			5,146
Allocation of discontinued operations to participating securities			(5)
Net loss available to common stockholders	$ (322,421)	$ (166,738)	$ (79,216)
Denominator used in basic and diluted earnings (loss) per common share:			
Basic and diluted weighted average shares outstanding	132,950	132,616	131,983
Basic and diluted earnings (loss) per share:			
Loss from continuing operations attributable to Laureate Education, Inc.	$ (2.44)	$ (1.24)	$ (0.64)
Income from discontinued operations attributable to Laureate Education, Inc.			0.04
Basic and diluted net loss per share attributable to common stockholders	$ (2.44)	$ (1.24)	$ (0.60)

The following table summarizes the number of stock options and shares of restricted stock outstanding for the years ended December 31, 2015, 2014 and 2013, which were excluded from the diluted EPS calculations because the effect would have been antidilutive, due to net losses for the periods presented:

For the years ended December 31,	2015	2014	2013
Stock options	10,743	10,263	7,881
Restricted stock	430	464	141

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions

Corporate

Transactions between Laureate and Santa Fe University of Arts and Design (SFUAD)

During 2014, Laureate entered into a new shared services agreement with SFUAD that replaced the shared services agreement previously entered into in 2009. Laureate provides SFUAD with certain management consulting, legal, tax, finance, accounting, treasury, human resources, and network entry services. The shared services agreement has a term of five years and automatically renews for two year periods thereafter, unless terminated by either party. For the years ended December 31, 2015, 2014 and 2013, total costs and expenses charged to SFUAD were $14,205, $13,477 and $12,174, respectively. As of December 31, 2015 and 2014, Laureate recorded a Related party receivable from SFUAD of $658 and $4,186, respectively. Substantially all of the December 31, 2015 receivable balance was collected subsequent to year end.

During the third quarter of 2013, fourteen Laureate institutions entered into partnership agreements with SFUAD (the Global Partnership agreements). These Global Partnership agreements have an initial term of five years and provide Laureate students with educational opportunities to study certain academic programs at SFUAD. Under the terms of these agreements, the partnering Laureate institutions commit to pay SFUAD an annual amount each calendar year, which SFUAD then bills to the Laureate institutions on a quarterly basis. The Global Partnership agreements can be unilaterally canceled by either SFUAD or the Laureate institutions with at least six months' prior written notice; however any remaining unpaid commitment amount for that calendar year is still contractually owed to SFUAD. For the years ended December 31, 2015, 2014 and 2013, the total amounts paid under the Global Partnership agreements were $3,556, $4,571 and $2,974, respectively. As of December 31, 2015 and 2014, Laureate recorded a related party payable to SFUAD of $193 and $359, respectively.

Transactions between Laureate and HSM

As discussed in Note 4, Acquisitions, on March 5, 2015, Laureate completed the sale of its interest in HSM. The total purchase price was approximately $9,500, less HSM's bank debt and other adjustments. Upon closing of the sale on March 5, 2015, Laureate received cash proceeds of approximately $5,000, which are included in Proceeds from (investments in) affiliates on the 2015 Consolidated Statement of Cash Flows. As required by the agreement, Laureate's loans receivable from HSM, along with all unpaid interest, took first priority in the allocation of the sale proceeds. After collection of the loans receivable and accrued interest, which totaled approximately $2,300, and payment of certain costs related to the sale, Laureate recognized a net gain of approximately $2,000 in Equity in net income (loss) of affiliates, net of tax, on the Consolidated Statement of Operations for the year ended December 31, 2015.

Transactions between Laureate and Entities Affiliated with Executive Officers, Directors and Wengen

For the years ended December 31, 2015, 2014 and 2013, we incurred costs of $313, $184 and $409, respectively, for the business use of a private airplane that is owned in part by our CEO.

We have agreements in place with I/O Data Centers, LLC (I/O) pursuant to which I/O provides modular data center solutions to the Company. One of our directors is also a director of I/O. Additionally, this director, our CEO, and Sterling Partners (a private equity firm co-founded by the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

director, our CEO, and others) maintain an ownership interest in I/O. During the years ended December 31, 2015, 2014 and 2013, we incurred costs for these agreements of approximately $500, $500 and $400, respectively.

During the year ended December 31, 2015, 2014 and 2013, we made payments of approximately $700, $0 and $700, respectively, to an entity affiliated with one of the Wengen investors for services rendered in connection with the Company's refinancing of its debt and new debt issuances.

During the years ended December 31, 2015 and 2014, we made payments of approximately $196 and $400 to a consulting firm that works with one of the Wengen investors and its portfolio companies, for consulting services provided in connection with our EiP initiative.

As discussed in Note 9, Debt, and Note 13, Share-based Compensation, on December 29, 2015 we issued $50,046 aggregate principal amount of Senior Notes due 2019 to the participants of the nonqualified share-based deferred compensation arrangement, who are Laureate's Chief Executive Officer and a former member of our Board of Directors. The issuance of the Senior Notes due 2019, along with a cash payment of $37,071, satisfied the 2015 Obligation to the participants.

On December 16, 2015, Laureate entered into a term loan agreement with its parent, Wengen, for approximately $11,000. The note payable accrues interest at an annual rate of LIBOR plus 4.25%, with a 1.25% floor on the LIBOR, and interest is payable quarterly. The term of the loan is three years, with maturity on December 31, 2018. Principal payments in 2016 are scheduled for June and December, in the amounts of $3,500 and $2,500, respectively. Accordingly, $6,000 of this $11,000 related party loan was classified as Current portion of long-term debt, and the remainder was classified as Long-term debt, less current portion on the Consolidated Balance Sheet.

LatAm

Transactions between Laureate and Entities Affiliated with a Former Executive

For the years ended December 31, 2015, 2014 and 2013, Laureate made payments of $158, $11 and $120, respectively, for consulting and market research and $497, $545 and $820, respectively, for clinical studies to companies that are affiliated with an individual who served as one of our executives until the third quarter of 2014.

Ecuador

Transactions between Laureate and a VIE formerly consolidated

In the second half of 2010, Ecuador adopted a new Higher Education Law (the New Law) that, if implemented, would require Laureate to modify the governance structure of our institution in that country, UDLA Ecuador, to implement a system of co-governance that would cause us to lose the ability to control that institution. In the fourth quarter of 2012, the Consejo de Educación Superior (CES), the relevant regulatory body, commenced reviewing and issuing comments on bylaws submitted by other Ecuadorian higher education institutions, implementing and enforcing the co-governance provisions of the New Law. In accordance with ASC 810-10-15-10, the Company believed that control no longer resided with Laureate given the governmentally imposed uncertainties. As a result, UDLA Ecuador was deconsolidated in the fourth quarter of 2012.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

Certain for-profit entities of Laureate continue to provide services and/or intellectual property to UDLA Ecuador through contractual arrangements at market rates. However, only earnings that are realized through these various contractual arrangements are being recognized by the Company. During the years ended December 31, 2015, 2014 and 2013, the total amounts recognized through these contractual arrangements, primarily as other revenues, were $13,879, $18,132 and $15,623, respectively. As of December 31, 2015 and 2014, we had payables to UDLA Ecuador of $11,119 and $7,263, respectively, and receivables from UDLA Ecuador of $4,141 and $2,066, respectively. Also, during the year ended December 31, 2013, UDLA Ecuador made capital contributions of $9,106, respectively, to an education-related real estate subsidiary of Laureate in Chile. These capital contributions are recorded in (Distributions to) and capital contributions from noncontrolling interest holders in the 2013 Consolidated Statement of Cash Flows. As of December 31, 2015 and 2014, UDLA Ecuador's investment in this Chilean real estate subsidiary was approximately $21,000 and $25,000, respectively. During the years ended December 31, 2015 and 2014, the Chilean real estate subsidiary made dividend payments to UDLA Ecuador of $1,047 and $811, respectively, related to this investment.

Europe

Morocco

Transactions between Laureate and Noncontrolling Interest Holder of Laureate Somed Education Holding SA (LSEH)

During the years ended December 31, 2015, 2014 and 2013, the noncontrolling interest holder made loans to LSEH totaling MAD 27,200 (US $2,772), MAD 28,000 (US $4,754) and MAD 20,000 (US $2,393), respectively. These loans each bear interest at 4.5% per annum and have varying maturity dates through April 2017. The proceeds from these loans have been included in the financing activities section of the Consolidated Statement of Cash Flows as Noncontrolling interest holder's loan to subsidiaries. As the 60% majority owner, Laureate has also made loans to LSEH for 60% of the total amount borrowed, which eliminates in consolidation.

During 2014, the maturity date of a loan made by the noncontrolling interest holder in 2012 was extended from June 2014 to June 2016. The outstanding balance of this loan at the time of the extension was MAD 36,377 (US $3,677 at December 31, 2015). This loan also bears interest at a rate of 4.5% per annum.

During 2013, the noncontrolling interest holder converted a total of MAD 17,934 (approximately US $2,151 at conversion) of their loans and accrued interest to capital. Laureate also converted to capital a pro rata portion of the loans that it had made as the 60% majority owner of LSEH, resulting in no change in our ownership percentage.

At December 31, 2015, we had total related party payables of $13,354 to the noncontrolling interest holder for the outstanding balance of and accrued interest on the loans described above, of which $9,305 and $4,049 were recorded as current and noncurrent, respectively. At December 31, 2014, we had total related party payables of $10,881 to the noncontrolling interest holder, of which $5,281 and $5,600 were recorded as current and noncurrent, respectively.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

AMEA

China

Transactions between China businesses and Noncontrolling Interest Holders

HIEU has entered into various cost-sharing agreements and other related party transactions with entities owned by a noncontrolling interest holder of HIEU. As of December 31, 2015 and 2014, the amounts payable to this related party were $2,501 and $2,113, respectively, and the amounts receivable from this related party were $1,490 and $1,428, respectively.

In June 2010, HIEU entered into an entrustment loan agreement with Hunan New Lieying Education Technologies Ltd. (HNLET), which had a balance of $3,059 and $3,196 as of December 31, 2015 and 2014, respectively. The Chairman of the Board of Directors of HIEU is an owner of HNLET. The loan had an interest rate of 7.5% and its original maturity date of June 2012 was extended several times until June 2014. The entrustment loan receivable was fully secured by the amount due to the noncontrolling interest holders of HIEU; however Laureate was contractually released from that seller note payable during 2014 and removed the liability, as discussed in Note 5, Due to Shareholders of Acquired Companies. During 2014, Laureate concluded that collection of the entrustment loan was not reasonably assured and placed a full allowance on this related party receivable. Accordingly, as of December 31, 2015, the balance of this loan receivable from HNLET was fully offset by a reserve recorded in Allowance for doubtful accounts, resulting in a net carrying value of $0.

A portion of real property that HIEU has paid for, including land and buildings, is mortgaged as collateral for corporate loans that the entity controlled by certain noncontrolling interest holders of HIEU has entered into with third-party banks. The balances owed by such entity on these corporate loans totaled approximately $20,000. In December 2013, the noncontrolling interest holders of HIEU signed an agreement with Laureate and committed to: (1) remove all encumbrances on HIEU's real property no later than September 30, 2014 and (2) cause the entity to complete the transfer of title relating to the encumbered real property to HIEU no later than December 31, 2014. Under the terms of this agreement, the noncontrolling interest holders also agreed to pay any and all transfer taxes, fees and other costs that are required in connection with the removal of the encumbrances and the transfer of titles, which are estimated to be approximately $2,000. As collateral for their performance under the agreement, the noncontrolling interest holders pledged to Laureate their 30% equity interest in the sponsoring entity of HIEU. The noncontrolling interest holders of HIEU have not completed their commitment to remove the encumbrances over the real property or completed the transfer of the real property. Under the terms of the agreement, Laureate has the right to receive the sale proceeds of the noncontrolling interest holders' 30% equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders. On February 22, 2016, one of the creditors of the noncontrolling interest holders initiated an enforcement process against the noncontrolling interest holders. If the noncontrolling interest holders fail to repay the debts owed to such creditor in 75 days, the creditor may further request the court to auction a portion of the equity interest of the noncontrolling interest holders; a court auction may take place within approximately three months. As the registered pledgee, Laureate has the right to receive the sale proceeds of the noncontrolling interest holders' 30% equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders. Management is currently

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

evaluating its options in this matter. As of December 31, 2015 and 2014, Laureate's net carrying value of the encumbered real property was approximately $13,700 and $14,300, respectively.

In addition to the performance obligations in the December 2013 agreement for the encumbered property as described above, the noncontrolling interest holders are required under the 2009 HIEU purchase agreement (PA) to obtain the titles of certain other buildings for HIEU. The noncontrolling interest holders are also obligated to pay any and all government fees and other costs, which are estimated to be approximately $4,200, required in connection with obtaining the titles for these buildings. These buildings are not encumbered and HIEU has title to the land. The noncontrolling interest holders also occupy and conduct other non-HIEU business in five buildings that we have title to, and do not pay rent to HIEU for the use of these facilities.

Additionally, during 2014, HIEU recorded an approximately $4,350 loss to write off the carrying value of several parcels of land for which it no longer has land use rights. The loss of land use rights was a breach of the PA and we determined our claim to be uncollectible in 2014.

Effective January 1, 2008, we entered into a consulting arrangement with an individual related to the Company's operations in China. Under the agreement, we committed to annual payments for the higher of $500 or 1% of annual pro rata revenue of the Company's entities in China, in return for business consulting services. We recognized total expense of $607 under this contract for the year ended December 31, 2013. As permitted under the terms of the agreement, we terminated this agreement effective December 31, 2013.

Dubai

Transactions between Laureate and Laureate-Obeikan Ltd.

As of December 31, 2015 and 2014, we had recorded a related party receivables of $93 and $1,034, respectively, from the noncontrolling interest holder of Laureate-Obeikan Ltd., a joint venture in Dubai that is 50% owned by Laureate and consolidated. During 2015, the receivable amount outstanding as of December 31, 2014 was settled.

Also, during the year ended December 31, 2013, Laureate and the noncontrolling interest holder of Laureate-Obeikan Ltd. made capital contributions to Laureate-Obeikan Ltd. totaling $940 in connection with a share capital increase. The noncontrolling interest holder's 50% share of the total capital contribution, which equaled $470, has been included within (Distributions to) and capital contributions from noncontrolling interest holders in the financing activities section of the Consolidated Statement of Cash Flows for the year ended December 31, 2013.

Malaysia

Transactions between Malaysian Businesses and Noncontrolling Interest Holders

Exeter Street Holdings Sdn Bhd (Exeter Malaysia), one of Laureate's subsidiaries, extended a loan to one of its noncontrolling interest holders to assist in the financing of their approximately 16.5% initial investment in INTI. The original maturity date of this loan was December 31, 2013, but it was not paid by December 31, 2013 and remains outstanding. The loan is collateralized by a pledge of the noncontrolling interest holder's INTI shares having a value of 150% of the outstanding amount of the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

loan, or at the Company's option, other forms of collateral acceptable to it, equal to 100% of the outstanding amount of the loan. Dividends or option proceeds shall be applied first to any unpaid interest and then to reduce all principal amounts under the loan facility. The loan is denominated in MYR and accrues interest at a rate of 7% per annum. As of December 31, 2013, the outstanding principal balance was $3,966, and the outstanding interest receivable related to this loan was $1,190, respectively. As discussed in Note 4, Acquisitions, in the fourth quarter of 2014 Laureate settled this note receivable and the accrued interest receivable in connection with the purchase of 6.4% of this minority owner's noncontrolling interest. As a result, the loan is no longer outstanding as of December 31, 2014.

Dividends to Noncontrolling Interest Holders

During the years ended December 31, 2015, 2014 and 2013, INTI made contractual dividend payments to its noncontrolling holders of $450, $444 and $132, respectively, which were included within Payments of dividends in the financing activities section of the Consolidated Statements of Cash Flows.

Singapore

Loan from Affiliate

On February 8, 2013, Laureate's wholly owned subsidiary, LEI Singapore Holdings Private Limited, which is the Singapore-based parent entity of several of our AMEA subsidiaries, borrowed EUR 3,254 (US $4,478 at December 31, 2013) from LEI International Holdings B.V., a Wengen subsidiary that is an affiliate of Laureate. The loan has a maturity date of February 7, 2022, and carries an annual interest rate of 7%. As of December 31, 2013, the total principal and interest payable for the loan was $4,758, which was recorded on the Consolidated Balance Sheet in Long-term debt, less current portion. Effective March 31, 2014, the board of LIHBV forgave this loan to LEI Singapore Holdings Pte Ltd, which was recognized as a capital contribution of $4,821 during the year ended December 31, 2014.

South Africa

Transactions between Laureate and Noncontrolling Interest Holders of MSA

As of December 31, 2015 and 2014, Laureate had a related party payable recorded of $1,897 and $2,240, respectively, that was owed to the noncontrolling interest holder of MSA.

GPS

United States

Transactions between Laureate and Noncontrolling Interest Holder of St. Augustine

In December 2013, subsequent to the acquisition of St. Augustine discussed in Note 4, Acquisitions, a $10,000 capital contribution was made to St. Augustine, 80% of which was contributed by Laureate and 20% by the noncontrolling interest holder. Laureate loaned $2,000 to the noncontrolling interest holder in the form of a non-interest bearing promissory note for its portion of the capital contribution, which was recorded at its discounted present value of $1,739 in Notes receivable, net on the December 31, 2013 Consolidated Balance Sheet. The note had a maturity date of

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Related Party Transactions (Continued)

November 21, 2018, and Laureate had the right to offset against this receivable the noncontrolling interest holder's 20% share of any future distributions that are made by St. Augustine. During the fourth quarter of 2014, St. Augustine declared and paid a distribution to its owners of $10,000, of which $2,000 was paid to the 20% noncontrolling interest holder. The noncontrolling interest holder then repaid the related party promissory note to Laureate.

In the Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2014, Laureate's loan to the minority partner in 2013 and the loan repayment in 2014 were included in Payments from (to) related parties in the investing activities section, and the noncontrolling interest holder's $2,000 capital contribution in 2013 and distribution in 2014 were included in (Distributions to) and capital contributions from noncontrolling interest holders in the financing activities section. During the year ended December 31, 2015, St. Augustine made tax distributions to its 20% noncontrolling interest holder of $3,952, as provided for in St. Augustine's operating agreement.

Transactions between Laureate and NHU NFP

In connection with the acquisition of NHU LLC in 2010, Laureate entered into a lease for the San Jose campus owned by NHU NFP. Laureate also subleases a portion of the premises to NHU NFP for its charter school. For the years ended December 31, 2014 and 2013, Laureate incurred rent expense of $1,702 and $1,666, respectively, and received sublease income of $652 and $374, respectively. At June 30, 2015, Laureate ceased using its leased property at NHU and recorded a liability for the present value of the remaining lease costs, less estimated sublease rentals, of approximately $3,100. During the six months ended June 30, 2015, Laureate incurred rent expense of $1,384 and received sublease income of $437.

Switzerland

As of December 31, 2015 and 2014, we have recorded royalty receivables of $1,023 and $925, respectively, from Les Roches Jin Jiang, a 50% equity-method investee that operates a hospitality and culinary institution in China. In addition, we have recorded exchange student payables of $319 to Les Roches Jin Jiang as of December 31, 2015.

Note 18. Benefit Plans

Domestic Defined Contribution Retirement Plan

Laureate sponsors a defined contribution retirement plan in the United States under section 401(k) of the Internal Revenue Code. The plan offers employees a traditional "pre-tax" 401(k) option and an "after-tax" Roth 401(k) option, providing the employees with choices and flexibility for their retirement savings. All employees are eligible to participate in the plan after meeting certain service requirements. Participants may contribute up to a maximum of 80% of their annual compensation and 100% of their annual cash bonus, as defined and subject to certain annual limitations. Laureate may, at its discretion, make matching contributions that are allocated to eligible participants. The matching on the "after-tax" Roth contributions is the same as the matching on the traditional "pre-tax" contributions. Laureate made discretionary contributions in cash to this plan of $4,501, $4,174 and $3,823 for the years ended December 31, 2015, 2014 and 2013, respectively.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Benefit Plans (Continued)

Non-United States Pension Benefit Plans

Laureate has defined benefit pension (pension) plans at several non-United States institutions. The projected benefit obligation (PBO) is determined as the actuarial present value as of the measurement date of all benefits calculated by the pension benefit formula for employee service rendered. The amount of benefits to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life expectancy of employees/survivors and average years of service rendered. The PBO is measured based on assumptions concerning future interest rates and future employee compensation levels. The expected net periodic benefit cost for Laureate in each year can vary from the subsequent year's actual net periodic benefit cost due to the acquisition of entities with plans, plan amendments, and the impacts of foreign currency translation. The combined unfunded status of these plans is reported as a component of Other long-term liabilities.

The fair value of plan assets relates to insurance contracts for our Switzerland institutions' plans. The fair value measurements were based on inputs that are not observable to active markets and, as such, would be deemed a "Level 3" fair value measurement as defined in Note 20, Fair Value Measurement.

The net periodic benefit cost for those entities with pension plans was as follows:

For the years ended December 31,	2015	2014	2013
Service cost	$ 6,021	$ 5,229	$ 5,658
Interest	1,387	1,805	1,585
Expected return on assets	(400)	(765)	(546)
Amortization of prior service costs	903	278	428
Recognition of actuarial items	(27)	173	239
Curtailment gain			(551)
Net periodic benefit cost	$ 7,884	$ 6,720	$ 6,813

The estimated net periodic benefit cost for the year ending December 31, 2016 is approximately $7,492.

The weighted average assumptions were as follows:

For the years ended December 31,	2015	2014	2013
Discount rate for obligations	0.75 - 10.10%	1.00 - 9.75%	2.25 - 10.50%
Discount rate for net periodic benefit costs	1.00 - 9.75%	2.25 - 10.50%	1.75 - 9.75%
Rate of compensation increases	2.00 - 13.00%	2.00 - 14.00%	2.25 - 11.75%
Expected return in plan assets	0.75%	1.00%	2.25%

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Benefit Plans (Continued)

The change in PBO, change in plan assets and funded (unfunded) status for those entities with pension plans were as follows:

For the years ended December 31,	2015	2014
Change in PBO:		
PBO at beginning of year	$ 67,149	$ 56,836
Service cost	6,021	5,229
Interest	1,387	1,805
Actuarial loss (gain)	(173)	9,132
Benefits paid by plan	(3,200)	(1,648)
Participant contributions	2,712	2,361
Administrative expenses	(917)	(806)
Foreign exchange	(2,562)	(5,760)
PBO at end of year	$ 70,417	$ 67,149
Change in plan assets:		
Fair value of assets at beginning of year	$ 37,462	$ 35,848
Actual return on assets	1,208	710
Employer contributions	3,465	2,995
Participant contributions	2,712	2,361
Benefits paid by plan	(2,025)	87
Administrative expenses	(917)	(806)
Foreign exchange	95	(3,733)
Fair value of assets at end of year	$ 42,000	$ 37,462
Unfunded status	$ 28,417	$ 29,687
Actuarial loss	$ 11,011	$ 12,562
Prior service cost	164	1,628
Amount recognized in AOCI, pre-tax	$ 11,175	$ 14,190
Accumulated benefit obligation	$ 58,465	$ 57,385

The Company estimates that employer contributions to plan assets during 2016 will be approximately the same as during the year ended December 31, 2015. The estimated future benefit payments for the next 10 fiscal years are as follows:

For the year ending December 31,	
2016	$ 9,624
2017	5,445
2018	4,484
2019	4,240
2020	4,100
2021 through 2025	24,570

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Benefit Plans (Continued)

Laureate Education, Inc. Deferred Compensation Plan

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

The plan assets are recorded at fair value with the earnings (losses) on those assets recorded in Other income (expense). The plan liabilities are recorded at the contractual value, with the changes in value recorded in operating expenses. As of December 31, 2015 and 2014, plan assets included in Other assets in our Consolidated Balance Sheets were $10,139 and $10,561, respectively. As of December 31, 2015 and 2014, the plan liabilities reported in our Consolidated Balance Sheets were $14,995 and $15,316, respectively, which are almost entirely noncurrent and recorded in Other long-term liabilities.

Supplemental Employment Retention Agreement

In November 2007, Laureate established a Supplemental Employment Retention Agreement (SERA) for one of its executive officers. Since Laureate achieved certain Pro-rata EBITDA targets, as defined in the SERA, from 2007 to 2011 and this officer remained employed through December 31, 2012, this individual receives an annual SERA payment of $1,500. The SERA provides annuity payments to the executive over the course of his lifetime, and annuity payments would be made to his spouse for the course of her life in the event of the executive's death on or prior to December 31, 2026. The SERA is administered through a Rabbi Trust, and its assets are subject to the claims of creditors. Laureate purchases annuities to provide funds for our future SERA obligations.

As of December 31, 2015 and 2014, the total SERA assets were $10,336 and $12,010, respectively, which were recorded in Other assets in our Consolidated Balance Sheets. As of December 31, 2015 and 2014, the total SERA liability recorded in our Consolidated Balance Sheets was $16,380 and $17,396, respectively, of which $1,500 and $1,500, respectively, was recorded in Accrued compensation and benefits, and $14,880 and $15,896, respectively, was recorded in Deferred compensation.

Mexico Profit-Sharing

As explained in Note 15, Income Taxes, the Fiscal Reform that was enacted in Mexico in December 2013 subjects Laureate's Mexico entities to corporate income tax and also requires them to comply with profit-sharing legislation, whereby 10% of the taxable income of Laureate's Mexican entities will be set aside as employee compensation. As a result of the Fiscal Reform, the Company recorded a net increase in operating expense for the year ended December 31, 2013 of $8,389. Also in 2013, the Company had established an asset for a deferred benefit related to this matter. During 2014, the Company revised its estimate regarding the realizability of this asset and, accordingly, recorded a net decrease in operating expense for the year ended December 31, 2014 of $22,755. During 2015, the Company revised its estimate regarding the realizability of this asset and, accordingly, recorded a net increase in operating expense for the year ended December 31, 2015 of $937.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Benefit Plans (Continued)

Labor Unions

Certain Laureate employees at Universidad Europea de Madrid, Spain (UEM), UVM Mexico, Institut Français de Gestion (IFG) and all of the Brazilian institutions are covered by labor agreements.

The UEM agreement was negotiated between a national union and an employer association committee representing all of the private, for-profit institutions in the country. That agreement remained legally applicable until February 2010, when negotiations for the renewal of the UEM agreement were completed. We are currently operating under the February 2010 agreement.

Substantially all of the faculty members at UVM Mexico are represented by a union. The labor agreement governs salaries, benefits and working conditions for all union members at UVM Mexico.

The IFG agreement governs certain labor conditions, such as vacation and salary levels. The agreement has no defined expiration date, but can be nullified by either party.

As required by Brazilian Labor Law, all of Brazil's employees are represented by a union and the institutions are part of an employers' union. These two groups negotiate standard city or regional contracts and it is the responsibility of our Brazil institutions to comply with these agreements. In some cases where, for example, there is no city-wide or regional labor union to conduct the negotiation, the institutions and labor union have agreed to permit the local institution to negotiate directly with the respective union. Such union agreements typically have a duration of one year.

Laureate considers itself to be in good standing with these unions and with all of its employees.

Note 19. Legal and Regulatory Matters

Laureate is subject to legal proceedings arising in the ordinary course of business. In management's opinion, we have adequate legal defenses, insurance coverage, and/or accrued liabilities with respect to the eventuality of these actions. Management believes that any settlement would not have a material impact on Laureate's financial position, results of operations, or cash flows.

United States Postsecondary Education Regulation

The Company, through its GPS segment, operates five postsecondary educational institutions in the United States (U.S. Institutions). The U.S. Institutions are subject to extensive regulation by federal and state governmental entities as well as accrediting bodies. The Higher Education Act (HEA), and the regulations promulgated thereunder by the DOE, subject the U.S. Institutions to ongoing regulatory review and scrutiny. The U.S. Institutions must also comply with a myriad of requirements in order to participate in Title IV federal financial aid programs under the HEA (Title IV programs).

In particular, to participate in the Title IV programs under currently effective DOE regulations, an institution must be authorized to offer its educational programs by the relevant state agencies in the states in which it is located, accredited by an accrediting agency that is recognized by the DOE, and also certified by the DOE. In determining whether to certify an institution, the DOE closely examines an institution's administrative and financial capability to administer Title IV program funds.

Pursuant to DOE requirements, the U.S. Institutions conduct periodic reviews and audits of their compliance with the Title IV program requirements. None of the U.S. Institutions have been notified

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 19. Legal and Regulatory Matters (Continued)

of any significant noncompliance that might result in loss of its certification to participate in the Title IV programs. Management believes that there are no matters of regulatory noncompliance that could have a material effect on the accompanying Consolidated Financial Statements.

Changes in or new interpretations of applicable laws, DOE rules, or regulations could have a material adverse effect on the U.S. Institutions' eligibility to participate in the Title IV programs. On October 29, 2010, the DOE published a Final Rule amending its regulations in a number of areas related to an institution's eligibility to participate in the Title IV programs. Most of these regulatory changes became effective July 1, 2011, with others becoming effective as of July 1, 2012. On October 30, 2014, the DOE issued a final rule establishing specific standards for purposes of the HEA requirement that, to be eligible for Title IV program funds, certain programs of study prepare students for "gainful employment in a recognized occupation," which became effective July 1, 2015. The Company is currently evaluating this rule and determining its impact on our operations.

Between February and May 2014, the DOE convened a negotiated rulemaking committee to prepare proposed regulations to address program integrity and improvement issues for the Title IV programs ("Program Integrity Rulemaking") including but not limited to updating eligibility standards for student and parent borrowers under the federal Direct PLUS loan program, cash management of Title IV funds, state authorization for programs offered through distance education and state authorization for foreign locations of institutions. As this negotiated rulemaking committee did not reach consensus on all of the issues before it, on August 8, 2014, the DOE published a proposed rule for public comment regarding federal Direct PLUS loan program eligibility, following which a final rule was issued on October 23, 2014 and that took effect July 1, 2015. On October 30, 2015, the DOE published final program integrity regulations regarding cash management of Title IV funds, the eligibility of repeated coursework for purposes of a student's enrollment status and receipt of Title IV funds, and the measurement of programs in credit hours versus clock hours for Title IV purposes. A majority of the provisions of the regulations will take effect on July 1, 2016, and others will take effect on later dates in 2016 and 2017. The final regulations concerning cash management require, among other things, that institutions subject to heightened cash monitoring procedures for disbursements of Title IV funds must, effective July 1, 2016, pay to students any applicable Title IV credit balances before requesting such funds from the DOE.

During a separate negotiated rulemaking committee process that occurred between January and April 2014, the DOE proposed draft regulatory language to implement changes to the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act ("Clery Act") required by March 2013 amendments to the Violence Against Women Act. At the final meeting of the negotiated rulemaking committee on April 1, 2014, the committee reached consensus on the Department's proposed regulations, which were subsequently published for a 30-day public comment period on June 20, 2014. On October 20, 2014, the DOE published the final rule amending its Clery Act regulations, which is effective July 1, 2015. Between February and April 2015, the DOE convened another negotiated rulemaking committee to prepare regulations to establish a new Pay as You Earn repayment plan for those not covered by the existing Pay as You Earn Repayment Plan in the Federal Direct Loan Program, and also to establish procedures for Federal Family Education Loan Program loan holders to use to identify U.S. military servicemembers who may be eligible for a lower interest rate on their federal student loans under the Servicemembers Civil Relief Act. The committee reached

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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Note 19. Legal and Regulatory Matters (Continued)

consensus during its final session on a set of proposed regulations. The DOE published proposed regulations for comment on July 9, 2015, and on October 30, 2015, issued final regulations. The Pay as You Earn Repayment Plan provisions will take effect in December 2015 and a majority of the remaining provisions of the regulations will take effect on July 1, 2016. Also, on August 20, 2015, the DOE published notice of a new negotiated rulemaking process to clarify how direct loan borrowers who believe they were defrauded by their institutions can seek relief and to strengthen provisions to hold institutions accountable for their wrongdoing that results in loan discharges. This negotiated rulemaking committee held its first session January 12-14, 2016, with additional negotiating sessions scheduled to occur February 17-19, 2016 and March 16-18, 2016. In September 2015, President Obama announced the DOE's launch of a revised "College Scorecard" website that provides access to national data on college costs, graduation rates, debt and post-college earnings, including data regarding our U.S. Institutions. In addition, in November 2015, the DOE issued comparative data regarding DOE-recognized accreditation agencies and the institutions they accredit, which include median debt, repayment rates, completion rates and median earnings. To the extent such data gives rise to negative perceptions of our U.S. Institutions or of proprietary educational institutions generally, our reputation and business could be materially adversely affected.

We are unable to predict what additional actions the DOE may take, or the effect of its rulemaking processes on our business. Additionally, the United States Congress has initiated a series of hearings regarding its prospective reauthorization of the HEA and potential changes to the Title IV programs. Any new or changed regulations from the DOE, or changes to the HEA and Title IV programs, could reduce enrollments, impact tuition prices, increase the cost of doing business and otherwise have additional material adverse effects on the financial condition, cash flows and operations of some or all of the U.S. Institutions.

The proprietary education industry is experiencing broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. In October 2014, the DOE announced that it will be leading an interagency task force composed of the DOE, the U.S. Federal Trade Commission (the FTC), the U.S. Departments of Justice, Treasury and Veterans Affairs, the Consumer Financial Protection Bureau (CFPB), the Securities and Exchange Commission (SEC), and numerous state attorneys general. The FTC has also recently issued civil investigative demands to several other U.S. proprietary educational institutions, which require the institutions to provide documents and information related to the advertising, marketing, or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The CFPB has also initiated a series of investigations against other U.S. proprietary educational institutions alleging that certain institutions' lending practices violate various consumer finance laws. In addition, attorneys general in several states have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions. In addition, several state attorneys general have recently partnered with the CFPB to review industry practices. If our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 19. Legal and Regulatory Matters (Continued)

Brazilian Regulation

Through our LatAm segment, we operate 13 post-secondary education institutions in Brazil. The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Brazilian Ministry of Education (the MEC), along with a number of related federal agencies and offices. The MEC is the highest authority of the higher education system in Brazil and has the power to: regulate and monitor the federal system of higher education in terms of its quality and standards, confirm decisions regarding the accreditation and reaccreditation of institutions of higher education; confirm evaluation criteria; confirm regulatory proposals; and issue and implement rules that govern the delivery of higher education services, including aspects like adherence by higher education institutions to the rules for federal education subsidy programs like Pronatec, Prouni and the FIES program, through one or more of which all of our institutions enroll students. Additionally, Brazilian law requires that almost all change-of-control transactions by Laureate receive the prior approval of the Brazilian antitrust authority, the CADE.

As noted above, Laureate's institutions in Brazil participate in the FIES program, which targets students from low socio-economic backgrounds enrolled at private post-secondary institutions. Eligible students receive loans with below-market interest rates that are required to be repaid after an 18-month grace period upon graduation. FIES pays participating educational institutions tax credits which can be used to pay certain federal taxes and social contributions. FIES also repurchases excess credits for cash. As part of the FIES program, our institutions are obligated to pay up to 15% of any student default. The default obligation increases to up to 30% of any student default if the institution is not current with its federal taxes. FIES withholds between 1% and 3% of tuition paid to the institutions to cover any potential student defaults ("holdback"). If the student pays 100% of their loan, the withheld amounts will be paid to the participating education institutions.

Since February 2014, all new students who participate in FIES must also enroll in the Fundo de Garantia de Operações de Crédito Educativo (FGEDUC). FGEDUC is a government-mandated, private guarantee fund administered by the Bank of Brazil that allows participating educational institutions to insure themselves for 90% (or 13.5% of 15%) of their losses related to student defaults under the FIES program. The cost of the program is 5.63% of a student's full tuition. Similar to FIES, the administrator withholds 5.63% of a student's full tuition to fund the guarantee by FGEDUC.

As of December 31, 2015, approximately 21% of our total students in Brazil participate in FIES, representing approximately 26% of our 2015 Brazil revenues.

In December 2014, the MEC along with FNDE, the agency that directly administers FIES, announced several significant rule changes to the FIES program beginning in 2015. These changes limit the number of new participants and the annual budget of the program, and delay payments to post-secondary institutions with more than twenty thousand FIES students that would otherwise have been due in 2015. The first change implements a minimum score on the high school achievement exam in order to enroll in the program. The second change alters the schedule for the payment and repurchase of credits as well as limits the opportunities for post-secondary institutions to sell any unused credits such that there is a significant delay between the time the post-secondary institution provides the educational services to the students and the time it receives payment from the government for 2015. In addition to these rule changes, FNDE implemented a policy for current students' loan

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Note 19. Legal and Regulatory Matters (Continued)

renewals for 2015, which provides that returning students may not finance an amount that increases by more than 6.41%, which was later increased to 8.5%, from the amount financed in the previous semester, regardless of any increases in tuition or in the number of courses in which the student is enrolled, a policy that we believe violates the applicable law. For 2016, MEC announced that there will be no limitation to the tuition increase. Moreover, in the first and second intakes of 2015, the online enrollment and re-enrollment system that all post-secondary institutions and students must use to access the program has experienced numerous technical and programming faults that have also interfered with the enrollment and re-enrollment process. Numerous challenges to these changes and requests for judicial relief from the system's faults have been filed in the Brazilian courts, most of which are pending. The 2016 enrollment and re-enrollment schedule has been released and, so far, the system has not presented any major issues.

In October 2015, FNDE initiated negotiations with the Brazilian Association of Post-Secondary Institutions (ABRAES) aiming at settling the FIES payments that were delayed in 2015. The proposal from MEC, which was accepted by ABRAES, was to divide the total amount due in three annual installments to be paid one fourth in 2016, one fourth in 2017 and half in 2018. The parties also agreed that the yearly installments will be paid in June of each year, and the amounts will be adjusted to reflect an inflation index (the IPCA) from the date of the respective maturity until the effective payment. FNDE also agreed not to take any discriminatory measures in the future related to the payment due to the post-secondary institutions, and not to impose any limitation on the issuance of certificates and repurchase of credits due to the post-secondary institutions, which basically means that all certificates will be issued and repurchased in their respective fiscal years, except for those intended to be issued and repurchased in December, which will be paid in January of the following year. The parties executed the settlement agreement on January 28, 2016 and it was approved by the office of the Attorney General of Brazil on February 3, 2016. Our post-secondary institutions in Brazil are associated with ABRAES and signed the settlement agreement; therefore, it will apply to us. The long-term portion of the FIES receivables are recorded in Notes receivable, net as of December 31, 2015.

MEC released new FIES regulations in July 2015, which supplement and amend rules that were previously released. Among other changes, these regulations revised the rules for student eligibility and classification, higher education institution participation and selection of the vacancies that will be offered to the students.

On December 11, 2015, MEC issued new FIES regulations (Normative Ordinance No. 13), which supersede in all significant aspects the rules released in July 2015. Normative Ordinance No. 13 defined and clarified some rules for student eligibility and classification, higher education institution participation and selection of the vacancies that will be offered to the students in the first intake of 2016.

Among other changes, it created a "waiting list" concept for students not selected in the first selection call. It also instituted a rule that allows the remaining vacancies that were not filled in by the waiting list students to be redistributed among other programs of the post-secondary institution.

The rules for student eligibility are to have a gross household income of not more than 2.5 times the minimum wage per capita and to have taken the National High School Proficiency Exam at least

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 19. Legal and Regulatory Matters (Continued)

once since 2010, with a minimum score of 450 points, and have a score greater than zero in the test of writing.

Regarding the participation of post-secondary institutions in FIES, institutions must sign a participation agreement that contains their proposal of the number of vacancies offered and the following information per shift (morning, evening) and campus location: (i) tuition gross amount for the entire course, including all semesters; (ii) total tuition gross amount per course for the first semester, which must reflect at least a five percent discount to the course list price; and (iii) the number of vacancies that will be offered through the FIES selection process. Also, only courses with scores of 3, 4 or 5 in the National Higher Education Evaluation System (SINAES) evaluation are eligible to receive FIES students.

All of our Brazil Higher Education Institutions (HEI) adhere to Prouni. Prouni is a federal program of tax benefits designed to increase higher education participation rates by making college more affordable.

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

Prouni provides private HEI with an exemption from certain federal taxes in exchange for granting partial and full scholarships to low-income students enrolled in traditional and technology undergraduate programs. For the years ended December 31, 2015, 2014 and 2013, our HEI granted Prouni scholarships that resulted in tax credits of approximately $55,000, $49,400 and $34,300, respectively.

Note 20. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, which are described below:

Level 1	Quoted prices (unadjusted) for identical assets or liabilities in active markets;
Level 2	Observable inputs other than quoted prices that are either directly or indirectly observable for the asset or liability;
Level 3	Unobservable inputs that are supported by little or no market activity.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10.

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Note 20. Fair Value Measurement (Continued)

Laureate's deferred compensation plan assets, contingent consideration and derivative instruments are its only assets and liabilities that are adjusted to fair value each reporting period.

Deferred compensation plan assets Laureate has a deferred compensation plan that is offered to certain executive employees and members of our Board of Directors. The plan assets primarily consist of variable universal life insurance contracts. These insurance contracts are recorded at their estimated fair value based on the trust administrator's determination of the insurance contracts' total unit value, which is based on unadjusted third-party Net Asset Value (NAV) pricing information from the underlying funds in which the insurance premiums are invested. Laureate has concluded that the fair values of these assets are based on unobservable inputs, or Level 3 assumptions.

Contingent consideration Certain acquisitions require the payment of contingent purchase consideration depending on whether specified future events occur or conditions are met in periods subsequent to the acquisition date. Laureate records such contingent consideration at fair value on the acquisition date with subsequent adjustments recognized in operations. The contingent consideration liability recorded at December 31, 2013 is related to the 2010 acquisition of NHU LLC. As part of that acquisition, Laureate agreed that the noncontrolling interest holder's 20% interest in NHU LLC will not be diluted as a result of any additional equity capital we invest in NHU LLC, up to a limit of $5,000. We recorded a liability for this contingent arrangement as we deemed it probable that we would make an additional capital contribution. During the year ended December 31, 2014, Laureate settled this liability as a capital contribution.

Derivative instruments Laureate uses derivative instruments as economic hedges for bank debt and interest rate risk. Their values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our valuation models also reflect measurements for credit risk. Laureate concluded that the fair values of our derivatives are based on unobservable inputs, or Level 3 assumptions. The significant unobservable input used in the fair value measurement of the Company's derivative instruments is our own credit risk. Holding other inputs constant, a significant increase (decrease) in our own credit risk would result in a significantly lower (higher) fair value measurement for the Company's derivative instruments.

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015 were as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Deferred compensation plan assets	$ 10,139	$	$	$ 10,139
Derivative instruments	238			238
Total assets	$ 10,377	$	$	$ 10,377
Liabilities				
Derivative instruments	$ 20,014	$	$	$ 20,014

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 20. Fair Value Measurement (Continued)

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014 were as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Deferred compensation plan assets	$ 10,561	$	$	$ 10,561
Liabilities				
Derivative instruments	$ 24,255	$	$	$ 24,255

The changes in our Level 3 instruments measured at fair value on a recurring basis for the year ended December 31, 2015 were as follows:

	Deferred Compensation Plan Assets	Derivative Instruments	Total Level 3 Assets (Liabilities)
Balance December 31, 2014	$ 10,561	$ (24,255)	$ (13,694)
Losses included in earnings:			
Unrealized losses, net	(91)	(1,988)	(2,079)
Realized losses, net		(619)	(619)
Included in other comprehensive income		5,629	5,629
Purchases and settlements:			
Purchases	104		104
Settlements	(435)	619	184
Currency translation adjustment		838	838
Balance December 31, 2015	$ 10,139	$ (19,776)	$ (9,637)
Unrealized losses, net relating to assets and liabilities held at December 31, 2015	$ (91)	$ (1,988)	$ (2,079)

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Note 20. Fair Value Measurement (Continued)

The changes in our Level 3 instruments measured at fair value on a recurring basis for the year ended December 31, 2014 were as follows:

	Deferred Compensation Plan Assets	Contingent Consideration	Derivative Instruments	Total Level 3 Assets (Liabilities)
Balance December 31, 2013	$ 10,227	$ (1,000)	$ (53,845)	$ (44,618)
Gains (losses) included in earnings:				
Unrealized gains, net	570		29,801	30,371
Realized losses, net			(32,902)	(32,902)
Included in other comprehensive income			(733)	(733)
Purchases and settlements:				
Purchases	170			170
Settlements	(406)	1,000	32,902	33,496
Currency translation adjustment			522	522
Balance December 31, 2014	$ 10,561	$	$ (24,255)	$ (13,694)
Unrealized gains, net relating to assets and liabilities held at December 31, 2014	$ 570	$	$ 29,801	$ 30,371

The following table presents quantitative information regarding the significant unobservable inputs utilized in the fair value measurements of the Company's assets and liabilities classified as Level 3 for the year ended December 31, 2015:

	Fair Value at December 31, 2015	Valuation Technique	Unobservable Input	Range/Input Value
Derivative instruments cross currency and interest rate swaps	$ 19,776	Discounted Cash Flow	Own credit risk	12.56%

Note 21. Restructuring Costs

During the fourth quarter of 2015, Laureate approved a plan of restructuring, which primarily included workforce reductions in order to reduce operating costs in response to overcapacity at certain locations. The Company recorded the estimated cost of the restructuring of $15,476, which consisted of employee severance, in Direct costs in the 2015 Consolidated Statement of Operations. Of the total restructuring liability recorded during 2015, $10,912 represented one-time employee termination benefits recognized in accordance with ASC 420, "Exit or Disposal Cost Obligations" and $4,564 represented contractual employee termination costs recognized in accordance with ASC 712, "Compensation-Nonretirement Postemployment Benefits." We paid $5,810 during the fourth quarter of 2015, and we expect that the remaining liability of $10,233 at December 31, 2015, after currency adjustments of $567, will be paid during the first half of 2016. the restructuring liability is included in Accrued expenses in our December 31, 2015 Consolidated Balance Sheet.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 21. Restructuring Costs (Continued)

The following is a summary of the restructuring costs by reportable segment for the year ended December 31, 2015:

	LatAm	Europe	GPS	AMEA	Corporate	Total
Employee severance one-time termination	$ 3,170	$ 1,944	$ 3,154	$ 2,360	$ 284	$ 10,912
Employee severance contractual termination	2,273	2,190		101		4,564
Total severance costs	$ 5,443	$ 4,134	$ 3,154	$ 2,461	$ 284	$ 15,476

The following is a rollforward of the restructuring liability from December 31, 2014 through December 31, 2015:

	Balance at December 31, 2014	Expense Recognized	Cash Payments	Currency Adjustments	Balance at December 31, 2015
Employee severance one time termination	$	$ 10,912	$ (5,049)	$ 396	$ 6,259
Employee severance contractual termination		4,564	(761)	171	3,974
Total	$	$ 15,476	$ (5,810)	$ 567	$ 10,233

Note 22. Quarterly Financial Data (Unaudited)

The following quarterly financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Earnings per share are computed independently for each of the quarters presented. Per share amounts may not sum due to rounding. Summarized quarterly operating data were as follows:

	2015 Quarters Ended			
Per share amounts in whole dollars	**December 31**	**September 30**	**June 30**	**March 31**
Revenues	$ 1,150,503	$ 985,395	$ 1,270,177	$ 885,584
Operating costs and expenses	1,025,572	952,076	1,037,537	939,517
Operating income (loss)	124,931	33,319	232,640	(53,933)
(Loss) income from continuing operations	(16,140)	(130,397)	56,932	(226,240)
Net (income) loss attributable to noncontrolling interests	(527)	1,785	(1,871)	210
Net (loss) income attributable to Laureate Education, Inc.	(16,667)	(128,612)	55,061	(226,030)
Earnings (loss) per share:				
Basic and diluted net (loss) income per share attributable to common stockholders	$ (0.16)	$ (0.96)	$ 0.40	$ (1.72)

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 22. Quarterly Financial Data (Unaudited) (Continued)

	2014 Quarters Ended			
Per share amounts in whole dollars	December 31	September 30	June 30	March 31
Revenues	$ 1,329,209	$ 968,859	$ 1,238,530	$ 878,084
Operating costs and expenses	1,208,313	1,004,490	1,001,014	901,365
Operating income (loss)	120,896	(35,631)	237,516	(23,281)
Income (loss) from continuing operations	47,632	(195,700)	109,049	(123,434)
Net (income) loss attributable to noncontrolling interests	(670)	2,270	(840)	3,402
Net income (loss) attributable to Laureate Education, Inc.	46,962	(193,430)	108,209	(120,032)
Earnings (loss) per share:				
Basic and diluted net income (loss) per share attributable to common stockholders	$ 0.36	$ (1.48)	$ 0.80	$ (0.92)

Note 23. Other Financial Information

Accumulated Other Comprehensive Income

AOCI in our Consolidated Balance Sheets includes the accumulated translation adjustments arising from translation of foreign subsidiaries' financial statements, the unrealized losses on derivatives designated as cash flow hedges, and the accumulated net gains or losses that are not recognized as components of net periodic benefit cost for our minimum pension liability. The components of these balances were as follows:

	2015			2014		
December 31,	Laureate Education, Inc.	Noncontrolling Interests	Total	Laureate Education, Inc.	Noncontrolling Interests	Total
Foreign currency translation (loss) gain	$ (928,421)	$ (2,420)	$ (930,841)	$ (546,190)	$ 1,659	$ (544,531)
Unrealized losses on derivatives	(13,251)		(13,251)	(18,880)		(18,880)
Minimum pension liability adjustment	(11,005)		(11,005)	(13,971)		(13,971)
Accumulated other comprehensive (loss) income	$ (952,677)	$ (2,420)	$ (955,097)	$ (579,041)	$ 1,659	$ (577,382)

Laureate reports changes in AOCI in our Consolidated Statements of Stockholders' Equity. See also Note 14, Derivative Instruments, and Note 18, Benefit Plans, for the effects of reclassifications out of AOCI into net income.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 23. Other Financial Information (Continued)

Foreign Currency Exchange of Certain Intercompany Loans

Laureate periodically reviews its investment and cash repatriation strategies to ensure that we meet our liquidity requirements in the United States. In September 2009, we made a significant change to our cash repatriation strategy involving the use of certain intercompany loans to repatriate cash. As a result, we could no longer designate as indefinitely invested $1,728,710 and $1,562,111 of intercompany loans as of December 31, 2015 and 2014, respectively. Following the change in designation, Laureate recognized currency exchange adjustments attributable to these intercompany loans as Foreign currency exchange loss, net, of $(119,473), $(96,617) and $(8,417) in the Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, respectively.

Supplemental Schedule for Transactions with Noncontrolling Interest Holders

Transactions with noncontrolling interest holders had the following effects on the equity attributable to Laureate:

For the years ended December 31,	2015	2014	2013
Net loss attributable to Laureate Education, Inc.	$ (316,248)	$ (158,291)	$ (69,678)
Decrease in equity for purchases of noncontrolling interests	(1,554)	(4,498)	(87,970)
Change from net loss attributable to Laureate Education, Inc. and net transfers to the noncontrolling interests	$ (317,802)	$ (162,789)	$ (157,648)

Write Off of Accounts and Notes Receivable

During the years ended December 31, 2015, 2014 and 2013, Laureate wrote off approximately $83,000, $94,000 and $85,000, respectively, of fully reserved accounts and notes receivable that were deemed uncollectible.

Turkey Donation

During the fourth quarter of 2014, we recorded an operating expense of $18,000 for a donation to a foundation for an initiative supported by the Turkish government. This donation was made by our network institution in Turkey to support our ongoing operations.

Note 24. Supplemental Cash Flow Information

Cash interest payments were $351,430, $321,015 and $292,766 for the years ended December 31, 2015, 2014 and 2013, respectively. Net income tax cash payments were $108,295, $68,676 and $95,767 for the years ended December 31, 2015, 2014 and 2013, respectively.

On November 6, 2015, Laureate's Board of Directors declared a cash distribution totaling $18,975, which represented approximately $0.14264 per share of common stock. The cash distribution was paid from capital in excess of par value, following shareholders' approval.

On December 12, 2014, Laureate's Board of Directors authorized the declaration and payment of a cash distribution totaling $5,271, which represented approximately $0.04 per share of common stock,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 24. Supplemental Cash Flow Information (Continued)

subject to shareholder approval as required by our bylaws. The cash distribution was paid from capital in excess of par value on December 31, 2014, following shareholders' approval.

Total cash dividends paid during the year ended December 31, 2013 were $22,872. In February 2013, Laureate's Board of Directors authorized the declaration and payment of a cash distribution totaling $12,133, which represented approximately $0.092 per share of common stock, subject to shareholder approval as required by our bylaws. The cash distribution was paid from capital in excess of par value on February 27, 2013, following shareholders' approval. In August 2013, Laureate's Board of Directors authorized the declaration and payment of a cash distribution totaling $5,265, which represented approximately $0.04 per share of common stock, subject to shareholder approval as required by our bylaws. The cash distribution was paid from capital in excess of par value on August 29, 2013, following shareholders' approval. In December 2013, Laureate's Board of Directors authorized the declaration and payment of a cash distribution totaling $5,474, which represented approximately $0.04 per share of common stock, subject to shareholder approval as required by our bylaws. The cash distribution was paid from capital in excess of par value on December 30, 2013, following shareholders' approval.

In November 2012, we received $29,138 of interest paid by the lenders on issuance of the Senior Notes due 2019, in order to match the timing of the semi-annual interest payment dates of the Senior Notes due 2019. This amount was disbursed to the lenders at the interest payment date of March 1, 2013.

Note 25. Subsequent Events

We have evaluated events occurring subsequent to our balance sheet date through March 25, 2016, which is the date that these Consolidated Financial Statements were issued. Certain subsequent events are discussed elsewhere in the Consolidated Financial Statements where relevant.

Sale of Glion and Les Roches Hospitality Management Schools

On March 15, 2016, we signed an agreement with Eurazeo, a publicly traded French investment company, under which Eurazeo acquired Glion and Les Roches from the Company for a total transaction value of CHF 380,000 (approximately $385,000 at the signing date), subject to certain adjustments. The sale will include the operations of Glion in Switzerland and the United Kingdom, and the operations of Les Roches in Switzerland and the United States, as well as LRG in Switzerland, Les Roches Jin Jiang in China, RACA in Jordan and Les Roches Marbella in Spain. Closing of the transaction is subject to regulatory approvals, including by the New England Association of Schools and Colleges, and other customary conditions and provisions. Following the closing, Laureate will continue to provide certain back-office services to Glion and Les Roches, and programs of those schools will continue on various campuses of Laureate throughout the world.

In connection with the transaction described above, on March 15, 2016 we also entered into a CHF to USD deal-contingent foreign exchange forward contract, in order to lock in the amount of USD proceeds that we will receive upon closing of the transaction. The notional amount of the forward contract was CHF 320,000. The contract matures on November 30, 2016 and allows for settlement at

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 25. Subsequent Events (Continued)

any point until that date at the exchange rates stated in the contract. For accounting purposes, this derivative was not designated as a hedging instrument.

UDLA Chile Reaccreditation

On March 16, 2016, UDLA Chile was notified that it had been reaccredited for three years, from March 2016 to March 2019.

Exercise of Put Option

On March 24, 2016, the noncontrolling interest holders of St. Augustine notified Laureate of their election to exercise their put option, which will require Laureate to purchase the remaining noncontrolling interest of 20%. The exercise of this put option is not expected to have a material net impact on our financial statements or our liquidity. See Note 11, Commitments and Contingencies, for further description of the put option.

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LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

IN THOUSANDS

For the nine months ended September 30,	**2016**	**2015**
	(Unaudited)	**(Unaudited)**
Revenues	$ 3,068,299	$ 3,141,156
Costs and expenses:		
Direct costs	2,697,820	2,795,027
General and administrative expenses	158,566	134,103
Operating income	211,913	212,026
Interest income	13,305	9,924
Interest expense	(314,383)	(300,145)
Loss on debt extinguishment	(17,363)	(1,263)
Loss on derivatives	(8,235)	(2,618)
Other (expense) income, net	(964)	1,268
Foreign currency exchange gain (loss), net	80,263	(139,416)
Gain on sales of subsidiaries, net	398,412	
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	362,948	(220,224)
Income tax expense	(35,246)	(81,587)
Equity in net income of affiliates, net of tax	20	2,106
Net income (loss)	327,722	(299,705)
Net loss attributable to noncontrolling interests	2,817	124
Net income (loss) attributable to Laureate Education, Inc.	$ 330,539	$ (299,581)
Basic and diluted earnings (loss) per share:		
Basic earnings (loss) per share	$ 2.52	$ (2.28)
Diluted earnings (loss) per share	$ 2.48	$ (2.28)

The accompanying notes are an integral part of these consolidated financial statements.

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LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

IN THOUSANDS

For the nine months ended September 30,	**2016**	**2015**
	(Unaudited)	**(Unaudited)**
Net income (loss)	$ 327,722	$ (299,705)
Other comprehensive (loss) income:		
Foreign currency translation adjustment, net of tax of $0 for both periods	(45,005)	(363,250)
Unrealized gain on derivative instruments, net of tax of $0 for both periods	5,509	2,850
Minimum pension liability adjustment, net of tax of $1,900 and $0, respectively	8,948	198
Total other comprehensive loss	(30,548)	(360,202)
Comprehensive income (loss)	297,174	(659,907)
Net comprehensive loss attributable to noncontrolling interests	1,817	3,428
Comprehensive income (loss) attributable to Laureate Education, Inc.	$ 298,991	$ (656,479)

The accompanying notes are an integral part of these consolidated financial statements.

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LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

IN THOUSANDS, except per share amounts

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents (includes VIE amounts of $164,922 and $120,944, see Note 2)	$ 481,471	$ 458,673
Restricted cash and investments	176,235	160,585
Receivables:		
Accounts and notes receivable	769,495	441,051
Other receivables	24,298	35,788
Related party receivables	8,134	7,336
Allowance for doubtful accounts	(192,301)	(158,006)
Receivables, net	609,626	326,169
Deferred income taxes	92,291	87,895
Income tax receivable	22,892	17,048
Prepaid expenses and other current assets	112,011	85,314
Total current assets (includes VIE amounts of $455,857 and $307,043, see Note 2)	1,494,526	1,135,684
Notes receivable, net	63,239	59,272
Property and equipment:		
Land	409,601	419,977
Buildings	1,257,077	1,294,263
Furniture, equipment and software	1,163,650	1,142,176
Leasehold improvements	402,938	384,655
Construction in-progress	82,254	93,260
Accumulated depreciation and amortization	(1,137,924)	(1,043,431)
Property and equipment, net	2,177,596	2,290,900
Land use rights, net	47,831	50,336
Goodwill	2,009,278	2,115,897
Other intangible assets:		
Tradenames	1,325,613	1,361,125
Other intangible assets, net	51,084	52,197
Deferred costs, net	56,522	58,169
Deferred income taxes	63,653	80,754
Other assets	219,115	234,782
Total assets (includes VIE amounts of $1,469,249 and $1,346,908, see Note 2)	$ 7,508,457	$ 7,439,116

The accompanying notes are an integral part of these consolidated financial statements.

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LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

IN THOUSANDS, except per share amounts

	September 30, 2016 (Unaudited)	December 31, 2015
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 86,866	$ 111,749
Accrued expenses	363,327	371,621
Accrued compensation and benefits	249,589	237,659
Deferred revenue and student deposits	813,322	482,723
Current portion of long-term debt	168,689	192,354
Current portion of due to shareholders of acquired companies	127,591	21,050
Deferred compensation	17,978	17,463
Income taxes payable	24,120	48,369
Deferred income taxes	5,055	9,310
Derivative instruments	7,740	688
Other current liabilities	52,379	55,197
Total current liabilities (includes VIE amounts of $478,620 and $305,067, see Note 2)	1,916,656	1,548,183
Long-term debt, less current portion	3,852,824	4,318,934
Due to shareholders of acquired companies, less current portion	93,151	165,669
Deferred compensation	13,826	14,880
Income taxes payable	154,620	169,951
Deferred income taxes	486,319	507,477
Derivative instruments	8,486	19,326
Other long-term liabilities	280,986	287,524
Total liabilities (includes VIE amounts of $620,512 and $455,373, see Note 2)	6,806,868	7,031,944
Redeemable noncontrolling interests and equity	21,365	51,746
Stockholders' equity:		
Preferred stock, par value $0.001 per share authorized 50,000 shares, no shares issued and outstanding as of September 30, 2016 and December 31, 2015		
Common stock, par value $0.004 per share authorized 175,000 shares, issued and outstanding shares of 133,301 and 133,255 as of September 30, 2016 and December 31, 2015, respectively	533	533
Additional paid-in capital	2,714,231	2,686,451
Accumulated deficit	(1,079,009)	(1,409,548)
Accumulated other comprehensive loss	(984,225)	(952,677)
Total Laureate Education, Inc. stockholders' equity	651,530	324,759
Noncontrolling interests	28,694	30,667
Total stockholders' equity	680,224	355,426
Total liabilities and stockholders' equity	$ 7,508,457	$ 7,439,116

The accompanying notes are an integral part of these consolidated financial statements.

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LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

IN THOUSANDS

For the nine months ended September 30,	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities		
Net income (loss)	$ 327,722	$ (299,705)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	202,735	209,390
Gain on sale of subsidiary and disposal of property and equipment	(398,499)	(2,771)
Loss on derivative instruments	7,211	2,125
Loss on debt extinguishment	17,363	331
Non-cash interest expense	36,892	45,427
Non-cash share-based compensation expense	28,939	27,222
Bad debt expense	76,141	78,552
Deferred income taxes	(12,309)	(45,198)
Unrealized foreign currency exchange (gain) loss	(73,641)	120,991
Non-cash loss (gain) from non-income tax contingencies	6,016	(192)
Other, net	1,574	(2,895)
Changes in operating assets and liabilities:		
Restricted cash	(6,826)	(4,153)
Receivables	(350,078)	(360,572)
Prepaid expenses and other assets	(28,236)	(25,015)
Accounts payable and accrued expenses	(10,655)	7,205
Income tax receivable/payable, net	(23,550)	39,273
Deferred revenue and other liabilities	395,171	430,280
Net cash provided by operating activities	195,970	220,295
Cash flows from investing activities		
Purchase of property and equipment and land use rights	(132,904)	(217,796)
Expenditures for deferred costs	(13,996)	(14,530)
Receipts from sale of subsidiaries and property and equipment, net of cash sold	553,860	188,944
Settlement of derivatives related to sale of subsidiaries	(5,663)	
Property insurance recoveries	1,431	2,198
Business acquisitions, net of cash acquired		(6,705)
Proceeds from affiliates		5,003
Payments from (to) related parties	1,634	(1,139)
Change in restricted cash and investments	(12,032)	1,315
Proceeds from sale or maturity of available-for-sale securities, net		1,386
Net cash provided by (used in) investing activities	392,330	(41,324)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	513,014	336,431
Payments on long-term debt	(1,037,591)	(283,016)
Payments of deferred purchase price for acquisitions	(9,574)	(20,439)
Payments to purchase noncontrolling interests	(25,665)	(5,351)
Payment of dividends to noncontrolling interest holders	(550)	(450)
Proceeds from exercise of stock options	252	204
Withholding of shares to satisfy minimum employee tax withholding for vested stock awards and exercised stock options	(1,346)	(3,367)
Payments of debt issuance costs and modification fees	(10,593)	(12,139)

Noncontrolling interest holder's loan to subsidiaries	816	1,730
Distributions to noncontrolling interest holders	(1,447)	(2,016)
Capital contribution from noncontrolling interest		469
Net cash (used in) provided by financing activities	(572,684)	12,056
Effects of exchange rate changes on cash	7,182	(34,221)
Net change in cash and cash equivalents	22,798	156,806
Cash and cash equivalents at beginning of period	458,673	461,584
Cash and cash equivalents at end of period	$ 481,471	$ 618,390

The accompanying notes are an integral part of these consolidated financial statements.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars and shares in thousands)

Note 1. Description of Business

Laureate Education, Inc. and subsidiaries (hereinafter Laureate, we, us, our, or the Company) provide higher education programs and services to students through an international network of licensed universities and higher education institutions (institutions). We are a subsidiary of Wengen Alberta, Limited Partnership (Wengen), an Alberta limited partnership, which acquired Laureate on August 17, 2007 through a merger using leveraged buyout financing (the LBO). On October 1, 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society.

Laureate's programs are provided through institutions that are campus-based and internet-based, or through electronically distributed educational programs (online). Our educational offerings are delivered through four operating segments: Latin America (LatAm), Europe (Europe), Asia, Middle East & Africa (AMEA), and Global Products and Services (GPS). LatAm has locations in Brazil, Chile, Costa Rica, Honduras, Mexico, Panama and Peru and has contractual relationships with a licensed institution in Ecuador. Europe has locations in Cyprus, Germany, Italy, Morocco, Portugal, Spain and Turkey. The AMEA segment consists of campus-based institutions with operations in Australia, China, India, Malaysia, New Zealand, South Africa and Thailand. AMEA also manages nine licensed institutions in the Kingdom of Saudi Arabia and manages one additional institution in China through a joint venture arrangement. The GPS segment includes fully online degree programs in the United States offered through Walden University, LLC, which is a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. GPS also includes campus-based institutions located in the United States. As discussed further in Note 3, Dispositions, during the second quarter of 2016 we sold certain operations in our GPS segment and during the third quarter of 2016 we sold our French operations in the Europe segment.

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. In our opinion, these financial statements include all adjustments considered necessary to present a fair statement of our consolidated results of operations, financial position and cash flows. Operating results for any interim period are not necessarily indicative of the results that may be expected for the full year. Preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and footnotes. Actual results could differ from those estimates. These unaudited consolidated financial statements should be read in conjunction with Laureate's audited Consolidated Financial Statements for the fiscal year ended December 31, 2015.

These financial statements reflect a 4 to 1 reverse stock split of our common stock that we intend to effect prior to the effectiveness of our registration statement on Form S-1.

Note 2. Significant Accounting Policies

The Variable Interest Entity (VIE) Arrangements

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition of a not-for-profit entity under GAAP, and we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them. We believe that we fully comply with all local laws and regulations.

Under ASC Topic 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance, and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

Selected Consolidated Statements of Operations information for these VIEs was as follows:

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Selected Statements of Operations information:		
Revenues, by segment:		
LatAm	$ 301,382	$ 307,250
Europe	85,166	81,064
AMEA	102,321	96,191
Revenues	488,869	484,505
Depreciation and amortization	39,190	40,190
Operating income (loss), by segment:		
LatAm	(29,936)	(20,487)
Europe	(833)	(2,270)
AMEA	5,879	4,966
Operating loss	(24,890)	(17,791)
Net income (loss)	(18,517)	(16,999)
Net income (loss) attributable to Laureate Education, Inc.	(18,474)	(16,611)

The following table reconciles the Net income (loss) attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Net income (loss) attributable to Laureate Education, Inc.:		
Variable interest entities	$ (18,474)	$ (16,611)
Other operations	386,177	24,140
Corporate and eliminations	(37,164)	(307,110)
Net income (loss) attributable to Laureate Education, Inc.	$ 330,539	$ (299,581)

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

Selected Consolidated Balance Sheet amounts for these VIEs were as follows:

	September 30, 2016		December 31, 2015	
	VIE	Consolidated	VIE	Consolidated
Balance Sheets data:				
Cash and cash equivalents	$ 164,922	$ 481,471	$ 120,944	$ 458,673
Other current assets	290,935	1,013,055	186,099	677,011
Total current assets	455,857	1,494,526	307,043	1,135,684
Goodwill	187,067	2,009,278	196,869	2,115,897
Tradenames	107,351	1,325,613	104,952	1,361,125
Other intangible assets, net		51,084	25	52,197
Other long-term assets	718,974	2,627,956	738,019	2,774,213
Total assets	1,469,249	7,508,457	1,346,908	7,439,116
Other current liabilities	478,620	1,808,625	305,067	1,548,183
Long-term debt and other long-term liabilities	141,892	4,998,243	150,306	5,483,761
Total liabilities	620,512	6,806,868	455,373	7,031,944
Total stockholders' equity	848,737	680,224	891,535	355,426
Total stockholders' equity attributable to Laureate Education, Inc.	832,325	651,530	874,610	324,759

As discussed further in Note 3, Dispositions, we completed the sale of our French operations in July 2016. Those operations included two institutions that were VIE's.

Recently Issued Accounting Standards

Accounting Standards Update (ASU) No. 2016-16 (ASU 2016-16), Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-16 in order to improve the accounting for income tax consequences for intra-entity transfers of assets other than inventory. Under current GAAP, the recognition of current and deferred income taxes for an intra-entity transfer is prohibited until the asset has been sold to a third party. The amendments in this ASU state that an entity should recognize income tax consequences of an intra-entity transfer when the transfer occurs. This aligns the recognition of income tax consequences for intra-entity transfers of assets with International Financing Reporting Standards (IFRS). This ASU is effective for Laureate beginning on January 1, 2018 and early adoption is permitted. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of ASU 2016-16 on our Consolidated Financial Statements.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Accounting Standards Update (ASU) No. 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15 in order to reduce diversity around how certain cash receipts and cash payments are presented and classified on the Statement of Cash Flows. This ASU provides guidance on the following areas, for which current GAAP is either unclear or does not include specific guidance:

1. Debt prepayment or debt extinguishment costs;
2. Settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing;
3. Contingent consideration payments made after a business combination;
4. Proceeds from the settlement of insurance claims;
5. Proceeds from the settlement of corporate-owned life insurance policies;
6. Distributions received from equity method investees;
7. Beneficial interests in securitization transactions; and
8. Separately identifiable cash flows and application of the predominance principle.

This ASU is effective for Laureate beginning on January 1, 2018 and early adoption is permitted; however, if early adoption is elected, all of the amendments to the areas above must be adopted at the same time. The amendments in this ASU should be applied retrospectively. We are currently evaluating the impact of ASU 2016-15 on our Consolidated Financial Statements.

ASU No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606): Narrow-scope improvements and practical expedients

In May 2016, the FASB issued ASU 2016-12 to address certain areas of improvement around Topic 606, Revenue from Contracts with Customers. The amendments in this Update do not change the core principles of Topic 606, but do address clarification around the following areas:

1. Assessing the collectibility criterion and accounting for contracts that do not meet the criteria;
2. Presentation of sales taxes and other similar taxes collected from customers;
3.

Noncash consideration;

4. Contract modifications at transition;

5. Completed contracts at transition; and

6. Technical correction around retrospective application.

The amendments in this update affect the guidance in ASU 2014-09, Contracts with Customers (Topic 606), which is not yet effective, and therefore follow the same effective date and transition requirements. ASU 2014-09 is effective for Laureate on January 1, 2018 and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

cumulative effect of initial application of the revised guidance recognized at the date of the initial application. We are currently evaluating the impact of ASU 2016-12 and ASU 2014-09 on our Consolidated Financial Statements.

ASU No. 2016-10 (ASU 2016-10), Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing

In April 2016, the FASB issued ASU 2016-10 in response to an issue communicated by the Transition Resource Group for Revenue Recognition (the TRG), a group which was formed by the FASB and the International Accounting Standards Board (IASB), (collectively, the Boards), whose objective is to inform the Boards of any issues that could arise with the implementation of a converged standard on recognition of revenue from contracts with customers. ASU 2016-10 does not change the core principal of the guidance in Topic 606, but adds clarification around identifying performance obligations and licensing.

The amendments in this update affect the guidance in ASU 2014-09, Contracts with Customers (Topic 606), which is not yet effective, and therefore follow the same effective date and transition requirements. ASU 2014-09 is effective for Laureate on January 1, 2018 and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of the initial application. We are currently evaluating the impact of ASU 2016-10 and ASU 2014-09 on our Consolidated Financial Statements.

ASU No. 2016-09 (ASU 2016-09), Compensation Stock compensation (Topic 718): Improvements to Employee Share-based Payment Accounting

On March 30, 2016, the FASB issued ASU 2016-09 as part of its initiative to reduce complexity in accounting standards. The areas for simplification in this ASU involve several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for Laureate beginning January 1, 2017. Early adoption is permitted in any annual or interim period for which financial statements have not been issued or made available for issuance, but all of the guidance must be adopted in the same period. If an entity early adopts the guidance in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. We are evaluating the impact of ASU 2016-09 on our Consolidated Financial Statements.

ASU No. 2016-08 (ASU 2016-08), Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

In March 2016, the FASB issued ASU 2016-08 in response to an issue communicated by the TRG regarding the determination of whether the entity acts as the principal or an agent in certain transactions where another party, along with the entity, is involved in providing a good or service to a customer. The amendments in this update do not change the core principle of the existing implementation guidance in Topic 606 on principal versus agent considerations, but do clarify how an entity should determine whether it is a principal or an agent by providing indicators that assist in the

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

assessment of control. Such indicators may be more or less relevant to the control assessment and one or more indicators may be more or less persuasive to the control assessment, depending on the facts and circumstances.

The amendments in this update affect the guidance in ASU 2014-09, Contracts with Customers (Topic 606), which is not yet effective, and therefore follows the same effective date and transition requirements. ASU 2014-09 is effective for Laureate on January 1, 2018 and allows either a full retrospective adoption to all periods presented or a modified retrospective adoption approach with the cumulative effect of initial application of the revised guidance recognized at the date of the initial application. We are currently evaluating the impact of ASU 2016-08 and ASU 2014-09 on our Consolidated Financial Statements.

Note 3. Dispositions

Sale of Glion and Les Roches Hospitality Management Schools

On March 15, 2016, we signed an agreement with Eurazeo, a publicly traded French investment company, to sell Glion Institute of Higher Education (Glion) and Les Roches International School of Hotel Management (Les Roches) for a total transaction value of approximately CHF 380,000 (approximately $385,000 at the signing date), subject to certain adjustments. The sale included the operations of Glion in Switzerland and the United Kingdom, the operations of Les Roches in Switzerland and the United States, Haute école spécialisée Les Roches-Gruyère SA (LRG) in Switzerland, Les Roches Jin Jiang in China, Royal Academy of Culinary Arts (RACA) in Jordan and Les Roches Marbella in Spain. Closing of the transaction was subject to regulatory approvals, including by the New England Association of Schools and Colleges, and other customary conditions and provisions. The transaction closed on June 14, 2016 and we received total net proceeds of approximately $332,800, net of cash sold of $14,500, and after adjustments for liabilities assumed by the buyer and transaction-related costs. In September 2016, Laureate received additional proceeds from the buyer of approximately $5,800 after finalization of the working capital adjustment required by the purchase agreement, resulting in a total non-taxable gain on sale of approximately $249,000. In addition, on the June 14, 2016 closing date, we settled the deal-contingent forward exchange swap agreement for a payment of $10,297; see Note 12, Derivative Instruments, for further description of this swap. We are continuing to provide certain back-office services to Glion and Les Roches for a period of time, and programs of those institutions will continue on various campuses in the *Laureate International Universities* network throughout the world.

Sale of Institutions in France

On April 19, 2016, Laureate announced that it had signed an agreement for the transfer of control of LIUF SAS (LIUF), the French holding entity, to Apax Partners, a leading private equity firm in French-speaking European countries. Bpifrance, the investment vehicle of the French state, will co-invest alongside Apax Partners and hold around 10% of the entity. Management obtained approval for this transaction on April 6, 2016. The French anti-trust authority also approved the transaction, and

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 3. Dispositions (Continued)

closing took place on July 20, 2016. LIUF comprised five institutions with a total student population of approximately 7,500:

- École Supérieure du Commerce Extérieur (ESCE);
- Institut Français de Gestion (IFG);
- European Business School (EBS);
- École Centrale d'Electronique (ECE); and
- Centre d'Études Politiques et de la Communication (CEPC).

The value of the transaction was EUR 201,000 (approximately $228,000 at the signing date), subject to certain adjustments. At closing on July 20, 2016, we received total net proceeds of approximately $207,000, net of cash sold of $3,400, and after adjustments for liabilities assumed by the buyer and transaction-related costs, resulting in a non-taxable gain on sale of approximately $149,000. In addition, in July we settled the forward exchange swap agreements related to this sale, resulting in total proceeds of $4,634. See Note 12, Derivative Instruments, for further description of these swap agreements.

Note 4. Due to Shareholders of Acquired Companies

The amounts due to shareholders of acquired companies generally arise in connection with Laureate's acquisition of a majority or all of the ownership interest of certain subsidiaries. Promissory notes payable to the sellers of acquired companies, referred to as "seller notes," are commonly used as a means of payment for business acquisitions. Seller note payments are generally classified as Payments of deferred purchase price for acquisitions within financing activities in our Consolidated Statement of

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 4. Due to Shareholders of Acquired Companies (Continued)

Cash Flows. The amounts due to shareholders of acquired companies, currencies, and interest rates applied were as follows:

	September 30, 2016	December 31, 2015	Nominal Currency	Interest Rate %
Faculdades Metropolitanas Unidas Educacionais (FMU)	$ 97,609	$ 70,512	BRL	CDI
Universidade Anhembi Morumbi (UAM Brazil)	60,549	48,172	BRL	CDI + 2%
Monash South Africa (MSA)	29,606	26,662	AUD	n/a, 6.75%
University of St. Augustine for Health Sciences, LLC (St. Augustine)	11,550	11,550	USD	7%
CH Holding Netherlands B.V. (CH Holding)	8,387	12,745	USD	n/a
Universidad Tecnologica Centroamericana (UNITEC Honduras)	5,621	6,764	HNL	IIBC
IADE Group	2,958	3,994	EUR	3%
Faculdade-Porto-Alegrense (FAPA)	2,807	2,090	BRL	IGP-M
Universidade Europeia (UE)	1,655	1,541	EUR	3%
Centro de Desenvolvimento Pessoal e Empresarial Ltda. (CEDEPE)		464	BRL	CDI
Universidad Autonoma de Veracruz, S.C. (Veracruz)		2,225	MXN	CETES
Total due to shareholders of acquired companies	220,742	186,719		
Less: Current portion of due to shareholders of acquired companies	127,591	21,050		
Due to shareholders of acquired companies, less current portion	$ 93,151	$ 165,669		

AUD: Australian Dollar
BRL: Brazilian Real
EUR: European Euro
HNL: Honduran Lempira
MXN: Mexican Peso
USD: United States Dollar

CDI: Certificados de Depósitos Interbancários (Brazil)
CETES: 28 day Certificados de la Tesoreria de la Federación (Mexico)
IIBC: Índice de Inflación del Banco Central (Honduras)
IGP-M: General Index of Market Prices (Brazil)

Veracruz

During the first quarter of 2016, Laureate settled the notes payable with the former owners of Veracruz in the amount of MXN 38,437 (US $2,054 at date of payment).

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 4. Due to Shareholders of Acquired Companies (Continued)

CEDEPE

During the quarter ended September 30, 2016, Laureate settled the remaining liability with the former owners of CEDEPE in the amount of BRL 1,387 (US $417 at payment date).

IADE Group

During the quarter ended September 30, 2016, Laureate made the first payment of EUR 975 (US $1,095 at date of payment). There are two EUR 1,000 tranches remaining to be paid 36 months and 60 months from the date of acquisition. The remaining balance outstanding relates to a working capital settlement accrued in the year ended December 31, 2015.

Note 5. Business and Geographic Segment Information

Laureate's educational services are offered through four operating segments: LatAm, Europe, AMEA, and GPS. Laureate determines its operating segments based on information utilized by the chief operating decision maker to allocate resources and assess performance.

On May 2, 2016, we announced a change to our operating segments in order to align our structure more geographically. Our institution in Italy, Nuova Accademia di Belle Arti Milano (NABA), including Domus Academy, moved from our GPS segment into our Europe segment. Media Design School (MDS), located in New Zealand, moved from our GPS segment into our AMEA segment. Our GPS segment will now focus on its campus-based institutions in the United States and on Laureate's fully online institutions operating globally. This change has been reflected in the quarterly and year-to-date segment information beginning in the second quarter of 2016, the period in which the change occurred. As required, the 2015 segment information that is presented for comparative purposes has also been revised to reflect this segment change.

The LatAm segment consists of campus-based institutions and has operations in Brazil, Chile, Costa Rica, Honduras, Mexico, Panama and Peru and has contractual relationships with a licensed institution in Ecuador. The institutions provide an education that emphasizes professional-oriented fields of study with undergraduate and graduate degree programs in a wide range of disciplines. The programs at these institutions are mainly campus-based and are primarily focused on local students. In addition, the institutions in our LatAm segment have begun introducing online and hybrid (a combination of online and in-classroom) courses and programs to their curriculum. Brazil and Chile have government-sponsored student financing programs, while in other countries students generally finance their own education.

The Europe segment consists of campus-based institutions with operations in Cyprus, Germany, Italy, Morocco, Portugal, Spain and Turkey. The institutions generate revenues by providing professional-oriented undergraduate and graduate degree programs. Several institutions have begun to introduce online and hybrid programs. Students in the Europe segment generally finance their own education. As discussed in Note 3, Dispositions, in July 2016 we completed the sale of our institutions in France.

The AMEA segment consists of campus-based institutions with operations in Australia, China, India, Malaysia, New Zealand, South Africa and Thailand. AMEA also manages nine licensed

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Business and Geographic Segment Information (Continued)

institutions in the Kingdom of Saudi Arabia and manages one additional institution in China through a joint venture arrangement. The institutions generate revenues by providing professional-oriented undergraduate and graduate degree programs. Students in the AMEA segment generally finance their own education.

The GPS segment consists of accredited online institutions, which serve students globally, and campus-based institutions serving students in the United States. The online institutions primarily serve working adults with undergraduate and graduate degree programs. The campus-based institutions primarily serve traditional students seeking undergraduate and graduate degrees. In the United States, students have access to government-supported financing programs. As discussed in Note 3, Dispositions, in June 2016, we completed the sale of several operations in the GPS segment.

Intersegment transactions are accounted for in a similar manner as third party transactions and are eliminated in consolidation. The "Corporate" amounts presented in the following tables includes corporate charges that were not allocated to our reportable segments and adjustments to eliminate intersegment items.

We evaluate segment performance based on Adjusted EBITDA, which is a non-GAAP profit measure defined as Income (loss) from continuing operations before income taxes and equity in net income of affiliates, adding back the following items: Gain on sales of subsidiaries, net, Foreign currency exchange gain (loss), net, Other income, net, Gain (loss) on derivatives, Loss on debt extinguishment, Interest expense, Interest income, Depreciation and amortization expense, Impairment charges on long-lived assets, Share-based compensation expense and, beginning in 2014, expenses related to our Excellence-in-Process (EiP) initiative. EiP is an enterprise-wide initiative to optimize and standardize Laureate's processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. It includes the establishment of regional shared services organizations around the world, as well as improvements to the Company's system of internal controls over financial reporting.

When we review Adjusted EBITDA on a segment basis, we exclude intercompany revenues and expenses, related to network fees and royalties between our segments, that eliminate in consolidation. We use total assets as the measure of assets for reportable segments.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Business and Geographic Segment Information (Continued)

The following tables provide financial information for our reportable segments, including a reconciliation of Adjusted EBITDA to Income (loss) from continuing operations before income taxes and equity in net income of affiliates, as reported in the Consolidated Statements of Operations:

	For the nine months ended September 30, 2016	2015
Revenues		
LatAm	$ 1,738,315	$ 1,775,287
Europe	331,754	321,081
AMEA	309,874	312,928
GPS	697,872	737,914
Corporate	(9,516)	(6,054)
Revenues	$ 3,068,299	$ 3,141,156
Adjusted EBITDA of reportable segments		
LatAm	$ 329,440	$ 323,143
Europe	25,735	23,630
AMEA	36,346	37,823
GPS	189,496	175,150
Total Adjusted EBITDA of reportable segments	581,017	559,746
Reconciling items:		
Corporate	(100,255)	(83,881)
Depreciation and amortization expense	(202,735)	(209,390)
Loss on impairment of assets		
Share-based compensation expense	(28,939)	(27,222)
EiP expenses	(37,175)	(27,227)
Operating income	211,913	212,026
Interest income	13,305	9,924
Interest expense	(314,383)	(300,145)
Loss on debt extinguishment	(17,363)	(1,263)
Gain (loss) on derivatives	(8,235)	(2,618)
Other income (loss), net	(964)	1,268
Foreign currency exchange gain (loss), net	80,263	(139,416)
Gain on sales of subsidiaries, net	398,412	
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	$ 362,948	$ (220,224)

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 5. Business and Geographic Segment Information (Continued)

	September 30, 2016	December 31, 2015
Assets		
LatAm	$ 4,239,442	$ 3,823,859
Europe	626,836	690,514
AMEA	861,963	782,613
GPS	1,405,166	1,768,009
Corporate	375,050	374,121
Total assets	$ 7,508,457	$ 7,439,116

Note 6. Goodwill

The change in the net carrying amount of Goodwill from December 31, 2015 through September 30, 2016 was composed of the following items:

	LatAm	Europe	AMEA	GPS	Total
Goodwill	$ 1,319,757	$ 99,396	$ 166,910	$ 666,264	$ 2,252,327
Accumulated impairment loss	(77,094)		(39,676)	(19,660)	(136,430)
Balance at December 31, 2015	1,242,663	99,396	127,234	646,604	2,115,897
Acquisitions					
Dispositions		(26,312)		(121,952)	(148,264)
Re-allocation of goodwill for segment change		5,517	2,715	(8,232)	
Impairments					
Currency translation adjustments	31,205	1,335	7,219	1,886	41,645
Adjustments to prior acquisitions					
Balance at September 30, 2016	$ 1,273,868	$ 79,936	$ 137,168	$ 518,306	$ 2,009,278

As discussed in Note 5, Business and Geographic Segment Information, the Company announced a change in its operating segments in the second quarter of 2016. Accordingly, goodwill was re-allocated among the operating segments based on the relative fair value of the affected reporting units at the time of the segment change.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Debt

Outstanding long-term debt was as follows:

	September 30, 2016	December 31, 2015
Senior long-term debt:		
Senior Secured Credit Facility (stated maturity dates June 2018, June 2019 and March 2021), net of discount	$ 1,661,673	$ 2,084,093
Senior Notes due 2019 (stated maturity date September 2019), net of discount	1,376,757	1,436,214
Total senior long-term debt	3,038,430	3,520,307
Other debt:		
Lines of credit	64,724	74,335
Notes payable and other debt	706,584	738,684
Total senior and other debt	3,809,738	4,333,326
Capital lease obligations and sale-leaseback financings	259,669	247,256
Total long-term debt	4,069,407	4,580,582
Less: total unamortized deferred financing costs	47,894	69,294
Less: current portion of long-term debt	168,689	192,354
Long-term debt, less current portion	$ 3,852,824	$ 4,318,934

On January 1, 2016, Laureate adopted ASU 2015-03, which simplified the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected, therefore these costs will continue to be amortized as interest expense. At adoption, the new guidance was applied retrospectively to all prior periods presented. The impact to our December 31, 2015 Consolidated Balance Sheet was a reduction to Deferred costs, net and Long-term debt of $69,294.

As described further in Note 19, Subsequent Events, on December 4, 2016, we signed a subscription agreement with investors under which we agreed to issue and sell an aggregate of 400 shares of a new series of our convertible redeemable preferred stock in a private offering for total net proceeds of approximately $383,000.

Estimated Fair Value of Debt

The estimated fair value of our debt was determined using observable market prices, as the majority of our securities, including the Senior Secured Credit Facility and the Senior Notes due 2019, are traded in a brokered market. The fair value of our remaining debt instruments approximates carrying value based on their terms. As of September 30, 2016 and December 31, 2015, our long-term

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Debt (Continued)

debt was classified as Level 2 within the fair value hierarchy, based on the frequency and volume of trading in the brokered market. The estimated fair value of our debt was as follows:

	September 30, 2016		December 31, 2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Total senior and other debt	$ 3,809,738	$ 3,727,216	$ 4,333,326	$ 3,482,417

Senior Notes due 2019 Note Exchange Transaction

On April 15, 2016, Laureate entered into separate, privately negotiated note exchange agreements (the Note Exchange Agreements) with certain existing holders (the Existing Holders) of our outstanding 9.250% Senior Notes due 2019 (the Senior Notes) pursuant to which we will exchange $250,000 in aggregate principal amount of Senior Notes for shares of Company common stock. We expect the exchange to be completed within one year after the consummation of an initial public offering of our common stock that generates gross proceeds of at least $400,000 or 10% of the equity value of the Company (a Qualified Public Offering). The number of shares of common stock issuable will equal 104.625% of the aggregate principal amount of Senior Notes to be exchanged, or $261,600, divided by the initial public offering price per share of common stock in the Qualified Public Offering, and the shares shall be identical to the shares issued to unaffiliated investors in the Qualified Public Offering. Following the Qualified Public Offering, but prior to the exchange, the Senior Notes subject to the exchange will continue to receive interest at the same rate as the Senior Notes that are not subject to the exchange.

Pursuant to the Note Exchange Agreements, on June 15, 2016, Laureate also repurchased from the Existing Holders $62,500 aggregate principal amount of Senior Notes at par value, plus accrued and unpaid interest and special interest. In connection with this repayment we recorded a Loss on debt extinguishment of $1,681 during the second quarter related to the write off of unamortized deferred financing costs and discount. Within 60 days after the consummation of a Qualified Public Offering, at the option of the Existing Holders or their transferees, we will repurchase up to an additional $62,500 aggregate principal amount of Senior Notes at the redemption price set forth in Section 3.07 of the indenture governing the Senior Notes that is applicable as of the date of pricing of the Qualified Public Offering, plus accrued and unpaid interest and special interest (the Subsequent Repurchase).

The Note Exchange Agreements will terminate if a Qualified Public Offering is not consummated on or before August 15, 2017, and the exchange of $250,000 in aggregate principal amount of Senior Notes for shares of common stock and the Subsequent Repurchase will not occur. Upon consummation of all of the transactions described above, we will retire up to $375,000 in aggregate principal amount of Senior Notes. The Note Exchange Agreements were accounted for as a debt modification.

Senior Secured Credit Facility Amendments to Credit Agreement

On June 3, 2016, we entered into an amendment (the Fifth Amendment) to our amended and restated Senior Secured Credit Facility agreement (the Amended and Restated Credit Agreement) in order to, among other things, extend maturity dates on approximately $1,526,000 of the approximately

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Debt (Continued)

$1,810,100 of outstanding term loans from June 2018 to March 17, 2021. Effectiveness of the Fifth Amendment was subject to the satisfaction of certain conditions including, (i) the closing of the sale of the Glion and Les Roches hospitality management schools and our operations in France, (ii) the prepayment of $300,000 to the holders of the term loans who have agreed to extend their maturity, and (iii) the further amendment of the Amended and Restated Credit Agreement pursuant to which certain of the lenders thereunder holding revolving credit commitments would have agreed to extend the maturity date of the revolving line of credit facility to a date on or after March 8, 2019. These conditions have been satisfied and the Fifth Amendment became effective on July 29, 2016. In connection with this amendment we recorded a Loss on debt extinguishment of $15,682 during the third quarter related to the write off of unamortized deferred financing costs.

The approximately $1,226,000 of remaining term loans with a maturity date of March 17, 2021 will be referred to as the 2021 Extended Term Loan, and the approximately $284,100 of term loans with a maturity date of June 2018 will continue to be referred to as the 2018 Extended Term Loan. The 2021 Extended Term Loan has an initial interest rate equal to LIBOR + 7.50%, or if borrowed as ABR loans, ABR + 6.50%. The margins shall be increased by 0.50% each quarter, commencing with the fiscal quarter ending September 30, 2016; provided that in no event shall the LIBOR margin exceed 8.50% or the ABR margin exceed 7.50%. Upon the consummation of a qualified equity offering or a qualified public offering or a combination thereof, the LIBOR margin will be immediately reduced to 7.50% and the ABR margin will be immediately reduced to 6.50%. There will be no floor on LIBOR or ABR (other than the Federal Funds Rate may not be less than zero) for the 2021 Extended Term Loan. As of September 30, 2016, for the 2021 Extended Term Loan, the margin for LIBOR loans was 8.00% and the margin for ABR loans was 7.00%.

The Fifth Amendment also provides that if a qualified equity offering or a qualified public offering or combination thereof, of the Company does not occur on or before August 15, 2017, the Company will be required to make, on August 16, 2017, an additional scheduled payment of principal on the 2021 Extended Term Loan in the amount of $62,500.

On July 7, 2016, we executed an amendment (the Sixth Amendment) to the Amended and Restated Credit Agreement with our revolving credit lenders to, among other things, extend the maturity date of the revolving line of credit facility to June 7, 2019, subject to the closing of the Fifth Amendment and other conditions needing to be satisfied. The Sixth Amendment also reduced the borrowing capacity of the revolving line of credit facility from $350,000 to $325,000. The conditions for the effectiveness of the Sixth Amendment were satisfied and the Sixth Amendment became effective on July 29, 2016. The revolving line of credit facility has an initial interest rate equal the same rate that was in effect at June 30, 2016, LIBOR + 3.75%, or if borrowed as ABR loans, ABR + 2.75%. The margins shall be increased by 0.50% each quarter, commencing with the fiscal quarter ending September 30, 2016; provided that in no event shall the LIBOR margin exceed 4.75% or the ABR margin exceed 3.75%. Upon the consummation of a qualified equity offering or a qualified public offering or combination thereof, the LIBOR margin will be immediately reduced to 3.75% and the ABR margin will be immediately reduced to 2.75%. As of September 30, 2016, the LIBOR margin is 4.25% and the ABR margin is 3.25%.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Debt (Continued)

Conditions for Accelerated Maturity of 2021 Extended Term Loan

If on the date that is 91 days prior to September 1, 2019 more than $250,000 of the principal amount of the Senior Notes is outstanding, then the 2021 Extended Term Loan maturity date shall be the date that is 91 days prior to September 1, 2019.

Conditions for Accelerated Maturity of Revolving Line of Credit Facility

As described above, the lenders have agreed to extend the maturity date of the revolving line of credit facility to June 7, 2019; provided, however, that if on the date that is 91 days prior to September 1, 2019 more than $250,000 of the principal amount of the Senior Notes is outstanding, then the maturity date of the revolving line of credit facility shall be the date that is 91 days prior to September 1, 2019. Further, if on the date that is 91 days prior to the maturity date of the 2018 Extended Term Loan more than $250,000 of the principal amount of the 2018 Extended Term Loan is outstanding, then the maturity date of the revolving line of credit facility shall be the date that is 91 days prior to the 2018 Extended Term Loan maturity date.

Registration of Senior Notes

Laureate and its guarantors agreed to (1) file a registration statement with the SEC with respect to a registered offer to exchange the Senior Notes for new notes having terms substantially identical in all material respects to the outstanding notes (except that the new notes will not contain transfer restrictions or provide for special interest); or (2) file a shelf registration for the resale of the notes. We were required to use all commercially reasonable efforts to cause the registration statement to be declared effective on or before July 25, 2014. Since the registration statement was not declared effective by July 25, 2014, we have incurred special interest at a rate equal to 0.25% per annum for the first 90-day period of the outstanding indenture indebtedness on the outstanding notes, 0.50% per annum for the next 90-day period, and 0.75% thereafter, as liquidated damages until the registration statement is declared effective and the exchange offer is completed.

The requirement to register the Senior Notes qualifies as a "registration payment arrangement" under ASC 825-20, "Financial Instruments Registration Payment Arrangements." ASC 825-20 requires us to record a liability if we determine that it is probable that consideration, such as special interest, will be paid to the counterparty under the registration payment arrangement, and if that consideration can be reasonably estimated. Accordingly, we have recorded a liability for the amount of special interest on the Senior Notes that we have determined to be probable and estimable based on our expected timing of registration as of each balance sheet date. As of September 30, 2016 and December 31, 2015, we had a total contingent liability for special interest on the Senior Notes of approximately $7,000 and $8,100, respectively, recorded in Accrued expenses in our Consolidated Balance Sheets, through a corresponding adjustment to Interest expense in our Consolidated Statement of Operations.

Certain Covenants

Our senior long-term debt contains certain negative covenants including, among others: (1) limitations on additional indebtedness; (2) limitations on dividends; (3) limitations on asset sales,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 7. Debt (Continued)

including the sale of ownership interests in subsidiaries and sale-leaseback transactions; and (4) limitations on liens, guarantees, loans or investments. In connection with the extension of our revolving line of credit facility in July 2015, we are now subject to a Consolidated Senior Secured Debt to Consolidated EBITDA financial maintenance covenant, as defined in the Amended and Restated Credit Agreement, beginning in the third quarter of 2015. The maximum ratio, as defined, is 5.30x, 4.50x and 3.50x at December 31, 2015, 2016 and 2017, respectively. The ratios as of September 30, 2016 and December 31, 2015 were 3.44x and 3.91x, respectively. In addition, notes payable at some of our locations contain financial maintenance covenants. We are in compliance with our debt covenants and expect to be in compliance for the next 12 months.

Other Debt

Notes Payable

On May 12, 2016, two of UVM Mexico's outstanding loans that originated in 2007 and 2012 and were both scheduled to mature in May 2021 were refinanced and combined into one loan. The maturity date of the combined loan was extended to May 15, 2023. Principal repayments were suspended until May 15, 2018. The new refinanced loan carries a variable interest rate based on the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation is established based on the ratio of debt to EBITDA, as defined in the agreement. Interest is paid monthly commencing on May 15, 2016. The outstanding balance of the loan on May 12, 2016 was MXN 2,224,600 (US $120,527 at that date). As of September 30, 2016, the interest rate on the loan was 7.71% and the outstanding balance on the loan was $114,081. As of December 31, 2015, the combined outstanding balance on these loans was approximately $128,800.

On December 20, 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45,000 (US $34,524 at September 30, 2016) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The syndicated facility agreement also provided for additional borrowings of up to AUD 20,000 (US $15,344 at September 30, 2016) under a capital expenditure facility and a working capital facility. The first term loan (Facility A) had a term of five years and principal was payable in quarterly installments of AUD 1,125 (US $863 at September 30, 2016) beginning on March 31, 2014. The second term loan (Facility B) had a term of five years and the total principal balance of AUD 22,500 was payable at its maturity date of December 20, 2018. In June 2016, these loan facilities were amended and restated. As a result of this amendment and a repayment of AUD 11,000 (approximately $8,100 at the date of payment), Facility A has been amended to be a term loan of AUD 10,000 ($7,672 at September 30, 2016), and principal is repayable in quarterly installments of AUD 833 ($639 at September 30, 2016) beginning on September 30, 2016. Facility A bears interest at a variable rate plus a margin of 2.50%, and the final balance is payable at its maturity date of December 20, 2018. Facility B has been amended to be a revolving facility of up to AUD 15,000 ($11,508 at September 30, 2016) and any balance outstanding is repayable at its maturity date of December 20, 2018. Facility B bears interest at a variable rate plus a margin of 2.75%. The capital expenditure facility and working capital facility now provide for total additional borrowings of up to AUD 15,000 (US $11,508 at September 30, 2016). As of September 30, 2016 and December 31, 2015, $14,705 and $25,696, respectively, of total borrowings were outstanding under these loan facilities.

In the second quarter of 2016, the Company borrowed Peruvian Nuevo Sols (PEN) 54,000 (approximately US $16,000 at that time) to finance the construction of a new campus at one of our institutions in Peru, Universidad Privada del Norte (UPN). This loan has a fixed interest rate of 8.70% and matures in 2024. As of September 30, 2016, this loan has a balance of $15,989.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies

Noncontrolling Interest Holder Put Arrangements and Company Call Arrangements

The following section provides a summary table and description of the various noncontrolling interest holder put arrangements that Laureate had outstanding as of September 30, 2016. Laureate has elected to accrete changes in the arrangements' redemption values over the period from the date of issuance to the earliest redemption date. The redeemable noncontrolling interests are recorded at the greater of the accreted redemption value or the traditional noncontrolling interest. Until the first exercise date, the put instruments' reported values may be lower than the final amounts that will be required to settle the minority put arrangements. As of September 30, 2016, the carrying value of all noncontrolling interest holder put arrangements was $12,969, which includes accreted incremental value of $8,668 in excess of traditional noncontrolling interests.

If the minority put arrangements were all exercisable at September 30, 2016, Laureate would be obligated to pay the noncontrolling interest holders an estimated amount of $13,572, as summarized in the following table:

	Nominal Currency	First Exercisable Date	Estimated Value as of September 30, 2016 redeemable within 12-months:	Reported Value
Noncontrolling interest holder put arrangements				
INTI Education Holdings Sdn Bhd (INTI) 10%	MYR	Current	$ 6,856	$ 6,856
Pearl Retail Solutions Private Limited and Creative Arts Education Society (Pearl) 45%	INR	6/30/2017	6,658	6,055
Stamford International University (STIU) Puttable preferred stock of TEDCO	THB	Current	58	58
Total noncontrolling interest holder put arrangements			13,572	12,969
Puttable common stock currently redeemable	USD	Current	6	6
Puttable common stock not currently redeemable	USD	*		8,390
Total redeemable noncontrolling interests and equity			$ 13,578	$ 21,365

* Contingently redeemable

MYR: Malaysian Ringgit

INR: Indian Rupee

THB: Thai Baht

Laureate's noncontrolling interest put arrangements are specified in agreements with each noncontrolling interest holder. The terms of these agreements determine the measurement of the redemption value of the put options based on a non-GAAP measure of earnings before interest, taxes, depreciation and amortization (EBITDA, or recurring EBITDA), the definition of which varies for each particular contract.

Commitments and contingencies are generally denominated in foreign currencies.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies (Continued)

Pearl

As part of the acquisition of Pearl, the minority owners have a put option to require Laureate to purchase the remaining 45% noncontrolling interest, and Laureate has a call option to require the minority owners to sell to Laureate up to 35% of the total equity of Pearl that is still owned by the noncontrolling interest holders (i.e. approximately 78% of the remaining 45% noncontrolling interest). The put option was previously exercisable beginning in 2015 and the call option was previously exercisable beginning in 2016. However, on March 29, 2016, Laureate and the minority owners amended the put and call option agreements.

As part of this amendment, Laureate and the minority owners agreed to not exercise their put or call options anytime prior to the date that Pearl's audited statutory financial statements for the fiscal year ending March 31, 2017 are presented to Pearl's board, which is estimated to be approximately June 30, 2017. The put option is then initially exercisable for a period of 15 days.

The amended put option allows the minority owners to sell a portion or all of their 45% equity interest. If the minority owners sell more than a 35% equity interest during this initial exercise period, the put option price is equal to 6.5 times EBITDA for the first 35%, and 6.0 times EBITDA for the remaining percentage up to 10%, less long-term liabilities and plus net current assets for the immediately preceding fiscal year ending on March 31, multiplied by the minority interest percentage being acquired. Prior to this change, the EBITDA multiple was 6.0 times EBITDA for the entire 45% equity interest.

The amended call option allows the Company to acquire up to 35% of the equity interest from the minority owners at the same purchase price as that of the minority owners' put option for the first 35% equity interest. The exercise period of the call option starts from the date on which Pearl's audited statutory financial statements for the fiscal year ending March 31, 2017 are presented to Pearl's board, and ends 15 days from the date on which Pearl's audited statutory financial statements for the fiscal year ending March 31, 2018 are presented to Pearl's board.

In the event any equity shares continue to be held by the minority owners after the exercise of above put and call options, the minority owners have a second put option to sell to Laureate their remaining equity interest, up to 10%, at a price of 6.5 times EBITDA less long-term liabilities and plus net current assets for the calendar year ending December 31, 2020, multiplied by the minority interest percentage being acquired. The exercise period for the second put option starts from the date on which Pearl's audited statutory financial statements for the calendar year ending December 31, 2020 are presented to Pearl's board, and ends 15 days from the date on which Pearl's audited statutory financial statements for the calendar year ending December 31, 2021 are presented to Pearl's board.

After all of the above, in the event any equity shares continue to be held by the minority owners, Laureate then has a call option to purchase all of the remaining shares held by the minority owners at a price of 6.5 times EBITDA, less long-term liabilities and plus net current assets for the immediately preceding calendar year ending on December 31, 2022, multiplied by the noncontrolling interest percentage being sold. The call option exercise period is 15 days from the date Pearl's audited statutory financial statements for the calendar year ending on December 31, 2022 are presented to Pearl's board.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies (Continued)

In any event, the put option and call option prices are subject to a floor and a ceiling, as prescribed in the agreement. The put floor and ceiling are applicable through 2017, and the call floor and ceiling are applicable through 2018.

St. Augustine

On March 24, 2016, the noncontrolling interest holders of St. Augustine notified Laureate of their election to exercise their put option, which required Laureate to purchase the remaining noncontrolling interest of 20%. Accordingly, this noncontrolling interest became a mandatorily redeemable financial instrument on the put option exercise date and was recognized as a liability at its estimated redemption value in accordance with ASC 480, "Distinguishing Liabilities from Equity." Under the terms of the agreement, the put option purchase price is based on 7.0 times Adjusted EBITDA of St. Augustine, as defined in the agreement, for the twelve months ended as of the last day of the fiscal quarter most recently ended prior to the date on which notice of exercise is given; multiplied by the percentage interest being acquired. In June 2016, we acquired the remaining 20% noncontrolling interest in St. Augustine for a purchase price of $24,997. This payment was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows.

Uni IBMR

In 2015, we entered into a commitment to purchase the remaining 10% minority interest in Uni IBMR for a purchase price of BRL 2,500. The agreement closed on March 10, 2016 and we paid BRL 2,500 (US $668 at the payment date), which was included in Payments to purchase noncontrolling interests in the Consolidated Statement of Cash Flows. Additional purchase price could be paid post closing if certain contingent sale conditions are met.

Other Loss Contingencies

Laureate is subject to legal actions arising in the ordinary course of its business. In management's opinion, we have adequate legal defenses, insurance coverage and/or accrued liabilities with respect to the eventuality of such actions. We do not believe that any settlement would have a material impact on our Consolidated Financial Statements. Refer to Note 16, Legal and Regulatory Matters, for a discussion of certain matters.

Contingent Liabilities for Taxes

As of September 30, 2016 and December 31, 2015, Laureate has recorded cumulative liabilities totaling $70,303 and $73,775, respectively, for taxes other-than-income tax, principally payroll-tax-related uncertainties due to acquisitions of companies primarily in Latin America. The changes in this recorded liability are related to new acquisitions, interest and penalty accruals, changes in tax laws, expirations of statutes of limitations, settlements and changes in foreign currency exchange rates. The terms of the statutes of limitations on these contingencies vary but can be up to 10 years. This liability is included in Other long-term liabilities on the Consolidated Balance Sheets. We have also recorded current liabilities for taxes other-than-income tax of $1,379 and $4,217, respectively, as of September 30, 2016 and December 31, 2015, in Other current liabilities on the Consolidated Balance

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies (Continued)

Sheets. The recorded value of contingent liabilities is reduced when they are extinguished or the related statutes of limitations expire.

Other Loss Contingencies

Laureate has accrued liabilities for certain civil actions against our institutions that existed prior to our acquisition of these entities. As of September 30, 2016 and December 31, 2015, approximately $19,000 and $14,000, respectively, of pre-acquisition loss contingencies were included in Other long-term liabilities and Other current liabilities on the Consolidated Balance Sheets. Laureate intends to vigorously defend against these lawsuits.

Material Guarantees Student Financing

Chile

The accredited Chilean institutions in the Laureate network also participate in a government-sponsored student financing program known as Crédito con Aval del Estado (the CAE Program). The CAE Program was formally implemented by the Chilean government in 2006 to promote higher education in Chile for lower socio-economic level students in good academic standing. The CAE Program involves tuition financing and guarantees that are provided by our institutions and the government. As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled, and the guarantees are assumed entirely by the government upon the student's graduation. When a student leaves one of Laureate's institutions and enrolls in another CAE-qualified institution, the Laureate institution will remain guarantor of the tuition loans that have been granted up to the date of transfer, and until the student's graduation from a CAE-qualified institution. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately $484,000 and $428,000 at September 30, 2016 and December 31, 2015, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of September 30, 2016 and December 31, 2015, we recorded $23,721 and $18,829, respectively, as estimated long-term guarantee liabilities for these obligations.

On October 4, 2012, the Chilean Congress approved Law No. 20.634 which amended Law No. 20.027, introducing an interest rate reduction from 6% to 2% on CAE loans. Current students could benefit from the reduction starting in March 2013 if they were current on their payments. The Law also provides that CAE loans cannot exceed the reference price established by the government for the program in which the student is enrolled, that the student begins to make payments 18 months after graduation, and that monthly payments may not exceed 10% of the participant's income if requested by the student. The prior government in Chile had proposed other changes to the student loan program; however, in the second quarter of 2014 the new government that was inaugurated on March 11, 2014 announced the withdrawal of all of the prior administration's higher education proposals and its intent to submit new bills to the Chilean Congress. We cannot predict the extent or

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies (Continued)

outcome of any changes to the student loan system that may be implemented in Chile or whether any such changes may have a material impact on our Consolidated Financial Statements.

Material Guarantees Other

In conjunction with the purchase of UNP, Laureate pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, Laureate may be required to transfer the books and management of UNP to the former owners.

Laureate acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, Laureate pledged 49% of its total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, Laureate pledged 75% of the acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. Laureate pledged the remaining 25% of the acquired shares to the sellers as a guarantee of our payment obligations under the purchase agreement for the seller notes. In the event that we default on any payment of the loans or seller notes, the purchase agreement provides for a forfeiture of the relevant pledged shares. Upon maturity and payment of the seller notes in September 2017, the shares pledged to the sellers will be pledged to the third-party lenders until full payment of the loans, which mature in April 2021.

Standby Letters of Credit

As of September 30, 2016 and December 31, 2015, Laureate had outstanding letters of credit (LOCs) of $129,696 and $126,677, respectively, which primarily consisted of the items discussed below.

As of September 30, 2016 and December 31, 2015, we had $90,509 and $86,599, respectively, posted as LOCs in favor of the United States Department of Education (DOE). These LOCs were required to allow Walden, Kendall, NewSchool, and St. Augustine to continue participating in the DOE Title IV program. These LOCs are fully collateralized with cash equivalents and certificates of deposit, which are classified as Restricted cash and investments on our September 30, 2016 Consolidated Balance Sheet.

As of September 30, 2016 and December 31, 2015, we had $37,309 and $36,527, respectively, posted as cash-collateralized LOCs related to the Spain Tax Audits. The cash collateral for these LOCs was classified as Restricted cash and investments on our September 30, 2016 Consolidated Balance Sheet.

Surety Bonds and Other Commitments

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of September 30, 2016 and

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 8. Commitments and Contingencies (Continued)

December 31, 2015, the total face amount of these surety bonds was $12,569 and $3,366, respectively. These bonds are fully collateralized with cash, which is classified as Restricted cash and investments on our September 30, 2016 Consolidated Balance Sheet.

Note 9. Financing Receivables

Laureate's financing receivables consist primarily of trade receivables related to student tuition financing programs with an initial term in excess of one year. We have offered long-term financing through the execution of note receivable agreements with students at some of our institutions. Our disclosures include financing receivables that are classified in our Consolidated Balance Sheets as both current and long-term, reported in accordance with ASC 310, "Receivables."

Laureate's financing receivables balances were as follows:

	September 30, 2016	December 31, 2015
Financing receivables	$ 37,667	$ 32,802
Allowance for doubtful accounts	(9,254)	(10,576)
Financing receivables, net of allowances	$ 28,413	$ 22,226

We do not purchase financing receivables in the ordinary course of our business. We may sell certain receivables that are significantly past due. No material amounts of financing receivables were sold during the periods reported herein.

Delinquency is the primary indicator of credit quality for our financing receivables. Receivable balances are considered delinquent when contractual payments on the loan become past due. Delinquent financing receivables are placed on non-accrual status for interest income. The accrual of interest is resumed when the financing receivable becomes contractually current and when collection of all remaining amounts due is reasonably assured. We record an Allowance for doubtful accounts to reduce our financing receivables to their net realizable value. The Allowance for doubtful accounts is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions, and student enrollment status. Each of our institutions evaluates its balances for potential impairment. We consider impaired loans to be those that are past due one year or greater,

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Financing Receivables (Continued)

and those that are modified as a troubled debt restructuring (TDR). The aging of financing receivables grouped by country portfolio was as follows:

	Chile	Other	Total
As of September 30, 2016			
Amounts past due less than one year	$ 10,489	$ 1,031	$ 11,520
Amounts past due one year or greater	4,570	642	5,212
Total past due (on non-accrual status)	15,059	1,673	16,732
Not past due	16,214	4,721	20,935
Total financing receivables	$ 31,273	$ 6,394	$ 37,667
As of December 31, 2015			
Amounts past due less than one year	$ 10,404	$ 1,166	$ 11,570
Amounts past due one year or greater	4,048	606	4,654
Total past due (on non-accrual status)	14,452	1,772	16,224
Not past due	11,159	5,419	16,578
Total financing receivables	$ 25,611	$ 7,191	$ 32,802

The following is a rollforward of the Allowance for doubtful accounts related to financing receivables for the nine months ended September 30, 2016 and 2015, grouped by country portfolio:

	Chile	Other	Total
Balance at December 31, 2015	$ (7,240)	$ (3,336)	$ (10,576)
Charge-offs	3,525	104	3,629
Recoveries		(46)	(46)
Reclassifications			
Provision	(2,152)	181	(1,971)
Currency adjustments	(387)	97	(290)
Balance at September 30, 2016	$ (6,254)	$ (3,000)	$ (9,254)
Balance at December 31, 2014	$ (11,063)	$ (4,177)	$ (15,240)
Charge-offs	2,977	333	3,310
Recoveries	(21)	(25)	(46)
Reclassifications			
Provision	(714)	228	(486)
Currency adjustments	1,309	234	1,543
Balance at September 30, 2015	$ (7,512)	$ (3,407)	$ (10,919)

Restructured Receivables

A TDR is a financing receivable in which the borrower is experiencing financial difficulty and Laureate has granted an economic concession to the student debtor that we would not otherwise consider. When we modify financing receivables in a TDR, Laureate typically offers the student debtor

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 9. Financing Receivables (Continued)

an extension of the loan maturity and/or a reduction in the accrued interest balance. In certain situations, we may offer to restructure a financing receivable in a manner that ultimately results in the forgiveness of contractually specified principal balances. Our only TDRs are in Chile.

The number of financing receivable accounts and the pre- and post-modification account balances modified under the terms of a TDR during the nine months ended September 30, 2016 and 2015 were as follows:

	Number of Financing Receivable Accounts	Pre-Modification Balance Outstanding	Post-Modification Balance Outstanding
2016	559	$ 8,615	$ 5,986
2015	880	$ 3,943	$ 3,625

The preceding table represents accounts modified under the terms of a TDR during the nine months ended September 30, 2016, whereas the following table represents accounts modified as a TDR between January 1, 2015 and September 30, 2016 that subsequently defaulted during the nine months ended September 30, 2016:

	Number of Financing Receivable Accounts	Balance at Default
Total	355	$ 1,089

The following table represents accounts modified as a TDR between January 1, 2014 and September 30, 2015 that subsequently defaulted during the nine months ended September 30, 2015:

	Number of Financing Receivable Accounts	Balance at Default
Total	535	$ 2,346

Note 10. Share-based Compensation

Share-based compensation expense was as follows:

	For the nine months ended September 30, 2016	2015
Stock options, net of estimated forfeitures	$ 21,527	$ 16,719
Restricted stock awards	6,897	6,811
Total non-cash stock compensation	28,424	23,530
Deferred compensation arrangement	515	3,692
Total	$ 28,939	$ 27,222

Share-based Deferred Compensation Arrangement

For the nine months ended September 30, 2016 and 2015, Laureate recorded share-based compensation expense for the deferred compensation arrangement of $515 and $3,692, respectively. As

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Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 10. Share-based Compensation (Continued)

of September 30, 2016 and December 31, 2015, the total liability recorded for the deferred compensation arrangement was $17,978 and $17,463, respectively, and was recorded as a current liability in Deferred compensation on the Consolidated Balance Sheets. This liability was originally payable on September 17, 2016; however, the participants agreed to extend the due date of the payment until December 30, 2016, as discussed in Note 19, Subsequent Events.

Annual Equity Award Grant

On May 2, 2016, we granted 174 and 136 time-based restricted stock units and performance share units, respectively, with vesting periods over the next three years. The performance share units vest based on achieving a pre-determined annual performance target. In addition, we also granted 132 Time Options with an exercise price equal to the fair market value of Laureate's stock at the date of grant. These options vest over a three-year period and have a contractual term of 10 years. The total grant date fair value of these awards was approximately $8,800.

Equity Award Modification

In June 2016, we modified all outstanding stock options that were granted under the 2013 Plan, except for stock options that were granted during 2016. The exercise price of the modified options was adjusted to $23.20, the estimated fair market value of our stock at the date of modification. As a result, we modified the exercise price of approximately 5,338 stock options that were granted under the 2013 Plan. This modification resulted in incremental stock compensation expense during the second quarter of approximately $6,000 for options that were vested at the modification date. Additionally, approximately $5,000 of incremental stock compensation expense related to options that were not yet vested at the modification date will be recognized over the remaining vesting period.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Stockholders' Equity

The components of net changes in stockholders' equity were as follows:

	Laureate Education, Inc. Stockholders						
	Shares of common stock outstanding	Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Noncontrolling interests	Total stockholders' equity
Balance at December 31, 2015	133,255	$ 533	$ 2,686,451	$ (1,409,548)	$ (952,677)	$ 30,667	$ 355,426
Non-cash stock compensation	7		28,424				28,424
Exercise of stock options	13		253				253
Vesting of restricted stock and exercise of stock options, net of shares withheld to satisfy minimum employee tax withholding	26		(1,346)				(1,346)
Changes in noncontrolling interests			(2,221)			2,101	(120)
Dividends to noncontrolling interests			(868)				(868)
Distributions to noncontrolling interest holders						(1,447)	(1,447)
Accretion of redeemable noncontrolling interests and equity			3,538				3,538
Reclassification of comprehensive income to redeemable noncontrolling interests and equity						(810)	(810)
Net income (loss)				330,539		(2,817)	327,722
Foreign currency translation adjustment, net of tax of $0					(46,005)	1,000	(45,005)
Unrealized gain on derivatives, net of tax of $0					5,509		5,509
Minimum pension liability adjustment, net of tax of $1,900					8,948		8,948
Balance at September 30, 2016	133,301	$ 533	$ 2,714,231	$ (1,079,009)	$ (984,225)	$ 28,694	$ 680,224

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (AOCI) in our Consolidated Balance Sheets includes the accumulated translation adjustments arising from translation of foreign subsidiaries' financial statements, the unrealized losses on derivatives designated as cash flow hedges, and the accumulated

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 11. Stockholders' Equity (Continued)

net gains or losses that are not recognized as components of net periodic benefit cost for our minimum pension liability. The components of these balances were as follows:

	September 30, 2016			December 31, 2015		
	Laureate Education, Inc.	Noncontrolling Interests	Total	Laureate Education, Inc.	Noncontrolling Interests	Total
Foreign currency translation loss	$ (974,426)	$ (1,420)	$ (975,846)	$ (928,421)	$ (2,420)	$ (930,841)
Unrealized losses on derivatives	(7,740)		(7,740)	(13,250)		(13,250)
Minimum pension liability adjustment	(2,059)		(2,059)	(11,006)		(11,006)
Accumulated other comprehensive loss	$ (984,225)	$ (1,420)	$ (985,645)	$ (952,677)	$ (2,420)	$ (955,097)

Note 12. Derivative Instruments

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We may seek to control a portion of these risks through a risk management program that includes the use of derivative instruments.

The interest and principal payments for Laureate's senior long-term debt arrangements are to be paid primarily in USD. Our ability to make debt payments is subject to fluctuations in the value of the USD against foreign currencies, since a majority of our operating cash used to make these payments is generated by subsidiaries with functional currencies other than USD. As part of our overall risk management policies, Laureate has at times entered into foreign currency swap contracts and floating-to-fixed interest rate swap contracts. In addition, we occasionally enter into foreign exchange forward contracts to reduce the earnings impact of other non-functional currency-denominated receivables and payables.

We do not enter into speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes. We generally intend to hold our derivatives until maturity.

Laureate reports all derivatives at fair value. These contracts are recognized as either assets or liabilities, depending upon the derivative's fair value. Gains or losses associated with the change in the fair value of these swaps are recognized in our Consolidated Statements of Operations on a current basis over the term of the contracts, unless designated and effective as a hedge. For swaps that are designated and effective as cash flow hedges, gains or losses associated with the change in fair value of the swaps are recognized in our Consolidated Balance Sheets as a component of Accumulated Other Comprehensive Income (AOCI) and amortized into earnings as a component of Interest expense over the term of the related hedged items.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Derivative Instruments (Continued)

The reported fair value of our derivatives, which are classified in Derivative instruments on our Consolidated Balance Sheets, were as follows:

	September 30, 2016	December 31, 2015
Derivatives designated as hedging instruments:		
Current liabilities:		
Interest rate swaps	$ 7,740	$
Long-term liabilities:		
Interest rate swaps		13,250
Derivatives not designated as hedging instruments:		
Current assets:		
Cross currency and interest rate swaps		238
Current liabilities:		
Cross currency and interest rate swaps		688
Long-term liabilities:		
Cross currency and interest rate swaps	8,012	5,662
Interest rate swaps	474	414
Total derivative instrument assets	$	$ 238
Total derivative instrument liabilities	$ 16,226	$ 20,014

Derivatives Designated as Hedging Instruments

Interest Rate Swaps

In September 2011, Laureate entered into two forward interest rate swap agreements with notional amounts of $450,000 and $300,000, respectively. We have designated these derivatives as cash flow hedges. The swaps were associated with existing debt, and effectively fix interest rates on existing variable-rate borrowings in order to manage our exposure to future interest rate volatility. Both swaps have an effective date of June 30, 2014 and mature on June 30, 2017. The terms of the swaps require Laureate to pay interest on the basis of fixed rates of 2.61% on the $450,000 notional amount swap and 2.71% on the $300,000 notional amount swap, and receive interest for both swaps on the basis of three-month LIBOR, with a floor of 1.25%. The gain or loss on these swaps is deferred in AOCI and will be reclassified into earnings as a component of Interest expense in the same period during which the hedged forecasted transactions will affect earnings. Laureate determines the effectiveness of these swaps using the hypothetical derivative method. During both the nine months ended September 30, 2016 and 2015, the amount of gain or loss recognized in income on the ineffective portion of derivative instruments designated as hedging instruments was $0, as the swaps were 100% effective. During the next 12 months, approximately $7,700 is expected to be reclassified from AOCI into income. As of September 30, 2016 and December 31, 2015, these interest rate swaps had an estimated fair value of $7,740 and $13,250, respectively.

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Note 12. Derivative Instruments (Continued)

The table below shows the total recorded unrealized gain (loss) of these swaps in Comprehensive income (loss). The impact of derivative instruments designated as hedging instruments on Comprehensive income (loss), Interest expense and AOCI were as follows:

For the nine months ended September 30:

	Gain Recognized in Comprehensive Income (Loss) (Effective Portion)		Income Statement Location	Loss Reclassified from AOCI to Income (Loss) (Effective Portion)	
	2016	2015		2016	2015
Interest rate swaps	$ 5,509	$ 2,850	Interest expense	$ (8,002)	$ (7,973)

Derivatives Not Designated as Hedging Instruments

USD to Swiss Franc (CHF) Foreign Currency Forward Swaps

In March 2016, Laureate entered into a CHF to USD deal-contingent forward exchange swap agreement with a notional amount of CHF 320,000. The purpose of the swap was to mitigate risk of foreign currency exposure related to the sale of Glion and Les Roches Hospitality Management Schools, as discussed in Note 3, Dispositions. The forward contract matured on June 14, 2016, the closing date of the sale, resulting in a realized loss of $10,297. The deal contingent forward exchange swap was not designated as a hedge for accounting purposes.

In November 2015, Laureate entered into a USD to CHF foreign exchange forward swap agreement. We executed an initial conversion of CHF 14,000 to US $14,113. In December 2015, Laureate entered into two USD to CHF foreign exchange forward swap agreements. We executed an initial conversion of CHF 16,000 to US $16,470 using two swaps. For accounting purposes, the swaps were not designated as hedging instruments. These swaps were settled during the second quarter of 2016 for a net realized loss of approximately $100.

In May 2015, Laureate entered into a USD to CHF foreign exchange forward swap agreement. The swap was intended to hedge the currency effects of the strengthening USD for anticipated cash outlays in CHF over the seven months subsequent to the execution date for a tax payment, along with expected working capital requirements. We executed an initial conversion of CHF 9,700 to US $10,325. The swap matured during the first quarter of 2016 for a realized loss of $635. For accounting purposes, the swap was not designated as a hedging instrument.

USD to Euro Foreign Currency Forward Swaps

In connection with the sale of the institutions in France that is discussed in Note 3, Dispositions, Laureate entered into EUR to USD foreign exchange forward contracts, in order to lock in the amount of USD proceeds that we will receive upon closing of the transaction. The total forward contracts were EUR 200,000, of which EUR 100,000 was deal contingent and EUR 100,000 was not contingent on the deal closing. The contracts discussed above matured and were settled by July 20, 2016, the closing date of the sale, resulting in a total realized gain on derivatives of $4,634.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Derivative Instruments (Continued)

CLP to Unidad de Fomento (UF) Cross Currency and Interest Rate Swaps

The cross currency and interest rate swap agreements are intended to provide a better correlation between our debt obligations and operating currencies. In 2010, one of our subsidiaries in Chile entered into four cross currency and interest rate swap agreements. One of the swaps matures on December 1, 2024, and the remaining three mature on July 1, 2025 (the CLP to UF cross currency and interest rate swaps). The UF is a Chilean inflation-adjusted unit of account. The four swaps have an aggregate notional amount of approximately $31,000, and convert CLP-denominated, floating-rate debt to fixed-rate UF-denominated debt. The CLP to UF cross currency and interest rate swaps were not designated as hedges for accounting purposes. As of September 30, 2016 and December 31, 2015, these swaps had an estimated fair value of $8,012 and $5,662, respectively.

THINK Interest Rate Swaps

Laureate acquired THINK on December 20, 2013, and financed a portion of the purchase price by borrowing AUD 45,000 (US $34,524 at September 30, 2016) under a syndicated facility agreement in the form of two term loans of AUD 22,500 each. The terms of the syndicated facility agreement required THINK to enter into an interest rate swap within 45 days from the agreement's December 20, 2013 effective date, in order to convert at least 50% of the AUD 45,000 of term loan debt from a variable interest rate based on the BBSY bid rate, an Australia bank rate, to a fixed interest rate. Accordingly, on January 31, 2014, THINK executed an interest rate swap agreement with an original notional amount of AUD 22,500 to satisfy this requirement and converted AUD 22,500 (US $17,262 at September 30, 2016) of the variable rate component of the term loan debt to a fixed interest rate of 3.86%. The notional amount of the swap decreases quarterly based on the terms of the agreement, and the swap matures on December 20, 2018. This interest rate swap was not designated as a hedge for accounting purposes, and had an estimated fair value of $474 and $414 at September 30, 2016 and December 31, 2015, respectively, which was recorded in Derivative instruments as a long-term liability. As discussed in Note 7, Debt, the THINK loan facilities were amended and restated in June 2016. The interest rate swap agreements discussed above were not changed.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 12. Derivative Instruments (Continued)

Components of the reported Gain (loss) on derivatives not designated as hedging instruments in the Consolidated Statements of Operations were as follows:

	For the nine months ended September 30,	
	2016	2015
Unrealized (Loss) Gain		
Cross currency and interest rate swaps	$ (1,514)	$ (2,072)
Interest rate swaps	(34)	(53)
	(1,548)	(2,125)
Realized Gain (Loss)		
Cross currency and interest rate swaps	(6,530)	(336)
Interest rate swaps	(157)	(157)
	(6,687)	(493)
Total Gain (Loss)		
Cross currency and interest rate swaps	(8,044)	(2,408)
Interest rate swaps	(191)	(210)
Gain (loss) on derivatives, net	$ (8,235)	$ (2,618)

Credit Risk and Credit-Risk-Related Contingent Features

Laureate's derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation. The amount of our credit risk exposure is equal to the fair value of the derivative when any of the derivatives are in a net gain position. As of September 30, 2016, none of our derivatives were in a gain position.

Laureate has limited its credit risk by only entering into derivative transactions with highly rated major financial institutions. We have not entered into collateral agreements with our derivatives' counterparties. At September 30, 2016, one institution which was rated Aa2, one institution which was rated A1, one institution which was rated A2 and one institution which was rated A3 by the global rating agency of Moody's Investors Service, accounted for all of Laureate's derivative credit risk exposure.

Laureate's agreements with its derivative counterparties contain a provision under which we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to a default on the indebtedness. As of September 30, 2016 and December 31, 2015, we had not breached any default provisions and had not posted any collateral related to these agreements. If we had breached any of these provisions, we could have been required to settle the obligations under the derivative agreements for an amount that we believe would approximate their estimated fair value of $16,226 as of September 30, 2016 and $20,014 as of December 31, 2015.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 13. Income Taxes

Laureate uses the liability method to account for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. For interim purposes, we also apply ASC 740-270, "Income Taxes Interim Reporting."

Laureate's income tax provisions for all periods consist of federal, state and foreign income taxes. The tax provisions for the nine months ended September 30, 2016 and 2015 were based on estimated full-year effective tax rates, after giving effect to significant items related specifically to the interim periods, including the mix of income for the period between higher-taxed and lower-taxed jurisdictions. Laureate has operations in multiple countries, many of which have statutory tax rates lower than the United States or are tax-exempt entities, and other operations that are loss-making entities for which it is not more likely than not that a tax benefit will be realized on the loss. Generally, lower tax rates in these foreign jurisdictions along with Laureate's intent and ability to indefinitely reinvest foreign earnings outside of the United States results in an effective tax rate significantly lower than the statutory rate in the United States.

Income tax expense for the nine months ended September 30, 2016 and 2015 was $35,246 and $81,587, respectively. Before the impact of discrete items, the income tax expense for the nine months ended September 30, 2016 and 2015 was $58,717 and $35,134, respectively. A significant driver of the lower tax expense as compared to pre-tax income for the nine months ended September 30, 2016 is the non-taxable gain on the sale of certain operations in Europe that is included in pre-tax income. Discrete items recorded in the 2016 and 2015 periods also affected the Company's income tax expense. In 2015, the Company recognized a contingent liability of approximately $42,100 related to the Spanish tax audits. In addition, in 2016 the Company recognized a discrete benefit of approximately $7,900 related to the deferred taxes included within the accounting for the sale of the hospitality management schools, and a release of an income tax contingency related to Peru of approximately $21,200.

Note 14. Earnings (Loss) Per Share

Laureate computes basic earnings per share (EPS) by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted EPS reflects the potential dilution that would occur if share-based compensation awards/arrangements or contingently issuable shares were exercised or converted into common stock. To calculate the diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock options, restricted stock, and other share-based compensation arrangements determined using the treasury stock method.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 14. Earnings (Loss) Per Share (Continued)

The following tables summarize the computations of basic and diluted earnings per share:

For the nine months ended September 30,	2016	2015
Numerator used in basic and diluted earnings (loss) per common share:		
Income (loss) from continuing operations attributable to Laureate Education, Inc.	$ 330,539	$ (299,581)
Accretion of redemption value of redeemable noncontrolling interests and equity	3,538	(9,602)
Adjusted for: accretion related to noncontrolling interests and equity redeemable at fair value	(201)	6,637
Distributed and undistributed earnings to participating securities	(104)	
Net income (loss) available to common stockholders	$ 333,772	$ (302,546)
Denominator used in basic and diluted earnings (loss) per common share:		
Basic weighted average shares outstanding	133,291	132,941
Effect of dilutive stock options	858	
Effect of dilutive restricted stock units	68	
Dilutive weighted average shares outstanding	134,217	132,941
Basic and diluted earnings (loss) per share:		
Basic earnings (loss) per share	$ 2.52	$ (2.28)
Diluted earnings (loss) per share	$ 2.48	$ (2.28)

The following table summarizes the number of stock options and shares of restricted stock that were excluded from the diluted EPS calculations because the effect would have been antidilutive:

	For the nine months ended September 30,	
	2016	**2015**
Stock options	2,931	10,323
Restricted stock	131	229

Note 15. Related Party Transactions

Corporate

Transactions between Laureate and Santa Fe University of Arts and Design (SFUAD)

During 2014, Laureate entered into a new shared services agreement with SFUAD that replaced the shared services agreement previously entered into in 2009. Laureate provides SFUAD with certain management consulting, legal, tax, finance, accounting, treasury, human resources, and network entry services. The shared services agreement had a term of five years. As of September 30, 2016, Laureate recorded a Related party receivable from SFUAD of $211 pursuant to the shared services agreement. As of December 31, 2015, Laureate had recorded a receivable from SFUAD of $658 related to the shared services agreement, which was subsequently collected.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Related Party Transactions (Continued)

During the third quarter of 2013, fourteen Laureate institutions entered into partnership agreements with SFUAD (the Global Partnership agreements). These Global Partnership agreements have an initial term of five years and provide Laureate students with educational opportunities to study certain academic programs at SFUAD. Under the terms of these agreements, the partnering Laureate institutions commit to pay SFUAD an annual amount each calendar year, which SFUAD then bills to the Laureate institutions on a quarterly basis. The Global Partnership agreements can be unilaterally canceled by either SFUAD or the Laureate institutions with at least six months' prior written notice; however any remaining unpaid commitment amount for that calendar year is still contractually owed to SFUAD. As of September 30, 2016 and December 31, 2015, Laureate recorded a related party payable to SFUAD of $490 and $193, respectively, for unpaid commitments that we are obligated to pay to SFUAD under the Global Partnership agreements. On May 18, 2016, SFUAD announced that it is being acquired by a private education provider with a global network of colleges and universities with a focus on art and design education. The transaction is expected to close at the end of 2016. Until the sale is completed, SFUAD will remain a related party of Laureate since both entities are commonly owned by Wengen.

Transactions between Laureate and Entities Affiliated with Executive Officers, Directors and Wengen

On December 16, 2015, Laureate entered into a term loan agreement with its parent, Wengen, for approximately $11,000. In June 2016, we made a scheduled principal payment of $3,500. In the third quarter of 2016, Laureate made an additional prepayment on this loan of approximately $5,000. As of September 30, 2016 and December 31, 2015, the principal balance outstanding was approximately $2,500 and $11,000, respectively.

We have agreements in place with I/O Data Centers, LLC (I/O) pursuant to which I/O provides modular data center solutions to the Company. One of our directors is also a director of I/O. Additionally, this director, our CEO, and Sterling Partners (a private equity firm co-founded by the director, our CEO, and others) maintain an ownership interest in I/O. During each of the nine-month periods ended September 30, 2016 and September 30, 2015, we incurred costs for these agreements of approximately $700 and $400, respectively.

Europe

Morocco

Transactions between Laureate and Noncontrolling Interest Holder of Laureate Somed Education Holding SA (LSEH)

LSEH is 60% owned and consolidated by Laureate and is the entity that operates Université Internationale de Casablanca, our institution in Morocco. The 40% noncontrolling interest holder of LSEH has made loans to LSEH, and as of December 31, 2015, we had a related party payable of $13,354 to the noncontrolling interest holder for the outstanding balance of and accrued interest on these loans, of which $9,305 and $4,049 were recorded as current and noncurrent, respectively.

During 2016, the maturity date of a loan made by the noncontrolling interest holder in 2014 was extended from October 2015 to April 2017. The outstanding balance of this loan, including accrued

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Related Party Transactions (Continued)

interest, at the time of the extension was Moroccan Dirhams (MAD) 45,028 (US $4,613 at September 30, 2016). This loan bears an interest rate of 4.5% per annum.

During the second quarter of 2016, the noncontrolling interest holder made an additional loan to LSEH for MAD 4,800 (US $492 at the loan date), which matures in December 2017 and bears interest at 4.5% per annum. During the quarter ended September 30, 2016, the noncontrolling interest holder made an additional loan to LSEH for MAD 3,200 (US $324 at the loan date), which also matures in December 2017 and bears interest at 4.5% per annum. The proceeds from these loans have been included in the financing activities section of the Consolidated Statement of Cash Flows as Noncontrolling interest holder's loan to subsidiaries. As the 60% majority owner, Laureate has also made loans to LSEH for 60% of the total amount borrowed, which eliminate in consolidation.

As of September 30, 2016, we had total related party payables of $14,621 to the noncontrolling interest holder of LSEH for the outstanding balance on these loans plus accrued interest, of which $13,797 and $824 was recorded as current and noncurrent, respectively.

AMEA

China

Transactions between China businesses and Noncontrolling Interest Holders of Hunan International Economics University (HIEU)

A portion of real property that HIEU has paid for, including land and buildings, is mortgaged as collateral for corporate loans that the entity controlled by certain noncontrolling interest holders of HIEU has entered into with third-party banks. In December 2013, the noncontrolling interest holders of HIEU signed an agreement with Laureate and committed to: (1) remove all encumbrances on HIEU's real property no later than September 30, 2014 and (2) cause the entity to complete the transfer of title relating to the encumbered real property to HIEU no later than December 31, 2014. Under the terms of this agreement, the noncontrolling interest holders also agreed to pay any and all transfer taxes, fees and other costs that are required in connection with the removal of the encumbrances and the transfer of titles, which are estimated to be approximately $2,000. As collateral for their performance under the agreement, the noncontrolling interest holders pledged to Laureate their 30% equity interest in the sponsoring entity of HIEU. The noncontrolling interest holders of HIEU have not completed their commitment to remove the encumbrances over the real property or completed the transfer of the real property. Under the terms of the agreement, Laureate has the right to receive the sale proceeds of the noncontrolling interest holders' 30% equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders. On February 22, 2016, certain creditors of the noncontrolling interest holders initiated an enforcement process against the noncontrolling interest holders. The creditors have requested the court to auction a portion of the equity interest of the noncontrolling interest holders. The court has appointed an appraiser to perform a valuation of the equity interest, and a court auction may take place during 2016. As the registered pledgee, Laureate has the right to receive the sale proceeds of the noncontrolling interest holders' equity interest, up to the amount owing to it under the equity pledge, in priority to other creditors of the noncontrolling interest holders. Management is currently evaluating

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 15. Related Party Transactions (Continued)

its options in this matter. As of September 30, 2016 and December 31, 2015, Laureate's net carrying value of the encumbered real property was approximately $12,700 and $13,700, respectively.

In addition to the performance obligations in the December 2013 agreement for the encumbered property as described above, the noncontrolling interest holders are required under the 2009 HIEU purchase agreement (PA) to obtain the titles of certain other buildings for HIEU. The noncontrolling interest holders are also obligated to pay any and all government fees and other costs, which are estimated to be approximately $4,200, required in connection with obtaining the titles for these buildings. These buildings are not encumbered and HIEU has title to the land. The noncontrolling interest holders also occupy and conduct other non-HIEU business in five buildings that we have title to, and do not pay rent to HIEU for the use of these facilities.

Dubai

Transactions between Laureate and Laureate-Obeikan Ltd.

Laureate-Obeikan Ltd. is a consolidated joint venture in Dubai that is 50% owned by Laureate. During the first quarter of 2016, we entered into an agreement for the assignment of amounts due to Laureate-Obeikan Ltd. from Higher Institute for Paper and Industrial Technologies (HIPIT), a third party, to Obeikan Paper Industries (OPI), a related-party subsidiary of the noncontrolling interest holder of Laureate-Obeikan Ltd., in the amount of SAR 14,279 (US $3,806 at September 30, 2016) as settlement of amounts owed from OPI to an affiliate of HIPIT. Payment is due in five installments of SAR 2,856 (US $761 at September 30, 2016) beginning in March 2016 through July 2016. As of September 30, 2016, the amount receivable was $3,040. Installments totaling SAR 2,400 (US $640 at September 30, 2016) were paid during 2016. These receivables are fully reserved.

Note 16. Legal and Regulatory Matters

Laureate is subject to legal proceedings arising in the ordinary course of business. In management's opinion, we have adequate legal defenses, insurance coverage, and/or accrued liabilities with respect to the eventuality of these actions. Management believes that any settlement would not have a material impact on Laureate's financial position, results of operations, or cash flows.

United States Postsecondary Education Regulation

The Company, through its GPS segment, operates four postsecondary educational institutions in the United States and provides contractual services to another (U.S. Institutions). The U.S. Institutions are subject to extensive regulation by federal and state governmental entities as well as accrediting bodies. The Higher Education Act (HEA), and the regulations promulgated thereunder by the DOE, subject the U.S. Institutions to ongoing regulatory review and scrutiny. The U.S. Institutions must also comply with a myriad of requirements in order to participate in Title IV federal financial aid programs under the HEA (Title IV programs).

In particular, to participate in the Title IV programs under currently effective DOE regulations, an institution must be authorized to offer its educational programs by the relevant state agencies in the states in which it is located, accredited by an accrediting agency that is recognized by the DOE, and also certified by the DOE. In determining whether to certify an institution, the DOE closely examines

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Legal and Regulatory Matters (Continued)

an institution's administrative and financial capability to administer Title IV program funds. In March 2016, in connection with its review of our financial statements following our conversion to a Delaware public benefit corporation, the DOE sent us a letter requiring us to increase our existing letter of credit to the amount of $90,509 for Kendall College, St. Augustine, Walden University and NewSchool of Architecture and Design, which is equal to approximately 10% of the Title IV program funds that these schools received during the most recently completed fiscal year. In the letter, the DOE also has required us to continue to comply with additional notification and reporting requirements. We have provided the increased letter of credit and are complying with the additional notification and reporting requirements.

We received a letter dated October 4, 2016 from the DOE (subsequently revised on November 4, 2016) stating that, based on Laureate's failure to meet standards of financial responsibility for the fiscal year ended December 31, 2015, we are required to either: (1) increase our letter of credit to an amount equal to 50% of the Title IV, HEA funds received by Laureate in the fiscal year ended December 31, 2015 (calculated by the DOE to be $351,995) and qualify as a financially responsible institution; or (2) increase our letter of credit to an amount equal to 15% (calculated by the DOE to be $105,599) of the Title IV, HEA funds received by Laureate in the fiscal year ended December 31, 2015 and remain provisionally certified for a period of up to three complete award years. In the letter, the DOE also has required us to continue to comply with additional notification and reporting requirements. We have chosen to increase our letter of credit to $105,599 and to remain provisionally certified for a period of up to three complete award years and have obtained replacement letters of credit for such amount. See Note 8, Commitments and Contingencies, for further description of the outstanding DOE letters of credit as of September 30, 2016 and December 31, 2015.

Pursuant to DOE requirements, the U.S. Institutions conduct periodic reviews and audits of their compliance with the Title IV program requirements. None of the U.S. Institutions have been notified of any significant noncompliance that might result in loss of its certification to participate in the Title IV programs. Management believes that there are no matters of regulatory noncompliance that could have a material effect on the accompanying Consolidated Financial Statements.

Changes in or new interpretations of applicable laws, DOE rules, or regulations could have a material adverse effect on the U.S. Institutions' eligibility to participate in the Title IV programs. On October 29, 2010, the DOE published a Final Rule amending its regulations in a number of areas related to an institution's eligibility to participate in the Title IV programs. Most of these regulatory changes became effective July 1, 2011, with others becoming effective as of July 1, 2012. On October 30, 2014, the DOE issued a final rule establishing specific standards for purposes of the HEA requirement that, to be eligible for Title IV program funds, certain programs of study prepare students for "gainful employment in a recognized occupation," which became effective July 1, 2015. The final regulations define this concept using two ratios, one based on annual debt-to-annual earnings ("DTE") and another based on annual debt-to-discretionary income ("DTI") ratio. Under the final regulations, an educational program with a DTE ratio at or below 8% or a DTI ratio at or below 20% is considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive

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Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Legal and Regulatory Matters (Continued)

Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years. In January 2017, the DOE issued to institutions final DTE rates. Among Walden University, Kendall College and NewSchool of Architecture and Design, we had one program fail and five in the zone. St. Augustine had no programs that failed or were in the zone. We are currently examining and implementing options for each of these programs and their students.

Between February and May 2014, the DOE convened a negotiated rulemaking committee to prepare proposed regulations to address program integrity and improvement issues for the Title IV programs ("Program Integrity Rulemaking") including but not limited to updating eligibility standards for student and parent borrowers under the federal Direct PLUS loan program, cash management of Title IV funds, state authorization for programs offered through distance education and state authorization for foreign locations of institutions. As this negotiated rulemaking committee did not reach consensus on all of the issues before it, on August 8, 2014, the DOE published a proposed rule for public comment regarding federal Direct PLUS loan program eligibility, following which a final rule was issued on October 23, 2014 and that took effect July 1, 2015. On October 30, 2015, the DOE published final program integrity regulations regarding cash management of Title IV funds, the eligibility of repeated coursework for purposes of a student's enrollment status and receipt of Title IV funds, and the measurement of programs in credit hours versus clock hours for Title IV purposes. A majority of the provisions of the regulations took effect on July 1, 2016, and others will take effect on later dates in 2016 and 2017. The final regulations concerning cash management require, among other things, that institutions subject to heightened cash monitoring procedures for disbursements of Title IV funds must, effective July 1, 2016, pay to students any applicable Title IV credit balances before requesting such funds from the DOE. On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering postsecondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state. The DOE would recognize authorization through participation in a state authorization reciprocity agreement, if the agreement does not prevent a state from enforcing its own laws. The final regulations also require that foreign additional locations and branch campuses be authorized by the appropriate foreign government agency and if at least 50% of a program can be completed at the location/branch, be approved by the institution's accrediting agency and be reported to the state where the main campus is located. The final regulations would also require institutions to: document the state process for resolving complaints from students enrolled in programs offered through distance education or correspondence courses; and make certain public and individualized disclosures to enrolled and prospective students about their distance education programs. These final regulations are effective July 1, 2018.

During a separate negotiated rulemaking committee process that occurred between January and April 2014, the DOE proposed draft regulatory language to implement changes to the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act ("Clery Act") required by March 2013 amendments to the Violence Against Women Act. At the final meeting of the negotiated rulemaking committee on April 1, 2014, the committee reached consensus on the Department's proposed regulations, which were subsequently published for a 30-day public comment period on

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Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 16. Legal and Regulatory Matters (Continued)

June 20, 2014. On October 20, 2014, the DOE published the final rule amending its Clery Act regulations, which was effective July 1, 2015. Between February and April 2015, the DOE convened another negotiated rulemaking committee to prepare regulations to establish a new Pay as You Earn repayment plan for those not covered by the existing Pay as You Earn Repayment Plan in the Federal Direct Loan Program, and also to establish procedures for Federal Family Education Loan Program loan holders to use to identify U.S. military servicemembers who may be eligible for a lower interest rate on their federal student loans under the Servicemembers Civil Relief Act. The committee reached consensus during its final session on a set of proposed regulations. The DOE published proposed regulations for comment on July 9, 2015, and on October 30, 2015, issued final regulations. The Pay as You Earn Repayment Plan provisions took effect in December 2015 and a majority of the remaining provisions of the regulations took effect on July 1, 2016. In September 2015, President Obama announced the DOE's launch of a revised "College Scorecard" website that provides access to national data on college costs, graduation rates, debt and post-college earnings, including data regarding our U.S. Institutions. This data was updated in September 2016. In addition, in November 2015, the DOE issued comparative data regarding DOE-recognized accreditation agencies and the institutions they accredit, which include median debt, repayment rates, completion rates and median earnings. To the extent such data gives rise to negative perceptions of our U.S. Institutions or of proprietary educational institutions generally, our reputation and business could be materially adversely affected.

On June 16, 2016, the DOE published a proposed rule for public comment that, among other provisions, establishes new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment (DTR) on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses. The proposed rule, among other topics, addresses (i) the standards for the purpose of determining whether a borrower can establish a DTR based on an act or omission of an institution, (ii) the time periods for availability of DTR claims; (iii) the regulatory framework by which the DOE will receive, review and determine the veracity of DTR claims, and under which the DOE may recover from institutions any losses incurred from successful DTR claims. The proposed rule also would revise the DOE's general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit or equivalent cash deposits, in certain cases automatically and others at the discretion of the DOE. Such events and actions include but are not limited to (i) DTR claims, or audits, investigations or claims by governmental authorities exceeding certain financial thresholds; (ii) certain types of lawsuits against an institution; (iii) the institution being placed by its accrediting agency on probation or issued a show cause order, or placed on an accreditation status that poses an equivalent or greater risk to its accreditation; (iv) the institution's violation of a loan agreement or other credit obligations; (v) the institution deriving more than 90% of its revenues for any single fiscal year from Title IV program funds; (vi) a publicly traded institution being warned by the SEC that trading on its stock may be suspended, or the stock is involuntarily delisted; (vii) a publicly traded institution disclosing or being required to disclose in a SEC report certain judicial or administrative proceedings; (viii) a publicly traded institution disclosing or being required to disclose in a report filed with the SEC a judicial or administrative proceeding stemming from a complaint filed by a person or entity that is not part of a State or Federal action (unless the institution satisfactory demonstrates to the DOE why the disclosed matter does not constitute a material event); (ix) a publicly traded institution failing to file timely a required annual or quarterly report with the SEC; (x) the exchange on

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Note 16. Legal and Regulatory Matters (Continued)

which the stock of a publicly traded institution is traded notifies the institution that it is not in compliance with exchange requirements; (xi) the performance of an institution's educational programs under the DOE's "gainful employment" regulation; (xii) for an institution whose composite score of financial responsibility is less than 1.5, any withdrawal of equity from the institution by any means, including by declaring a dividend; (xiii) subject to limited exceptions, an institution having, as its two most recent official cohort default rates, a rate of 30 percent or higher; (xiv) significant fluctuations in Direct Loan Program or Pell Grant amounts received by the institution; (xv) citations by a State licensing or authorizing agency regarding the institution failing State or agency requirements; (xvi) the institution failing to meet a financial stress test to be developed or adopted by the DOE; (xvii) the institution or its corporate parent has a non-investment grade bond or credit rating; (xviii) as calculated by the DOE, the institution having high annual dropout rates; and (xix) any adverse event reported by the institution on a Form 8-K filed with the SEC. An institution required to post a letter of credit also would be required to disclose that fact to all students and prospective students. The proposed rule also would implement a new loan repayment rate methodology for only proprietary institutions, which if equal to or less than zero percent would require a proprietary institution to disclose such rates along with a warning on its website, in all advertising and promotional materials and to prospective and enrolled students. Comments to the proposed rule were due on or before August 1, 2016. On November 1, 2016, the DOE published the final regulations, which will take effect July 1, 2017. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations. We are currently assessing the impact of these final regulations on our U.S. Institutions.

On December 3, 2014, the DOE published proposed regulations on the teacher preparation program accountability system under the HEA, and additionally proposed amendments on teacher preparation program eligibility for TEACH Grant participation. In October 2016, the DOE published its final regulations regarding teacher preparation programs and TEACH Grant eligibility. We are currently assessing the eligibility of Walden University to continue to access TEACH Grant funds under the new regulations.

We are unable to predict what additional actions the DOE may take, or the effect of its rulemaking processes on our business. Additionally, the United States Congress has initiated a series of hearings regarding its prospective reauthorization of the HEA and potential changes to the Title IV programs. Any new or changed regulations from the DOE, or changes to the HEA and Title IV programs, could reduce enrollments, impact tuition prices, increase the cost of doing business and otherwise have additional material adverse effects on the financial condition, cash flows and operations of some or all of the U.S. Institutions.

The proprietary education industry is experiencing broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. In October 2014, the DOE announced that it will be leading an interagency task force composed of the DOE, the U.S. Federal Trade Commission (the FTC), the U.S. Departments of Justice, Treasury and Veterans Affairs, the Consumer Financial Protection Bureau (CFPB), the Securities and Exchange Commission (SEC), and numerous state attorneys general. The FTC has also recently issued civil investigative demands to several other U.S. proprietary educational institutions, which require the institutions to provide documents and

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Note 16. Legal and Regulatory Matters (Continued)

information related to the advertising, marketing, or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The CFPB has also initiated a series of investigations against other U.S. proprietary educational institutions alleging that certain institutions' lending practices violate various consumer finance laws. In addition, attorneys general in several states have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions. In addition, several state attorneys general have recently partnered with the CFPB to review industry practices. If our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business.

State Higher Education Authorization and Program Review for Walden University

State authorization regulations generally require that post-secondary education institutions that offer online programs to students within their state obtain approval, an exemption or other required status by the appropriate state higher education agency in order to offer those programs. In recent years, more than 30 states have voluntarily entered into State Authorization Reciprocity Agreements (SARA) that establish standards for interstate offering of post-secondary distance education courses and programs. If an institution's home state participates in SARA and authorizes the institution to provide distance education in accordance with SARA standards, then the institution need not obtain additional authorizations for distance education from any other SARA member state. The SARA participation requirements and process are administered by the four regional higher education compacts in the United States, including the Midwestern Higher Education Compact (the MHEC), which administers SARA for the region that includes Minnesota, where Walden University is domiciled. Walden University submitted an application to participate in SARA to the Minnesota Office of Higher Education (MOHE), a member of MHEC. As of June 2015, Walden University was approved to participate in SARA, effective through June 2, 2016.

On April 8, 2016, the MOHE notified Walden University that its renewal application to participate in SARA had been denied because Walden University does not have an institutional federal financial composite score computed by the U.S. Department of Education in connection with Walden University's participation in federal Title IV financing programs of 1.5 or higher, although the institutional financial composite score calculation made by Walden University in accordance with the U.S. Department of Education's published formula and based on Walden University's 2015 audited financial statements is 3.0. In the absence of an institution-level financial composite score calculated by the U.S. Department of Education, MOHE has viewed Laureate's financial composite score calculated based on its global operations, which does not exceed 1.5, as attributable to Walden University.

On May 6, 2016, Walden University appealed the MOHE decision to MHEC. Walden University and MOHE participated in an appeal hearing before MHEC on June 3, 2016. On June 14, 2016, MHEC informed Walden University that it affirmed MOHE's decision. Walden University had until September 30, 2016 to regain its state authorization, exemption or other required status in the SARA states in which it participates in order to seek to enroll new students who reside in those states. As of the date of issuance of these financial statements, Walden University has regained authorization,

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exemption or other required status in all of the 31 SARA states in which it has been a SARA participant.

On September 8, 2016, as part of a program review that MOHE is conducting of Walden University's doctoral programs, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students. We have been informed by MOHE that in an effort to better understand the context, background and issues related to doctoral student complaints in Minnesota, MOHE is initiating a full review of doctoral programs for institutions registered in Minnesota.

Brazilian Regulation

Through our LatAm segment, we operate 13 post-secondary education institutions in Brazil. The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Brazilian Ministry of Education (the MEC), along with a number of related federal agencies and offices. The MEC is the highest authority of the higher education system in Brazil and has the power to: regulate and monitor the federal system of higher education in terms of its quality and standards, confirm decisions regarding the accreditation and reaccreditation of institutions of higher education; confirm evaluation criteria; confirm regulatory proposals; and issue and implement rules that govern the delivery of higher education services, including aspects like adherence by higher education institutions to the rules for federal education subsidy programs like Pronatec, Prouni and the Fundo de Financiamento ao Estudante do Ensino Superior (the FIES program, or FIES), through one or more of which all of our institutions enroll students. Additionally, Brazilian law requires that almost all change-of-control transactions by Laureate receive the prior approval of the Brazilian antitrust authority, the Conselho Administrativo de Defesa Econômica (CADE).

As noted above, Laureate's institutions in Brazil participate in the FIES program, which targets students from low socio-economic backgrounds enrolled at private post-secondary institutions. Eligible students receive loans with below-market interest rates that are required to be repaid after an 18-month grace period upon graduation. FIES pays participating educational institutions tax credits which can be used to pay certain federal taxes and social contributions. FIES also repurchases excess credits for cash. As part of the FIES program, our institutions are obligated to pay up to 15% of any student default. The default obligation increases to up to 30% of any student default if the institution is not current with its federal taxes. FIES withholds between 1% and 3% of tuition paid to the institutions to cover any potential student defaults ("holdback"). If the student pays 100% of their loan, the withheld amounts will be paid to the participating education institutions.

Since February 2014, all new students who participate in FIES must also enroll in the Fundo de Garantia de Operações de Crédito Educativo (FGEDUC). FGEDUC is a government-mandated, private guarantee fund administered by the Bank of Brazil that allows participating educational institutions to insure themselves for 90% (or 13.5% of 15%) of their losses related to student defaults under the FIES program. The cost of the program is 5.63% of a student's full tuition. Similar to FIES, the administrator withholds 5.63% of a student's full tuition to fund the guarantee by FGEDUC.

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Note 16. Legal and Regulatory Matters (Continued)

As of December 31, 2015, approximately 21% of our total students in Brazil participated in FIES, representing approximately 26% of our 2015 Brazil revenues.

In December 2014, the MEC along with FNDE, the agency that directly administers FIES, announced several significant rule changes to the FIES program beginning in 2015. These changes limit the number of new participants and the annual budget of the program, and delay payments to post-secondary institutions with more than twenty thousand FIES students that would otherwise have been due in 2015. The first change implements a minimum score on the high school achievement exam in order to enroll in the program. The second change alters the schedule for the payment and repurchase of credits as well as limits the opportunities for post-secondary institutions to sell any unused credits such that there is a significant delay between the time the post-secondary institution provides the educational services to the students and the time it receives payment from the government for 2015. In addition to these rule changes, FNDE implemented a policy for current students' loan renewals for 2015, which provides that returning students may not finance an amount that increases by more than 6.41%, which was later increased to 8.5%, from the amount financed in the previous semester, regardless of any increases in tuition or in the number of courses in which the student is enrolled, a policy that we believe violates the applicable law. For 2016, MEC announced that there will be no limitation to the tuition increase. Moreover, in the first and second intakes of 2015, the online enrollment and re-enrollment system that all post-secondary institutions and students must use to access the program has experienced numerous technical and programming faults that have also interfered with the enrollment and re-enrollment process. Numerous challenges to these changes and requests for judicial relief from the system's faults have been filed in the Brazilian courts, most of which are pending. The 2016 enrollment and re-enrollment schedule has been released and, so far, the system has not presented any major issues.

In October 2015, FNDE initiated negotiations with the Brazilian Association of Post-Secondary Institutions (ABRAES) aiming at settling the FIES payments that were delayed in 2015. The proposal from MEC, which was accepted by ABRAES, was to divide the total amount due in three annual installments to be paid one fourth in 2016, one fourth in 2017 and half in 2018. The parties also agreed that the yearly installments will be paid in June of each year, and the amounts will be adjusted to reflect an inflation index (the IPCA) from the date of the respective maturity until the effective payment. FNDE also agreed not to take any discriminatory measures in the future related to the payment due to the post-secondary institutions, and not to impose any limitation on the issuance of certificates and repurchase of credits due to the post-secondary institutions, which basically means that all certificates will be issued and repurchased in their respective fiscal years, except for those intended to be issued and repurchased in December, which will be paid in January of the following year. The parties executed the settlement agreement on January 28, 2016 and it was approved by the office of the Attorney General of Brazil on February 3, 2016. The Federal Court of Brasilia ratified the settlement agreement on March 17, 2016. We received the first FIES installment payment in June 2016. Our post-secondary institutions in Brazil are associated with ABRAES and signed the settlement agreement; therefore, it will apply to us. The long-term portion of the FIES receivables are recorded in Notes receivable, net as of September 30, 2016.

MEC released new FIES regulations in July 2015, which supplement and amend rules that were previously released. Among other changes, these regulations revised the rules for student eligibility and

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Note 16. Legal and Regulatory Matters (Continued)

classification, higher education institution participation and selection of the vacancies that will be offered to the students.

On December 11, 2015, MEC issued new FIES regulations (Normative Ordinance No. 13), which supersede in all significant aspects the rules released in July 2015. Normative Ordinance No. 13 defined and clarified some rules for student eligibility and classification, higher education institution participation and selection of the vacancies that will be offered to the students in the first intake of 2016.

Among other changes, it created a "waiting list" concept for students not selected in the first selection call. It also instituted a rule that allows the remaining vacancies that were not filled in by the waiting list students to be redistributed among other programs of the post-secondary institution.

The rules for student eligibility are to have a gross household income of not more than 2.5 times the minimum wage per capita (which was raised by the MEC to 3.0 times on June 17, 2016) and to have taken the National High School Proficiency Exam at least once since 2010, with a minimum score of 450 points, and have a score greater than zero in the test of writing.

Regarding the participation of post-secondary institutions in FIES, institutions must sign a participation agreement that contains their proposal of the number of vacancies offered and the following information per shift (morning, evening) and campus location: (i) tuition gross amount for the entire course, including all semesters; (ii) total tuition gross amount per course for the first semester, which must reflect at least a five percent discount to the course list price; and (iii) the number of vacancies that will be offered through the FIES selection process. Also, only courses with scores of 3, 4 or 5 in the National Higher Education Evaluation System (SINAES) evaluation are eligible to receive FIES students.

On July 14, 2016, Provisional Presidential Decree No. 741/2016 (Medida Provisória No. 741/2016) revising the FIES payments rules was published in the official gazette. According to the new decree, higher education institutions became liable for the administration fees and expenses charged by the government banks that manage FIES loans. The decree became effective immediately and the government will withhold two percent of all FIES payments to cover such administration fees and expenses. Provisional presidential decrees are instruments with the force of law that the President of Brazil can issue in cases of importance and urgency. They have immediate effect and are valid for 60 days, extendable only once for the same period. Effectiveness beyond that period required approval of the National Congress, which took place on November 9, 2016, and it was enacted into law on December 2, 2016 (Law No. 13.366/2016).

The Brazilian government's changes to the FIES program resulted in a substantial increase in the total number of new FIES contracts in that country in 2014, an election year, and then a reduction in the total number of new FIES contracts, from over 700,000 in 2014 to approximately 300,000 in 2015. As a result, Laureate's new enrollments of students in the FIES program also decreased similarly in 2015; however, this did not have a material impact on our 2015 results of operations since total enrollments for all students increased in 2015. Any potential impact on total enrollment would not occur until the FIES students from the expansion of the program have graduated, and would depend on the Brazilian government's commitment to the FIES program. In addition, as discussed above, the Brazilian government reduced the frequency of payments to participating institutions during 2015.

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Note 16. Legal and Regulatory Matters (Continued)

Proposed Chilean Legislation

On July 4, 2016, the Chilean President submitted to the Chilean Congress a bill (the Higher Education Bill) that, if approved, would change the entire regulatory landscape of higher education in Chile, as it would amend and/or replace most of the currently applicable legislation, including repealing the current laws governing universities, professional institutes and technical training centers. The changes contemplated in the Higher Education Bill that are most relevant to us are:

1. The creation of an Undersecretary of Higher Education, which would replace and be the legal successor to the current Higher Education Division of the MINEDUC and whose functions would be: (i) to propose to the MINEDUC policies on higher education, including policies on access, inclusion, retention and graduation of higher education students, on the promotion, development, support and continuous improvement of the quality of higher education institutions and their relationship with the needs of the country, and on the allocation of public funds; (ii) to manage the procedures relating to the granting and revocation of the official recognition of higher education institutions; (iii) to take custody of the academic records of higher education institutions that have lost their official recognition; (iv) to manage the Common Access System for Higher Education Institutions; (v) to manage the National Higher Education Information System; (vi) to coordinate the various public institutions and services that have authority on higher education matters; (vii) to establish coordination mechanisms for the members of the boards of directors of state-owned universities who are appointed by the President; (viii) to generate and coordinate with regional and local governments instances of participation and dialogue with and among higher education institutions as well as the collaboration and transfer of best practices among them, and between such institutions and secondary schools; (ix) to develop studies on the higher education system; (x) to maintain a registry of higher education institutions with access to public funding; and (xi) and to have any other function that the law may assign to it.

2. The creation of a new Common Access System for Higher Education Institutions, to be managed by the Undersecretary of Higher Education, which would establish the process and mechanisms for the application, admission and selection of undergraduate students, and which would be mandatory at all higher education institutions that receive public funding through the MINEDUC.

3. The creation of a National Higher Education Information System, to be managed by the Undersecretary of Higher Education, which would include, among other things, information about students, enrollment, faculty, resources, infrastructure and results of the academic process at higher education institutions; about the nature of the higher education institutions, their members and individuals that are part of their administrative bodies; about the financial condition and solvency of higher education institutions, including their annual audited financial statements; and information about related party transactions. Both the Superintendent of Higher Education and the Higher Education Quality Council would provide all information they receive from higher education institutions to the Undersecretary of Higher Education to be included in the National Higher Education Information System.

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4. The creation of a new National System of Quality Assurance of Higher Education, to be established by the MINEDUC through the Undersecretary of Higher Education, the National Education Council, the Higher Education Quality Council and the Superintendent of Higher Education, the functions of which, among others, would be to: (i) develop policies to promote quality, suitability, articulation, inclusion and equality in the execution of the duties of higher education institutions; (ii) license new higher education institutions; (iii) provide the institutional accreditation of autonomous higher education institutions; and (iv) enforce the compliance of higher education institutions with the rules applicable to higher education and the legality of the use of their resources, supervise their administrative and financial feasibility, and their academic commitments to students.

   The Higher Education Quality Council, whose purpose would be to evaluate, accredit and promote the quality of autonomous higher education institutions and of the careers and study programs they offer, and which would be responsible for executing the institutional accreditation processes and undergraduate and graduate career and study programs accreditation processes, would be composed of 11 directors, nine of which would be appointed by the President of the Republic. The functions of the Higher Education Quality Council would include: (i) managing and resolving the accreditation processes; (ii) proposing the quality criteria and standards for institutional accreditation and accreditation of undergraduate and graduate careers and study programs to the MINEDUC; (iii) maintaining public information systems that contain relevant decisions regarding the different accreditation processes; (iv) executing and promoting actions for continuous improvement of the quality of higher education institutions; (v) keeping a registry of peer reviewers who are part of the accreditation process; (vi) training peer reviewers; and (vii) submitting data to the National Higher Education Information System.

   Under the National System of Quality Assurance of Higher Education, institutional accreditation would be mandatory for all autonomous higher education institutions and would consist of the evaluation and verification of compliance with quality standards, as well as the analysis of internal mechanisms for quality assurance, considering both their existence and their application and results, and their alignment with the mission and purpose of higher education institutions. All institutional accreditations would last for eight years. The accreditation process would include the evaluation, for all campuses and for the undergraduate careers and programs selected by the board of the Higher Education Quality Council, of the management and institutional resources, internal quality assurance, teaching and results of the education process, generation of knowledge, creation and innovation, and association with the environment, of the respective higher educational institutions. Accredited institutions would be classified under one of three different categories. Category C institutions would need to obtain prior approval of the Higher Education Quality Council to open new campuses or programs, while Category B institutions would need to obtain such approval only to open careers or programs in a field of knowledge not regularly offered by the institution or which has not been offered in the last two years, and Category A institutions would not need to obtain any approval to open new campuses, careers or programs.

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Note 16. Legal and Regulatory Matters (Continued)

The bill also provides that certain careers and study programs, i.e., medical and education programs, as well as doctorate-level programs be mandatorily accredited.

Accreditation decisions would not be appealable although reconsideration could be sought before the Higher Education Quality Council not later than 15 days after the notification of decision.

5. The creation of a Superintendency of Higher Education, whose purpose is to enforce and monitor compliance with the legal and regulatory provisions that govern higher education, as well as the legality of the use of resources by higher education institutions and to supervise their financial feasibility. Its functions and powers would be, among others, to: (i) enforce compliance with the law by higher education institutions, their organizers, controllers, members, associates, partners, owners, founders, legal representatives and board members; (ii) ensure that the requirements or conditions that resulted in official recognition of the higher education institutions are maintained; (iii) supervise the financial feasibility of higher education institutions; (iv) ensure the legality of the use of resources of higher education institutions; (v) ensure that higher education institutions comply with the terms, conditions, and modalities of the academic commitments undertaken with students; (vi) arrange and conduct audits of higher education institutions; (vii) visit the academic and administrative establishments and offices of higher education institutions and of the institutions' organizers that are related to the management of the respective institution in order to carry out the functions assigned to the Superintendency, accessing any documents, books or information required for the purposes of enforcement, and reviewing all the transactions, assets, books, accounts, files and, in general, any documents or information it deems necessary for the supervision of the individuals or institutions inspected and of the third parties with which they interact; (viii) require pertinent information needed for it to fulfill its duties to be provided to it by inspectors and inspecting institutions and related third parties, and by any relevant government entities; (ix) summon organizers, controllers, members, associates, partners, owners, founders, legal representatives, board members or employees of the inspected institutions, or of those who exercise those positions at related institutions, and any other person who has entered into an agreements of any kind with the above, to testify before it, and summon witnesses to provide any information it deems necessary to fulfill its duties; (x) respond to inquiries submitted to it within the scope of its powers, receive and resolve claims, and mediate claims, when applicable; (xi) investigate and resolve complaints that arise; (xii) bring charges, process them, adopt provisional measures, and resolve the proceedings underway regarding any infraction that comes to its attention; (xiii) apply penalties in accordance with the law; (xiv) apply and provide administrative interpretations of the applicable law, and issue general instructions to the sector subject to its enforcement; (xv) send information brought to its attention in the exercise of its duties and powers to the Higher Education Quality Council when such information indicates violations within the scope of the matters it regulates; (xvi) remit information brought to its attention in the exercise of its duties to the Public Prosecutor when such information indicates that a crime has been committed; (xvii) manage the information it compiles in the exercise of its duties, in a coordinated effort with the Undersecretary of Higher Education, for adequate development of the National Higher Education Information System; (xviii) reach agreements with other public

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services regarding electronic transfers of information to facilitate execution of their functions; (xix) generate indexes, statistics and studies with the information delivered by the institutions it inspects, and produce publications within the scope of its powers; and (xx) provide technical advisory services to the MINEDUC and other entities within the scope of its powers.

Sanctions imposed by the Superintendency of Higher Education would be appealable to the courts.

Higher education institutions would be required to provide to the Superintendency of Higher Education the following information: (i) their audited consolidated annual financial statements and any information about any fact that may significantly affect its financial condition; (ii) a list of their partners or members, and of any individuals exercising executive functions; (iii) information about related party transactions; (iv) information about tax-exempt donations; and (v) a list of entities in which the institution holds an interest of more than 10% and of not-for-profit entities in which it is entitled to appoint at least one board member.

6. New regulations applicable to not-for-profit educational institutions (including universities) that would: (i) provide that their controllers and members can only be individuals, other not-for-profits or state-owned entities; (ii) create the obligation to use their resources and reinvest their surplus or profits in the pursuit of their objectives and in enhancing the quality of the education they provide; (iii) create the obligation to have a board of directors, which cannot delegate its functions, and whose members cannot be removed unless approved by the majority of the board and for serious reasons; and (iv) prohibit related party transactions with their founders, controllers, members of the board, rector and their relatives or related entities, unless the counterparty to the transaction is another not-for-profit entity, and establish regulations for other related party transactions which include the need for them to be under market conditions and approved by the board.

7. A new system to provide public funding to higher education institutions and free higher education to certain students. Under the new system, all licensed higher education institutions would be eligible to receive public "institutional funding for gratuity" as long as they complied with the following requirements: (i) accreditation; (ii) not-for-profit or state-owned; (iii) be part of the Common Access System for Higher Education Institutions; and (iv) apply policies approved by the Undersecretary of Higher Education that permit fair student access and implement vulnerable student support programs that promote their retention, providing that at least 20% of the total admissions of the university are granted to students from homes within the country's four lowest-income deciles. The institutions that would be part of the public funding system would be subject to regulation of fees charged which would be set by the Undersecretary of Higher Education.

We are currently evaluating the effect the proposed Higher Education Bill would have on the Chilean institutions in the *Laureate International Universities* network if it is adopted in the form introduced in the Chilean Congress. We cannot predict whether or not the proposed Higher Education Bill will be adopted in this form, or if any higher education legislation will be adopted that would affect the institutions in the *Laureate International Universities* network. However, if any such legislation is adopted, it could have a material adverse effect on our results of operations and financial condition.

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Turkish Regulation and Internal Investigation

Through our European segment, we operate Istanbul Bilgi University, a network institution located in Turkey that consolidates under the variable interest entity model. Istanbul Bilgi University is established as a "Foundation High Education Institution" (a "Foundation University") under the Turkish higher education law, sponsored by an educational foundation (the "Bilgi Foundation"). As such, it is subject to regulation, supervision and inspection by the Turkish Higher Education Council (the "YÖK"). In 2014, the Turkish parliament amended the higher education law to provide expanded authority to the YÖK with respect to Foundation Universities, including authorizing additional remedies for violations of the higher education law and of regulations adopted by the YÖK. On November 19, 2015, the YÖK promulgated an "Ordinance Concerned with Amendment to Foundation High Education Institutions" (the "Ordinance") the principal effects of which relate to the supervision and inspection of Foundation Universities by the YÖK. Under the Ordinance, the YÖK has expanded authority to inspect accounts, transactions, activities and assets of Foundation Universities, as well as their academic units, programs, projects and subjects. The Ordinance establishes a progressive series of five remedies that the YÖK can take in the event it finds a violation of the Ordinance, ranging from (1) a warning and request for correction to (2) the suspension of the Foundation University's ability to establish new academic units or programs to (3) limiting the number of students the Foundation University can admit, including ceasing new admissions, to (4) provisional suspension of the Foundation University's license to (5) cancellation of the Foundation University's license. Since the promulgation of the Ordinance, the YÖK has cancelled the licenses of 15 Foundation Universities.

The Ordinance specifies that Foundation Universities cannot be established by foundations in order to gain profit for themselves, and prohibits specified types of fund transfers from Foundation Universities to their sponsoring foundation, with certain exceptions for payments made under contractual arrangements for various goods and services that are provided at or below current market rates. Istanbul Bilgi University has entered into contractual arrangements with a subsidiary of Laureate that is a member of the board of trustees of the Bilgi Foundation, and has affiliates that are also members of that board, to provide Istanbul Bilgi University with management, operational and student services and certain intellectual property at fair market rates. If the YÖK were to determine that any of these contracts or the payments made by Istanbul Bilgi University to this Laureate subsidiary, or any other activities of Istanbul Bilgi University, including, as further described below, the donation of 40,000 Turkish Liras made by the university to a charitable foundation that was subsequently reimbursed to the university by certain Laureate-owned entities, violate the Ordinance or other applicable law, the YÖK could take actions against Istanbul Bilgi University up to and including cancellation of its license. Further, if the YÖK were to determine that any administrators of Istanbul Bilgi University have directly taken any actions or supported any activities that are intended to harm the integrity of the state, the license of the university could be cancelled. In July 2016, a coup attempt increased political instability in Turkey, and the uncertainties arising from the failed coup in Turkey could lead to changes in laws affecting Istanbul Bilgi University or result in modifications to the current interpretations and enforcement of the Ordinance or other laws and regulations by the YÖK.

During the fourth quarter of 2014, we recorded an operating expense of $18,000 (the value of 40,000 Turkish Liras at the date of donation) for a donation by our network institution in Turkey to a charitable foundation. We believed the donation was encouraged by the Turkish government to further

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a public project supported by the government and expected that it would enhance the position and ongoing operations of our institution in Turkey. The Company has learned that the charitable foundation which received the donation disbursed the funds at the direction of a former senior executive at our network institution in Turkey and other external individuals to a third party without our knowledge or approval.

In June 2016, the Audit Committee of the Board of Directors initiated an internal investigation into this matter with the assistance of external counsel. The investigation concerns the facts surrounding the donation, violations of the Company's policies, and possible violations of the FCPA and other applicable laws in what appears to be a fraud perpetrated by the former senior executive at our network institution in Turkey and other external individuals. This includes an investigation to determine if the diversion was part of a scheme to misappropriate the funds and whether any portion of the funds was paid to government officials. As of the date of this prospectus, we have not identified that any other officers or employees outside of Turkey were involved in the diversion of the intended donation. Although we are pursuing efforts to recover the diverted funds, there is no assurance that we will be successful.

We have been advised by Turkish counsel that, under Turkish law, a Foundation University may not make payments that cause a decrease in the university's wealth or do not otherwise benefit the university. Given the uncertainty of recovery of the diverted donation and to mitigate any potential regulatory issues in Turkey relating to the donation, certain Laureate-owned entities that are members of the foundation that controls our network institution in Turkey have contributed an amount of approximately $13,000 (the value of 40,000 Turkish Liras on November 4, 2016, the date of contribution) to our network institution in Turkey to reimburse it for the donation.

As a result of the investigation, which is ongoing, we took steps to remove the former senior executive at our network institution in Turkey. Because of the complex organizational structure in Turkey, this took approximately one month and during that period our access to certain aspects of the business including the financial and other records of the university was interrupted. The former senior executive is now no longer affiliated with our network institution and we again have access to the financial and other records of the university.

In September 2016, we voluntarily disclosed the investigation to the U.S. Department of Justice (the "DOJ") and the SEC. The Company intends to fully cooperate with these agencies and any other applicable authorities in any investigation that may be conducted in this matter. The Company has internal controls and compliance policies and procedures that are designed to prevent misconduct of this nature and support compliance with laws and best practices throughout its global operations. The Company is taking steps to enhance these internal controls and compliance policies and procedures. The investigation is ongoing, and we cannot predict the outcome at this time, or the impact, if any, to the Company's consolidated financial statements or predict how the resulting consequences, if any, may impact our internal controls and compliance policies and procedures, business, ability or right to operate in Turkey, results of operations or financial position. If we are found to have violated the FCPA or other laws governing the conduct of our operations, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity.

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, which are described below:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 Observable inputs other than quoted prices that are either directly or indirectly observable for the asset or liability;

Level 3 Unobservable inputs that are supported by little or no market activity.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10, "Fair Value Measurement". Effective January 1, 2016, we adopted ASU 2015-07. Under ASU 2015-07, assets for which fair value is measured at net asset value per share using the practical expedient, such as the Company's deferred compensation plan assets, should not be categorized in the fair value hierarchy.

Derivative instruments Laureate uses derivative instruments as economic hedges for bank debt and interest rate risk. Their values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our valuation models also reflect measurements for credit risk. Laureate concluded that the fair values of our derivatives are based on unobservable inputs, or Level 3 assumptions. The significant unobservable input used in the fair value measurement of the Company's derivative instruments is our own credit risk. Holding other inputs constant, a significant increase (decrease) in our own credit risk would result in a significantly lower (higher) fair value measurement for the Company's derivative instruments.

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2016 were as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Derivative instruments	$	$	$	$
Liabilities				
Derivative instruments	$ 16,226	$	$	$ 16,226

Laureate's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015 were as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Derivative instruments	$ 238	$	$	$ 238
Liabilities				
Derivative instruments	$ 20,014	$	$	$ 20,014

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Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 17. Fair Value Measurement (Continued)

The changes in our Level 3 Derivative instruments measured at fair value on a recurring basis for the nine months ended September 30, 2016 were as follows:

	Total Assets (Liabilities)
Balance December 31, 2015	$ (19,776)
Losses included in earnings:	
Unrealized losses, net	(1,548)
Realized losses, net	(6,687)
Included in other comprehensive income	5,509
Settlements	6,687
Currency translation adjustment	(411)
Balance September 30, 2016	$ (16,226)
Unrealized loss, net relating to liabilities held at September 30, 2016	$ (1,548)

The following table presents quantitative information regarding the significant unobservable inputs utilized in the fair value measurements of the Company's liabilities classified as Level 3 for the nine months ended September 30, 2016:

	Fair Value at September 30, 2016	Valuation Technique	Unobservable Input	Range/Input Value
Derivative instruments cross currency and interest rate swaps	$ 16,226	Discounted Cash Flow	Own credit risk	4.32%

Note 18. Restructuring Costs

During the fourth quarter of 2015, Laureate approved a plan of restructuring, which primarily included workforce reductions in order to reduce operating costs in response to overcapacity at certain locations. The Company recorded the estimated cost of the restructuring of $15,476, which consisted of employee severance, in Direct costs in the 2015 Consolidated Statement of Operations. Of the total restructuring liability recorded during 2015, $10,912 represented one-time employee termination benefits recognized in accordance with ASC 420, "Exit or Disposal Cost Obligations" and $4,564 represented contractual employee termination costs recognized in accordance with ASC 712, "Compensation Nonretirement Postemployment Benefits." We paid $5,810 during the fourth quarter of 2015, and had a remaining liability of $10,233 at December 31, 2015, after currency adjustments of $567. The restructuring liability is included in Accrued expenses in our September 30, 2016 Consolidated Balance Sheet.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 18. Restructuring Costs (Continued)

The following is a rollforward of the restructuring liability from December 31, 2015 through September 30, 2016:

	Balance at December 31, 2015	Expense Recognized	Cash Payments	Currency Adjustments	Balance at September 30, 2016
Employee severance one time termination	$ 6,259	$ (427)	$ (5,800)	$ 152	$ 184
Employee severance contractual termination	3,974	(85)	(3,875)	101	115
Total	$ 10,233	$ (512)	$ (9,675)	$ 253	$ 299

Note 19. Subsequent Events

We have evaluated events occurring subsequent to our balance sheet date through January 31, 2017, which is the date that these Consolidated Financial Statements were issued. Certain subsequent events are discussed elsewhere in the Consolidated Financial Statements where relevant.

Deferred Compensation Arrangement Payment Extension

The participants in the deferred compensation arrangement discussed in Note 10, Share-based Compensation, have agreed to extend the payment that was due on September 17, 2016 (the "2016 Executive DCP Obligation"), until December 30, 2016. On December 30, 2016, we satisfied the 2016 Executive DCP Obligation by paying the participants a total amount of approximately $18,200. The payment consisted of approximately $7,700 in cash and $10,500 aggregate principal amount of Senior Notes. Following the satisfaction of the 2016 Executive DCP Obligation, the Company's obligations under the DCPs were satisfied in full.

Special Retention Award to Executives

On October 25, 2016, we granted 221 and 71 time-based restricted stock units and performance share units, respectively, to certain executives as a retention initiative. The time-based restricted stock units vest in June 2018. The performance share units vest in June 2018 upon the achievement of pre-determined performance targets. In addition, we granted 114 Time Options and 47 Performance Options with an exercise price of $23.36, the estimated fair market value of Laureate's stock at the grant date. These options have a contractual term of 10 years. The Time Options vest in June 2018. The Performance Options vest in June 2018 upon the achievement of the same pre-determined performance targets mentioned above. The total grant date fair value of these awards was approximately $8,800.

Series A Preferred Stock Offering

On December 4, 2016, we signed a subscription agreement with six investors, including KKR and Snow Phipps, both of which are affiliates of ours, pursuant to which we agreed to issue and sell to those investors an aggregate of 400 shares of a new series of our convertible redeemable preferred

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 19. Subsequent Events (Continued)

stock (the "Series A Preferred Stock") in a private offering for total net proceeds of approximately $383,000. Closing of the first tranche of funding for this transaction occurred on December 20, 2016 and we received net proceeds, after issuance costs, of approximately $328,000. One investor funded a portion of its purchase price equal to $57,000 (approximately $55,000 net of issuance costs) on January 18, 2017 and the remainder on January 23, 2017. The proceeds from the Series A Preferred Stock offering have and will be used to, among other things, repay any portion of our outstanding debt, including our revolving credit facility, which will improve our liquidity. We believe that cash flow from operations and available cash on hand will be sufficient to meet our operating requirements through January 31, 2018.

The shares of Series A Preferred Stock are redeemable at our option at any time and by the holders after the fifth anniversary of the issue date at a redemption price per share equal to 1.15 multiplied by the sum of the issue amount per share plus any accrued and unpaid dividends. If we fail to redeem the shares of Series A Preferred Stock when required after the fifth anniversary of the issue date, the holders of the Series A Preferred Stock are entitled to certain remedies, including the ability to take control of a majority of our Board of Directors and cause a sale of the Company and/or cause us to raise debt or equity capital in an amount sufficient to redeem the remaining outstanding shares of Series A Preferred Stock.

Share Increase for 2013 Long-Term Incentive Plan (2013 Plan)

In December 2016, the Board of Directors and Shareholders approved an amendment to increase the total number of shares of common stock issuable under the 2013 Plan by 3,884.

Combination of Operations

On January 10, 2017, we announced that we plan to combine our Europe and AMEA operations, effective March 31, 2017, in order to reflect our belief that we will be able to operate the institutions in those segments more successfully and efficiently under common management. The Company is currently evaluating the impact of this combination on its operating segments.

Turkey Regulatory Audit

The YÖK conducts annual audits on the operations of Istanbul Bilgi University and currently is in the process of completing its most recent audit. We cannot yet determine the impact of this audit on our business, financial condition or results of operations.

Stock Option Grant

In connection with the Executive Profits Interests (EPI) agreement, on January 31, 2017, the Company anticipates granting to its CEO options (the EPI Options) to purchase up to 2,773 shares of its Class B common stock, depending on the initial public offering (IPO) price. The EPI Options will have an exercise price that is not less than the IPO price and will vest upon consummation of the IPO. The Company will record share-based compensation expense when the EPI Options vest.

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FMU GROUP

Combined Financial Statements

for the period from January 1, 2014 through September 12, 2014

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Independent auditor's report

To the Management of
FMU Group

We have audited the accompanying combined financial statements of FMU Group, which comprise the combined balance sheet as of September 12, 2014 and the related combined statements of comprehensive income, invested equity and cash flows for the period from January 1, 2014 through September 12, 2014.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of FMU Group as of September 12, 2014 and the results of its operations and its cash flows for the period from January 1, 2014 through September 12, 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers Auditores Independentes

PricewaterhouseCoopers
Auditores Independentes

São Paulo, Brazil
September 23, 2015

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FMU GROUP

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1, 2014 through September 12, 2014

(amounts in Brazilian Reais)

	Period from January 1, 2014 through September 12, 2014
Revenues	$ 308,455,312
Costs and expenses:	
Direct costs	(196,994,038)
General & administrative expenses	(138,401,922)
Operating loss	**(26,940,648)**
Interest income	865,429
Interest expense	(37,387,431)
Loss from continuing operations before income taxes	**(63,462,650)**
Income tax benefit	27,183,462
Net loss	**$ (36,279,188)**
Other comprehensive (loss) income	
Total other comprehensive (loss) income	
Comprehensive loss	**$ (36,279,188)**

The accompanying notes are an integral part of these combined financial statements.

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FMU GROUP

COMBINED BALANCE SHEET

As of September 12, 2014

(amounts in Brazilian Reais)

	September 12, 2014
Assets	
Current Assets:	
Cash and cash equivalents	$ 12,235,833
Receivables:	
Accounts and notes receivable	85,736,019
Allowance for doubtful accounts	(30,634,297)
Receivables, net	55,101,722
Income tax receivable	2,955,034
Prepaid expenses and other current assets	2,915,189
Deferred income taxes	25,631,355
Total current assets	98,839,133
Property and equipment:	
Furniture, computer equipment and software	148,346,451
Accumulated depreciation and amortization	(115,117,982)
Property and equipment, net	33,228,469
Other assets	2,725,854
Deferred income taxes	11,892,718
Long-term assets held for sale	5,366,410
Total Assets	**$ 152,052,584**

Liabilities and Invested Equity	
Current Liabilities:	
Accounts payable	$ 43,416,718
Accrued compensation and benefits	46,710,501
Short-term debt	48,192,517
Income taxes payable	2,388,712
Taxes payable, other than income	42,010,584
Other current liabilities	321,015
Rent due to owners	34,316,106
Deferred revenue	31,739,278
Total current liabilities	249,095,431
Long-term debt	1,224,000
Income taxes payable	79,653,000
Taxes payable, other than income	112,973,050
Other non-current liabilities	198,720,913

Total Liabilities		641,666,394
Invested equity:		
Owner's net investment		(489,613,810)
Accumulated other comprehensive (loss) income		
Total Invested equity		(489,613,810)
Total Liabilities and Invested Equity	**$**	**152,052,584**

The accompanying notes are an integral part of these combined financial statements.

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FMU GROUP

COMBINED STATEMENT OF INVESTED EQUITY

For the period from January 1, 2014 through September 12, 2014

(amounts in Brazilian Reais)

	Owner's net investment	Accumulated other comprehensive income (loss)	Total invested Equity
Balance as of December 31, 2013	**$ (456,763,622)**		**$ (456,763,622)**
Capital contribution	3,429,000		3,429,000
Net loss for the period	(36,279,188)		(36,279,188)
Balance as of September 12, 2014	**$ (489,613,810)**	**$**	**$ (489,613,810)**

The accompanying notes are an integral part of these combined financial statements.

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FMU GROUP

COMBINED STATEMENT OF CASH FLOWS

For the period from January 1, 2014 through September 12, 2014

(amounts in Brazilian Reais)

	Period from January 1, 2014 through September 12, 2014
Cash flows from operating activities	
Net loss for the period	$ (36,279,188)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	3,871,234
Non-cash interest expense	19,004,438
Bad debt expense	17,587,839
Deferred income taxes	(37,524,073)
Non-cash loss from non-income tax contingencies (other non current liabilities)	23,432,696
Non-cash loss from income taxes payables, non current	7,616,905
Change in operating assets and liabilities:	
Increase in receivables	(35,607,992)
Increase in prepaid expenses and other assets	(2,138,030)
Increase in non-current other assets and long-term assets held for sale	(11,599)
Increase in accounts payable and accrued compensation and benefits	45,433,553
Decrease in other non current liabilities	(562,000)
Decrease in income tax receivable/payable, net	(566,322)
Decrease in taxes payable, other than income	(12,359,501)
Increase in deferred revenue and other liabilities	17,102,688
Net cash provided by operating activities of continuing operations	9,000,648
Cash flows from investing activities	
Purchase of property and equipment	(9,872,129)
Sale of property and equipment	2,000
Net cash used in investing activities of continuing operations	(9,870,129)
Cash flows from financing activities	
Proceeds from debt	153,168,341
Payments of debt	(153,864,420)
Capital contribution from shareholders	3,429,000
Net cash provided by financing activities of continuing operations	2,732,921
Net change in cash and cash equivalents	**1,863,440**
Cash and cash equivalents at beginning of period	**10,372,393**
Cash and cash equivalents at end of period	**$ 12,235,833**

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements

Amounts in Brazilian Reais

Note 1. Description of Business

The FMU Group is the combination of the following entities: Faculdades Metropolitanas Unidas Educacionais Ltda. ("FMU"), Sociedade de Cultura e Ensino Ltda. ("ACE"), and União Educacional de São Paulo Ltda. ("UESP"), (collectively, "FMU Group"). The entities are under common control, operate in an integrated manner, and are managed under the same operational and strategic approach.

FMU Group was founded in 1968 as non-profit educational associations to provide higher education courses, graduate and post graduate programs to students in São Paulo, Brazil. The entities have the following primary activities:

FMU the creation and maintenance of schools at all levels of learning, the training of professional experts, technical, scientific and cultural improvements, and research and development.

ACE contributes to the development of culture, scientific research and teaching, organizes, maintains and develops education at all levels of learning including post graduate courses, enters into agreements with similar institutions, either national or foreign, in the interest of education, and research and development.

UESP develops teaching, research and development in the sciences, philosophy, literature, arts and technology through educational institutions, creates and manages media vehicles, edits and distributes educational, scientific and cultural publications.

FMU, ACE and UESP were not-for-profit entities until 2014 when they were transformed into for-profit entities based on the following events and in the following dates:

FMU contractual changes made on February 22, 2014;

ACE contractual changes made on April 28, 2014; and

UESP contractual changes made on May 27, 2014

The transformation of FMU Group from non-for profit to for-profit entities was agreed to under article 221 of Brazilian Law No. 6.404/76 and was approved unanimously in the listed contract amendments above.

According to Brazilian Law No. 9,532/97 and as amended by Law 9,718/98, the FMU Group was subject to special tax treatments and was required to pay only certain taxes during its not-for-profit period. After the transformation to for-profit entities, the FMU Group was subject to all applicable tax requirements. These combined financial statements are prepared based on standards applicable to for-profit companies.

On May 10, 2013 the Rede International de Universidades Laureate Ltda. and the Business School São Paulo (collectively "Laureate Group") entered into a purchase agreement of all the shares of FMU, ACE and UESP. The completion of the purchase was conditional on:

i) approval of the transaction by the Administrative Council for Economic Defense of Brazil ("CADE");

ii) transformation of the entities to for-profit companies; and

iii) the operational reorganization and the transition of management to the Laureate Group. The acquisition became effective on September 12, 2014.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 1. Description of Business (Continued)

The combined financial statements have been prepared for the purpose of complying with Rule 3-05 of Regulation S-X of the Securities and Exchange Commission. The combined financial statements may not be indicative of FMU Group's future performance and do not necessarily reflect what its combined balance sheet, results of operations or cash flows would have been had FMU Group operated as independent entities during the periods presented.

The combined financial statements are prepared under the presumption that the FMU Group will continue as a going concern. As of September 12, 2014, the FMU Group presents a negative working capital balance of $150,256,298 which is primarily due to the impact of financial obligations (refer to Note 8 Debt and Note 9 Taxes payable, other than income). The funds generated by normal operations are expected to be sufficient to meet its financial commitments and FMU Group also has the ability to access lines of credits available, if necessary. In addition, as explained in note 15, FMU Group became a subsidiary of Laureate Educations, Inc. on September 12, 2014 which intends to support FMU Group to continue as going concern.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, useful lives of fixed assets, provisions for civil and labor risks, and tax contingencies.

2.1 Basis of Preparation

(a) Combined Financial Statements

FMU Group's combined financial statements comprise the combined financial statements of FMU, ACE, and UESP. These financial statements are presented on a combined basis as the three entities are under common control, and management decisions are taken together as a whole. The net assets of the owners have been presented as Owner's net investment. The combined financial statements have been prepared in order to present the financial information for FMU, ACE, and UESP as a single entity. FMU Group has no involvement with any variable interest entities.

The total net investment of the combined entities as on September 12, 2014 are as follows:

	Assets	Liabilities	Net investment	Results of Period
FMU	$ 127,635,201	$ 623,097,959	$ (495,461,937)	$ (39,730,645)
ACE	36,217,770	26,451,439	9,766,331	7,546,147
UESP	1,477,613	5,394,996	(3,918,204)	(4,094,690)
	165,330,584	654,944,394	(489,613,810)	(36,279,188)
Total Eliminations	(13,278,000)	(13,278,000)		
Adjusted balance	**$ 152,052,584**	**$ 641,666,394**	**$ (489,613,810)**	**$ (36,279,188)**

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

(b) Eliminations in the Combined Financial Statements

Balances and intra-group transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the combined financial statements.

2.2 Basis of Presentation

(a) Functional Currency

The functional currency is the currency of the economic environment in which a company primarily does business. The Brazilian Real is the functional currency of the combined financial statements are presented in its functional currency.

FMU Group does not have any transactions in currencies different from its functional currency.

	Unaudited			
Fiscal Year Ended or Ending Dec 31,	At End of Period (R$ per US$1.00)	Average (of month-end rates)	High	Low
2009	0.57	0.57	0.59	0.41
2010	0.60	0.59	0.60	0.53
2011	0.54	0.54	0.65	0.53
2012	0.49	0.48	0.59	0.47
2013	0.42	0.43	0.51	0.41

(b) Cash and Cash Equivalents

FMU Group considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

(c) Financial Instruments

FMU Group's financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payables, debt, and capital lease obligations. The fair value of these financial instruments approximates their carrying amounts reported in the Combined Balance Sheet.

FMU Group's cash accounts are maintained with high-quality financial institutions with a significant concentration in two institutions: Banco Santander (Brasil) S.A. and Banco Safra S.A.

(d) Accounts and Notes Receivable

FMU Group recognizes receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that amounts are due and collection is reasonably assured.

(e) Allowance for Doubtful Accounts

FMU Group records an allowance for doubtful accounts to reduce its receivables to their net realizable value. FMU Group's allowance methodology is based on the age of the receivables. Receivables deemed to be uncollectible are written off against the allowance for doubtful accounts.

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

(f) Judicial Deposits

FMU Group is subject to legal actions or lawsuits arising in the ordinary course of business related to civil, labor and tax resulting from potential acts and operations that could be subject to assessment from Authorities. Because of these legal actions, by court order or decision of the Administration itself, cash is deposited into a bank account and we have no access until resolution of the legal proceeding.

Judicial deposits meet the definition of financial asset and are recorded in non-current Other assets. They are measured at amortized cost. Interests are recorded in the Combined Statement of Operations as interest income.

(g) Property and Equipment, and Leased Assets

Property and equipment includes leasehold improvements, furniture, vehicles, computer equipment and software. FMU Group records property and equipment at cost less accumulated depreciation and amortization. Repairs and maintenance costs are expensed as incurred.

FMU Group conducts a significant portion of its operations at leased facilities. FMU Group analyzes each lease agreement entered to determine whether it should be classified as a capital or an operating lease. FMU Group recognize operating lease rent expense on a straight-line basis over the expected term, of each lease and is recorded in general and administrative expenses. For capital leases, FMU Group initially records the assets at the lower of fair value or the present value of the future minimum lease payments, excluding executory costs. If the lease agreement includes a legal obligation that requires the leased premises to be returned in a predetermined condition, FMU Group recognizes an asset retirement obligation and a corresponding depreciating asset when such an asset exists.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements, including structural improvements, are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Total depreciation and amortization for the period ended September 12, 2014 was $3,871,234, which was entirely recorded in general and administrative expenses.

Depreciation and amortization periods are as follows:

Installations	10 years
Telecommunications equipment	10 years
Machinery, appliances and equipment	10 years
Library books	10 years
Furniture and computer equipment	10 years
Software	7 years
Vehicles	5 years

(h) Assets held for sale

Long-term assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Those assets are measured at the lower of their carrying amount and fair value less cost to sell.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

(i) Direct Costs

Direct costs reported on the Combined Statement of Operations represent the cost of operations, including labor cost, rent expenses and outsourcing services.

(j) Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include, but are not limited to, a significant deterioration of operating results, a change in regulatory environment, changes in business plans, or adverse changes in anticipated future cash flows. If an impairment indicator is present, FMU Group evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discount cash flows method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk.

(k) Revenue Recognition

Revenue is recognized when the amount can be reliably measured and the economic benefits will flow to FMU Group. FMU Group's revenues primarily consist of tuition and educational service revenues. Revenues are reported net of discounts, waivers, grants or scholarships awarded, returns, and related taxes. Revenues will not be recognized if there are significant uncertainties regarding realization. Tuition revenues are recognized ratably on a straight-line basis over each academic session.

Deferred revenue and student deposits on the Combined Balance Sheet consist of tuition paid prior to the start of academic sessions and unearned tuition amounts recorded as accounts receivable after an academic session begins. If a student withdraws from an institution, FMU Group's obligation to issue a refund depends on the refund policy at that institution and the timing of the student's withdrawal. Generally, our refund obligations are reduced over the course of the academic term. FMU Group records refunds as a reduction of deferred revenue and student deposits, as applicable.

The following table shows the components of revenue for the period presented:

	From January 1 to September 12, 2014
Tuition and educational services	$ 365,561,704
Other	659,345
Gross revenue	366,221,049
Less: Scholarships	(41,334,934)
Less: Discounts	(11,159,689)
Less: Taxes on services	(5,271,114)
Total	**$ 308,455,312**

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

(l) Fair Value Measurements

FMU Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. FMU Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10.

The carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, debt, and capital leases are a reasonable estimate of their fair values as per the Level 1 and 2 hierarchy due to either their short term nature or the variable interest rate applies to the debt. There are no other fair value levels in the FMU Group's combined financial statements.

(m) Advertising

FMU Group expenses advertising costs as incurred. Advertising expenses were $2,922,022 for the period ended September 12, 2014 and are recorded in general and administrative expenses in the Statements of Operations.

(n) Employee Benefits

FMU Group offers short-term employee benefits that are recognized as an expense as the related service is provided. FMU Group does not have pension plans or other post-retirement obligations and recognizes the cost of termination as an expense.

(o) Income Taxes

As noted above, FMU Group was a not-for-profit entity until 2014, and consequently was subject to special tax treatments and was required to pay only certain taxes during its not-for-profit period. After the transformation to for-profit, FMU Group was subject to all applicable tax requirements as described below.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

FMU Group records the amount of taxes payable or refundable for the current year. Income tax is prepared on a separate return basis. Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for GAAP financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Where, based on the weight of all available evidence, it is more likely than not that some portion of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position and having full knowledge of all relevant information.

For additional information regarding income taxes and tax assets and liabilities, see Note 12 Income Taxes.

(p) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Note 3. Significant Risks and Uncertainties Including Business and Credit Concentrations

FMU Group activities expose it to market, credit, and liquidity risks.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect FMU Group Combined Statements of Comprehensive Income. FMU Group incurs expenses due to fluctuations in interest rates that increase financial expenses related to loans and financing obtained in the market. FMU Group continues to monitor interest rates in order to assess the need to protect against the risk of volatility of these rates.

Credit Risk

Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. FMU Group is legally prevented from performing a credit analysis of their students. The financial statements at September 12, 2014 include a provision to cover possible losses on the realization of accounts receivable from students.

FMU Group limits its exposure to credit risk associated with banks and financial investments by investing in financial institutions highly recognized solvency.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 3. Significant Risks and Uncertainties Including Business and Credit Concentrations (Continued)

Liquidity Risk

Liquidity risk is the risk that FMU Group does not have sufficient liquidity to meet its financial commitments due to the mismatch of terms or volume between receipts and payments of net proceeds.

On September 12, 2014, FMU Group had cash and cash equivalents of $12,235,833 which, in conjunction with the funds generated by normal operations of FMU Group, are expected to be sufficient to meet its financial commitments.

Note 4. Accounts and Notes Receivable

For the period ended September 12, 2014 there were no sales of accounts receivable or notes receivable.

FMU Group's accounts receivables consist of receivables related to student tuition program and receivables related to the "Financing for Higher Education Studies" ("FIES"). The FIES is a program of the Ministry of Education in Brazil whose purpose is to finance the postsecondary education of students enrolled in private institutions. In accordance with current legislation, FMU Group receives from the Brazilian Fund for Education Development ("FNDE") the amounts financed by the FIES to the students.

The FIES Program targets students from low socio-economic backgrounds enrolled at private post-secondary institutions. Eligible students receive loans with below market interest rates that are required to be repaid after an 18-month grace period upon graduation. FIES pays the Company tax credits which can be used to pay certain federal taxes and social contributions. FIES repurchases excess credits for cash. As part of the FIES Program, the Company is obligated to pay 15% of any student default. The default obligation increases to 30% of any student default if the Company is not current with its federal taxes. FIES withholds between 1% and 3% of tuition paid to the Company to cover any potential student defaults ("holdback"). If the student pays 100% of their loan, the withheld amounts will be paid to the Company. The Company recognizes revenues net of the amounts withheld by FIES. FIES is 12% of revenues for the period ended September 12, 2014.

Beginning in February 2014, all new students that participate in FIES must also enroll in Fundo de Garantia de Operações de Crédito Educativo ("FGEDUC"). FGEDUC is a government fund that allows the Company to insure themselves for 90% (or 13.5% of 15%) of their losses related to student defaults under the FIES program. The cost of the program is 5.63% of a student's full tuition. Similar to FIES, the administrator withholds 5.63% of a student's full tuition as a guarantee by FGEDUC.

In December 2014, the Brazilian Ministry of Education ("MEC") along with FNDE, the agency that directly administers FIES in Brazil, announced several significant rule changes to the FIES program beginning in 2015. These changes limit the number of new participants and the amount spent on the program, and delay payments due to the post-secondary institutions. The first change implements a minimum score on the high school achievement exam in order to enroll in the program. The second change alters the schedule for the payment and repurchase of credits as well as limits the opportunities for post-secondary institutions to sell any unused credits such that there is a significant delay between the time the post-secondary institution provides the educational services to the students and the time it receives payment from the government for 2015. In addition to these new permanent rule changes, FNDE has implemented a policy for students' loan renewals for 2015, that provides that students may not finance an amount that is greater than 6.41% of the amount financed in the previous semester, regardless of any increases in tuition or in the number of courses in which the student is

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 4. Accounts and Notes Receivable (Continued)

enrolled. Moreover, the online enrollment and re-enrollment system that all post-secondary institutions and students must use to access the program has experienced numerous technical and programming faults that have also interfered with the enrollment and re-enrollment process. Numerous challenges to these changes and requests for judicial relief from the system faults have been filed in the Brazilian courts. Although there are reasonable grounds for them to be overturned in whole or in part, the program changes and systemic faults are expected to have an impact in 2015.

Delinquency is the primary indicator of credit quality for FMU Group's receivables. For receivables related to tuition programs, FMU Group records an allowance for doubtful accounts based on the aging of the receivable.

The activity in the allowance for doubtful accounts for the period ended September 12, 2014 is as follows:

	September 12, 2014
Allowance for doubtful accounts:	
Beginning balance	$ (29,060,198)
Reversals	2,007,000
Write Offs	16,013,740
Provisions	(19,594,839)
Ending balance	**$ (30,634,297)**

The combined financial statements for the period ended September 12, 2014 include a provision to cover expected losses on accounts receivable from students. No individual customer accounted for more than 5% of FMU Group's revenues or accounts receivable for the period ended September 12, 2014.

Note 5. Property and Equipment

As of September 12, 2014, the composition of property and equipment is shown below:

	September 12, 2014		
	Cost	Accumulated Depreciation	Net Value
Leasehold improvements	$ 657,600	$	$ 657,600
Computer equipment	14,185,165	(11,585,940)	2,599,225
Vehicles	656,800	(496,215)	160,585
Furniture and equipment	22,382,693	(14,037,044)	8,345,649
Telecommunications equipment	1,021,174	(793,864)	227,310
Machinery, appliances and equipment	15,199,597	(11,390,622)	3,808,975
Installations	65,698,894	(53,063,125)	12,635,769
Library books	7,885,550	(5,968,534)	1,917,016
Software, brands and patents	20,658,978	(17,782,638)	2,876,340
Total	**$ 148,346,451**	**$ (115,117,982)**	**$ 33,228,469**

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 5. Property and Equipment (Continued)

The movement in property and equipment during the period ended September 12, 2014 is shown below:

Cost	December 31, 2013	Additions	Disposals	September 12, 2014
Leasehold improvements	$ 657,600	$	$	$ 657,600
Computer equipment	12,572,165	1,613,000		14,185,165
Vehicles	656,800			656,800
Furniture and equipment	18,774,693	3,608,000		22,382,693
Telecommunications equipment	1,021,174			1,021,174
Machinery, appliances and equipment	15,199,597			15,199,597
Installations	62,428,894	3,272,000	(2,000)	65,698,894
Library books	7,327,550	558,000		7,885,550
Software, brands and patents	19,837,848	821,130		20,658,978
Total	**$ 138,476,321**	**$ 9,872,130**	**$ (2,000)**	**$ 148,346,451**

Accumulated Depreciation	December 31, 2013	Additions	Disposals	September 12, 2014
Computer equipment	$ (11,413,617)	$ (172,323)	$	$ (11,585,940)
Vehicles	(427,761)	(68,454)		(496,215)
Furniture and equipment	(13,444,667)	(592,377)		(14,037,044)
Telecommunications equipment	(759,864)	(34,000)		(793,864)
Machinery, appliances and equipment	(10,566,364)	(824,258)		(11,390,622)
Installations	(51,723,958)	(1,339,167)		(53,063,125)
Library books	(5,751,924)	(216,610)		(5,968,534)
Software, brands and patents	(17,158,592)	(624,046)		(17,782,638)
Total	**$ (111,246,747)**	**$ (3,871,235)**	**$**	**$ (115,117,982)**

As of September 12, 2014, there was no need to record any provision for impairment of fixed assets.

Note 6. Assets Held for Sale

In November 2013 with the approval of owners, FMU Group pledged to sell some buildings located in Sao Paulo. Management expects these buildings will be sold by the end of the 2015 fiscal year. The delay in sale was due to the required legal documentation not having been submitted to the public register. Assets classified as held for sale amount to $5,366,410.

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 7. Accrued Compensation and Benefits

Accrued compensation and payroll benefits consisted of the following:

	September 12, 2014
Salaries payable	$ 18,088,960
Accrued vacation	15,999,347
Withholding taxes	9,965,158
Bonus	2,427,000
Other	230,036
Total	**$ 46,710,501**

Note 8. Debt

Debt consisted of the following:

	September 12, 2014	
Local currency	**Interest Rate**	**Outstanding Balance**
Current liabilities		
Revolving line of credit(a)	22.53%p.a.	$ 28,357,007
Working capital line of credit(b)	14.30%p.a.	16,573,203
Credit Agreement(c)	3.5% to 5%	2,184,448
Bank credit note	14.72%p.a.	227,969
Capital lease obligations(d)	17.18%p.a.	612,000
Others		237,890
Total Current liabilities		$ 48,192,517
Non-current liabilities		
Capital lease obligations(d)	17.18%p.a.	1,224,000
Total		**$ 49,416,517**

(a)

FMU Group entered into four revolving lines of credit agreements with Banco Safra S.A. for working capital purposes. Two lines of credit allow FMU Group to borrow up to $8,000,000 respectively, the remaining two lines of credit do not have a maximum principal amount. Principal amounts under the revolving lines of credit of $8,000,000 will be due and payable between November 2015 and January 2016, and the two lines of credit with no maximum principal amount in September and October, 2014. The lines of credit carry interest rates of 22.53%p.a.. FMU Group does not pay an annual commitment fee on the unused portion of the facility. The lines of credit are secured by the assets of FMU Group.

(b)

FMU Group also has short-term working capital lines of credit with Banco Santander (Brasil) S.A. which have been guaranteed by the directors and all mature within one year. Interest rates on the lines of credit are 14.30% p.a.

(c)

Refers to a short-term credit agreement with Banco Safra S.A. The terms of the agreement indicate FMU Group is advanced cash based on the level of its monthly receivables, subjected to interest rates varying from 3.5% to 5%.

(d)

Capital leases, primarily relating to real estate obligations, are included in debt and have been recorded using an interest rate of 17.18% p.a.. FMU Group has assets under capital leases of $183,445 at September 12, 2014, net of accumulated depreciation. The depreciation expense for capital leases is recorded in general and administrative expenses.

Debt is accounted for at amortized cost which approximates its fair value.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 8. Debt (Continued)

The movement in the balance of debt is shown below:

		September 12, 2014
Beginning balance	$	39,726,331
Funding		153,168,341
Accrued interest		10,386,265
Amortization		(153,864,420)
Total	**$**	**49,416,517**

Note 9. Taxes Payable, other than income

Taxes Payable, other than income includes amounts due from FMU Group to the Brazilian government which includes social security taxes, property taxes and withholding taxes and consist of the following:

			September 12, 2014
Tax installments	Federal tax(a)	$	95,857,973
Tax installments	Municipality tax (IPTU)(b)		30,333,546
Tax installments	Social contribution (INSS)(c)		10,169,561
Withholding taxes			10,537,072
Municipality tax (IPTU)			5,429,104
Other			2,656,378
Total		**$**	**154,983,634**

Current portion	$	42,010,584
Long-term portion		112,973,050
Total	**$**	**154,983,634**

(a) Installment payments related to taxes withheld from third parties. These obligations were entered into the REFIS- IV, established by Law 11,941 / 11. Installment payments can be made in up to 160 monthly installments. As of September 12, 2014, there were 121 installments to be paid. The balance of installments payable is adjusted monthly by the Brazilian Central Bank's overnight interest rate.

(b)

The installment of property tax not collected is made up to 120 monthly installments, and as of September 12, 2014, there are 84 installments to be paid. The balance of installments payable is adjusted monthly by the Brazilian Central Bank's overnight interest rate.

(c) Refers to installments of social security debts from the National lnstitute of Social Security, for the nonpayment of INSS incidents values on payroll. The installment payment is made in up to 60 monthly installments, remaining at September 12, 2014, 40 installments to be paid. The balance of installments payable is adjusted monthly by the Brazilian Central Bank's overnight interest rate.

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 10. Leases

FMU Group conducts a significant portion of its operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of FMU Group's higher education facilities. The terms of these operating leases vary and generally contain several renewal options. Some of the operating leases provide for increasing rents over the terms of the leases. FMU Group also leases certain equipment under noncancelable operating leases which are typically for terms of 60 months or less. Total rent expense under these leases is recognized ratably over the initial term of each lease. Any difference between the rent payment and the straight-line expense is recorded as an adjustment to the liability or as a prepaid asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the Combined Statement of Operations on a straight line basis over the lease term.

The fixed asset leases in which FMU Group retains substantially all the risks and rewards of ownership are classified as capital leases. Capital leases are recorded as a financed purchase, recognizing at the beginning, a fixed asset and a financing liability (lease). Fixed assets acquired under capital leases are depreciated at the rates defined in Note 2(g).

At September 12, 2014, the gross amount of equipment and related accumulated depreciation recorded under capital leases were as follows:

	At September 12, 2014
Equipment	$ 440,267
Less Accumulated Depreciation	(256,822)
Total	**$ 183,445**

FMU Group has several operating leases for facilities in which it operates its business. The lease term of operating leases held with third parties range from one to ten years. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) as of September 12, 2014 consisted of the following:

	At September 12, 2014
Minimum Lease Payments	$ 45,297,676

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 10. Leases (Continued)

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 12, 2014 are:

	September 12, 2014 Operating Leases
Year ending December 31:	
2014	$ 23,887,931
2015	76,776,000
2016	76,548,000
2017	64,748,000
2018	54,883,000
2019	52,548,000
Later years, through 2025	188,116,000
Total minimum lease payments	**$ 537,506,931**

As part of the acquisition of FMU Group (Note 15), existing operating leases with related parties were renegotiated and new lease arrangements were executed. The lease terms commenced on September 12, 2014, with terms of 13 years and renewal options of four years. As a result, $466,176,400 (the portion of lease agreements with related parties) of the above future minimum lease payments will not be made as the lease agreements will be terminated upon acquisition, and the revised future minimum lease payments related to the new lease agreements will be $455,506,332 as of December 31, 2014.

Note 11. Contingencies

FMU Group is subject to legal actions arising in the ordinary course of business, and has recognized contingencies related to civil, labor and tax resulting from potential acts and operations that could be subject to assessment from Authorities.

As of September 12, 2014, FMU Group had the following liabilities related to contingencies:

	Tax	Labor and Civil	Total
December 31, 2013	**244,902,008**	**2,984,304**	**247,886,312**
Additions	19,805,000	290,000	20,095,000
Updates	12,520,342		12,520,342
Reversals		(1,565,741)	(1,565,741)
Payments		(562,000)	(562,000)
September 12, 2014	**$ 277,227,350**	**$ 1,146,563**	**$ 278,373,913**

As of September 12, 2014, tax contingencies related to uncertain income tax positions in the amount of $79,653,000 are presented in the balance sheet as non-current Income taxes payable. Tax contingencies related to taxes other-than-income tax, and labor and civil claims in the amount of

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 11. Contingencies (Continued)

$197,574,350, $757,000 and $389,563 respectively, are presented as Other non-current liabilities for September 12, 2014.

FMU Group is party to legal proceedings and is exposed to risks of contingencies in tax, labor and civil categories. The ongoing lawsuits are being discussed at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for probable losses arising from these lawsuits and contingencies risks are estimated and updated by management, based on the support of external legal consultants.

Labor contingencies include the questioning of former employees linked to disputes over compensation amounts paid by FMU Group. Civil contingencies are related to lawsuits filed against FMU Group relating to claims for compensation for material and moral damages arising from undue collections, late issuance of diplomas, failure to return registration fees of holiday courses, etc. character problems operational and / or academic.

As of September 12, 2014, FMU Group has lawsuits involving risks of loss classified by management as possible, based on the opinion of its legal advisors, for which no reserve was recorded at the estimated total amount of $12,101,991.

The figures for the corresponding judicial deposits to ongoing claims are recognized as other assets in non-current assets.

Note 12. Income Taxes

FMU Group's statutory tax rate is 34%. Significant components of the income tax (expense) benefit on earnings from continuing operations were as follows:

	September 12, 2014
Current	$ (2,723,707)
Contingencies	(7,616,904)
Deferred	37,524,073
Total income tax expense	**$ 27,183,462**

Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 12. Income Taxes (Continued)

Income tax benefit was $27,183,462 for the period ended September 12, 2014, and differed from the amount computed by applying the Brazilian federal income tax and social contribution combined rate of 34% to pretax income (deemed income tax) as a result of the following:

		September 12, 2014	
Computed "expected" tax benefit		$ 21,577,301	34%
Increase (reduction) in income taxes resulting from:			
Permanent differences		970,220	1%
Tax on not-for-profit period income/loss		2,133,626	3%
Tax incentive PROUNI		8,649,605	14%
Others		1,187	0%
Effect of uncertain income tax contingencies	Principal	(3,298,000)	(5%)
Effect of uncertain income tax contingencies	Interest and penalties	(2,850,477)	(4%)
Total		**$ 27,183,462**	**43%**

FMU Group records interest and penalties related to uncertain income tax positions as a component of income tax expense. During the period ended September 12, 2014, FMU Group recognized interest and penalties related to income taxes of $4,318,905.

PROUNI ("Programa Universidade para Todos" or "University for All" Program) is a government tax program, which encourages institutions to provide students financial assistance in the form of discounts in return for federal tax incentives. Eligibility for PROUNI is based on each student's family monthly earnings. PROUNI is based on tuition discounts, and no funds are received by FMU Group nor the student from the federal government for the tuition discounts granted.

Significant components of deferred tax assets arising from continuing operations were as follows:

	September 12, 2014
Deferred tax assets:	
Accounts and notes receivable principally due to allowance for doubtful accounts	$ 6,898,190
Deferred revenue	10,791,355
Contingencies	9,868,701
Tax provision and expenses	9,062,700
Others	937,367
Total deferred tax assets	37,558,313
Deferred tax liabilities:	
Others	(34,240)
Total deferred tax liabilities	(34,240)
Net deferred tax assets	**$ 37,524,073**

As of September 12, 2014, FMU Group's federal and municipal statutes are generally open back to 2009.

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Notes to Combined Financial Statements (Continued)

Amounts in Brazilian Reais

Note 13. Related Party Transactions

Transactions between FMU Group and Owners

Transactions with related parties are as follows:

	September 12, 2014			
	FMU	ACE	UESP	Total
Non-current assets	$ 2,950	$	$	**$ 2,950**
Current liabilities				
Rent Payable	26,044,274	7,096,832	1,175,000	**34,316,106**
Capital contribution	100,000	129,000	3,200,000	**3,429,000**

Rent Payable

FMU Group leases from its owners 18 facilities which are used for administrative and academic purposes. The total rent expense for these facilities for the period ended September 12, 2014 was $31,440,000. As of September 12, 2014, the balance payable for the leases totaled $34,316,106. The amount of the rent payable is lower than the amount that would be offered to third-parties during a normal arm's-length-transaction.

Remuneration to Owners

For the period ended September 12, 2014, the Combined Statement of Operations includes salaries and in kind remunerations paid to owners in the amounts of $6,222,000.

Note 14. Supplemental Cash Flow Information

Cash interest payments were $14,171,395 for the period ended September 12, 2014. Net income tax cash payments were $852,962 for the period ended September 12, 2014.

Note 15. Subsequent Events

FMU Group has evaluated subsequent events from the combined balance sheet date through September 23, 2015, the date at which the combined financial statements were available to be issued, and determined that there are no other items to disclose.

A previously noted, on September 12, 2014 through the purchase of 100% of its capital stock from Rede Internacional de Universidades Laureate Ltda. ("Rede") and Business School Sao Paulo Ltda., FMU Group became a subsidiary of Laureate Educations, Inc.

In relation with the sale of FMU Group, and as of September 12, 2014, accounts payable included $25 millions of accrued expenses related to consultancy expenses incurred in relation with the transaction.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Financial Statements

December 31, 2013 and 2012

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Independent Auditors' Report

To the board of directors and quotaholders
Sociedade Educacional Sul-Rio-Grandense Ltda.

We have audited the accompanying financial statements of Sociedade Educacional Sul-Rio-Grandense Ltda., which comprise the balance sheet as of December 31, 2013 and 2012, and the related statements of income, quotaholders' equity and cash flows for each of the two years ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedade Educacional Sul-Rio-Grandense Ltda. at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers Auditores Independentes

Porto Alegre, RS, Brazil
September 28, 2015

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(amounts in Brazilian Reais)

	December 31, 2013	December 31, 2012
Revenues	$ 22,946,271	$ 25,146,552
Costs and expenses:		
Direct costs	(15,427,519)	(16,851,291)
General & administrative expenses	(3,361,846)	(3,552,377)
Gain from distribution of assets	90,357,900	
Operating income	**94,514,806**	**4,742,884**
Interest income	7,545,011	13,073,465
Interest Expense	(404,319)	(103,499)
Income from before income taxes	101,655,498	17,712,850
Income tax expense	(4,689,900)	(7,877,165)
Net income	**$ 96,965,598**	**$ 9,835,685**

The accompanying notes are an integral part of these financial statements.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2012

(amounts in Brazilian Reais)

	December 31,	
	2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 56,385,598	$ 131,033,482
Receivables:		
Accounts and notes receivable	6,291,730	6,607,190
Allowance for doubtful accounts	(4,652,016)	(4,893,407)
Receivables, net	1,639,714	1,713,783
Prepaid expenses and other current assets	249,555	15,963
Total current assets	58,274,867	132,763,228
Property and equipment:		
Land		4,917,222
Buildings		27,303,717
Furniture, computer equipment and software	8,553,520	8,337,113
Accumulated depreciation and amortization	(6,035,619)	(13,694,802)
Property and equipment, net	2,517,901	26,863,250
Deferred income Taxes	5,990,188	5,165,377
Total Assets	**$ 66,782,956**	**$ 164,791,855**
Liabilities and Stockholder's Equity		
Current Liabilities:		
Accounts payable	$ 117,809	$ 74,143
Accounts payable to quotaholders	52,244,000	
Accrued expenses	367,886	8,685,884
Accrued compensation and benefits	1,081,186	1,069,051
Deferred revenue and student deposits	157,132	127,499
Income taxes payable	19,931,616	18,790,375
Other current liabilities	1,990,552	1,877,238
Total current liabilities	75,890,181	30,624,190
Other long-term liabilities	8,609,835	7,852,793
Total Liabilities	**84,500,016**	**38,476,983**

Quotaholders' equity:				
Common stock (par value $1.00 per share; authorized 100,000 quotas; issued and outstanding quotas of 100,000 as of December 31, 2013 and 100,000 as of December 31, 2012)		100,000		100,000
Retained Earnings/(Accumulated deficit)		(17,817,060)		126,214,872
Total quotaholders' equity		(17,717,060)		126,314,872
Total liabilities and Quotaholders' Equity	**$**	**66,782,956**	**$**	**164,791,855**

The accompanying notes are an integral part of these financial statements.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

STATEMENTS OF QUOTAHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(amounts in Brazilian Reais)

	Common Stock	Retained Earnings	Total quotaholders' equity
Balance as of December 31, 2011	**$**	**$ 116,379,187**	**$ 116,379,187**
Capital Contribution	100,000		100,000
Net income		9,835,685	9,835,685
Balance as of December 31, 2012	**100,000**	**126,214,872**	**126,314,872**
Dividends distribution		(75,476,171)	(75,476,171)
Distribution of assets (spin-off)		(165,988,000)	(165,988,000)
Others		466,641	466,641
Net income		96,965,598	96,965,598
Balance as of December 31, 2013	**$ 100,000**	**$ (17,817,060)**	**$ (17,717,060)**

The accompanying notes are an integral part of these financial statements.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(amounts in Brazilian Reais)

	For the years ended December 31,	
	2013	**2012**
Net income	$ 96,965,598	$ 9,835,685
Other comprehensive (loss) income		
Total other comprehensive (loss) income		
Comprehensive income attributable to Sociedade Educacional Sul-Rio-Grandense LTDA.	**$ 96,965,598**	**$ 9,835,685**

The accompanying notes are an integral part of these financial statements.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

STATEMENTS OF CASH FLOWS

FOR THE YEARS DECEMBER 31, 2013 AND 2012

(amounts in Brazilian Reais)

	For the years ended December 31,	
	2013	2012
Cash flows from operating activities		
Net income	$ 96,965,598	$ 9,835,685
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,577,545	1,734,681
Rent expense	466,641	
Gain from distribution of assets	(90,357,900)	
Bad debt expense	(241,391)	1,081,491
Deferred income taxes	(824,811)	(1,862,378)
Non-cash loss from income tax contingencies		8,220,466
Non-cash loss from non-income tax contingencies	870,356	2,128,217
Change in operating assets and liabilities:		
Receivables	315,460	429,903
Prepaid expenses and other assets	(233,593)	57,745
Accounts payable and accrued expenses	(8,262,197)	8,389,986
Increase in income tax payable	1,141,241	(53,518,709)
Deferred revenue and student deposits	29,633	92,995
Net cash provided by (used in) operating activities of continuing operations	1,446,582	(23,409,918)
Cash flows from investing activities		
Purchase of property and equipment	(618,295)	
Proceeds from sale of property and equipment		(591,328)
Net cash used in investing activities of continuing operations	(618,295)	(591,328)
Cash flows from financing activities		
Dividends paid	(75,476,171)	
Capital contribution		100,000
Net cash provided used in (provide by) financing activities of continuing operations	(75,476,171)	100,000
Net change in cash and cash equivalents	(74,647,884)	23,901,246
Cash and cash equivalents at beginning of period	131,033,482	154,934,728
Cash and cash equivalents at end of period	**$ 56,385,598**	**$ 131,033,482**

The accompanying notes are an integral part of these financial statements.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 1. Description of Business

The SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA. ("FAPA" or "the Company"), a limited company, provides higher education programs and services to students in Porto Alegre, Brazil.

On November 22, 2013, the Company made an asset distribution to two new entities owned by FAPA's quotaholders. The land and buildings in which FAPA provides services were the spun off its balance sheet as of this date (refer to Note 5 Spin-off).

On October 1, 2012, the Secretaria da Receita Federal do Brazil, Brazilian internal revenue services, revoked the Company's "tax immunity" status due to the violation of federal law 9,532/97 requirements. Therefore, from October 2012, the Company was required to pay all taxes. As a result, in October 2012, the Company changed its judicial nature from a non-profit to a for-profit entity. The for-profit entity was formed with capital stock of $100,000. These Financial Statements are prepared based on standards applicable to for-profit companies.These financial statements are prepared under the presumption that the Company will be able to continue as a going concern. As of December 31, 2013 the Company presents an equity deficit amounting to $17,717,060 mainly due to the impact of the accounting of the spin-off of assets (refer to Note 5 Spin-off) at fair value as well as the dividend distribution. As of December 31, 2013, the Company presents a negative working capital balance of $17,615,314 which is primarily due to the impact of accounts payable to quotaholders (refer to Note 5 Spin-off). The Company has a positive operating cash flow, and the negative working capital and equity deficit does not impact the ability of the Company to realize its assets and to meet its obligations in the ordinary course of business.

The financial statements have been prepared for the purpose of complying with Rule 3-05 of Regulation S-X of the Securities and Exchange Commission.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, useful lives of fixed assets, and provisions for civil and labor risks and tax contingencies.

(a) Functional Currency

The functional currency is the currency of the economic environment in which a company primarily does business. The Brazilian Real is the functional currency of the Company and its financial statements are presented in its functional currency.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

The Company does not have any transactions in currencies different from its functional currency.

	(Unaudited)			
Fiscal Year Ended or Ending Dec 31,	**At End of Period**	**Average (of month-end rates)**	**High**	**Low**
	(R$ per $1.00)			
2009	0.57	0.57	0.59	0.41
2010	0.60	0.59	0.60	0.53
2011	0.54	0.54	0.65	0.53
2012	0.49	0.48	0.59	0.47
2013	0.42	0.43	0.51	0.41

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

(c) Financial Instruments

FAPA's financial instruments consist of cash and cash equivalents, accounts and notes receivable, other receivables and accounts payables. The fair value of these financial instruments approximates their carrying amounts reported in the Balance Sheet.

The Company's cash accounts are maintained with high-quality financial institutions with a significant concentration in two institutions: Banco Santander and Banco Safra.

The Company accounts receivable are not concentrated with any one significant customer.

(d) Accounts and Notes Receivable

The Company recognizes receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that amounts are due and collection is reasonably assured.

(e) Allowance for Doubtful Accounts

FAPA records an allowance for doubtful accounts to reduce its receivables to their net realizable value. The Company's allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions, and student enrollment status. Receivables deemed to be uncollectible are written-off against the allowance for doubtful accounts. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

(f) Property and Equipment, and Leased Assets

Property and equipment includes land, buildings, furniture, computer equipment and software. FAPA records property and equipment at cost less accumulated depreciation and amortization. Repairs and maintenance costs are expensed as incurred.

FAPA analyzes each lease agreement entered to determine whether it should be classified as a capital or an operating lease. The Company recognize operating lease rent expense on a straight-line basis over the expected term of each lease.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Total depreciation for the years ended December 31, 2013 and 2012 was $1,577,545 and $1,734,681, respectively, which was entirely recorded as direct costs in each year.

Depreciation and amortization periods are as follows:

Buildings	25
Furniture, computer equipment and software	5 - 10

(g) Direct Costs

Direct costs reported on the Statement of Operations represent the cost of operations, including labor costs, and depreciation and amortization expense.

(h) Long-lived Assets

Long-lived assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include, but are not limited to, a significant deterioration of operating results, a change in regulatory environment, changes in business plans, or adverse changes in anticipated future cash flows. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk.

(i) Revenue Recognition

Revenues are recognized when the amount can be reliably measured and the economic benefits will flow to the Company. The Company's revenues primarily consist of tuition and educational service revenues. Revenues are reported net of discounts, rebates, taxes, grants or scholarships awarded.

Revenues are not recognized if there are significant uncertainties regarding realization. Revenues from tuition are recognized on a straight-line basis over the academic session.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

Deferred revenue and student deposits on the Balance Sheet consist of tuition paid prior to the start of academic sessions and unearned tuition amounts recorded as accounts receivable after an academic session begins. If a student withdraws from an institution, the Company's obligation to issue a refund depends on the refund policy and the timing of the student's withdrawal. Generally, the Company's refund obligations are reduced over the course of the academic term. FAPA records refunds as a reduction of deferred revenue and student deposits, as applicable.

The following table shows the components of Revenues of total net revenue for the periods presented:

	For the years ended December 31, 2013	For the years ended December 31, 2012
Tuition and educational services	$ 24,184,262	$ 25,321,223
Other	897,892	443,350
Gross revenue	25,082,154	25,764,573
Less: Discounts / waivers / scholarships	(73,046)	(123,351)
Less: Taxes on sales	(2,062,837)	(494,670)
Total	**$ 22,946,271**	**$ 25,146,552**

(j) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

These levels are not necessarily an indication of the risk of liquidity associated with the financial assets or liabilities disclosed. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as required under ASC 820-10.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 2. Significant Accounting Policies (Continued)

The carrying amounts of cash and cash equivalents, accounts and notes receivable, other assets, accounts payable, and accrued expenses are a reasonable estimate of their fair values, as per the level 1 hierarchy, due to their short-term nature. There are no other fair value levels in FAPA's Financial Statements.

(k) Advertising

The Company expenses advertising costs as incurred. Advertising expenses were $228,043 and $249,339 for the years ended December 31, 2013 and 2012, respectively, and are recorded in direct costs in the Statements of Operations.

(l) Income Taxes

The Company records the amount of taxes payable or refundable for the current year. Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for GAAP financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Where, based on the weight of all available evidence, it is more likely than not that some portion of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position and having full knowledge of all relevant information.

(m) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Note 3. Significant Risks and Uncertainties Including Business and Credit Concentrations

The Company's activities expose it to credit and liquidity risks.

Credit Risk

The financial statements at December 31, 2013 and 2012 include a provision to cover possible losses on accounts receivable from students. No single customer accounted for more than 5% of the Company's revenues in 2013 or 2012, or accounts receivable at December 31, 2013 or 2012.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 3. Significant Risks and Uncertainties Including Business and Credit Concentrations (Continued)

The Company limits its exposure to credit risk associated with banks and financial investments by investing in financial institutions highly recognized solvency and prestige.

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient liquidity to meet its financial commitments, due to the mismatch of terms or volume between receipts and payments net proceeds.

To manage liquidity of cash, assumptions of future disbursements and receipts, which are monitored daily by the Finance Department are established.

On December 31, 2013 and 2012, the Group had cash and cash equivalents of $51,901 and $56,333,697, and $155,463 and $130,878,019, respectively. Cash and cash equivalents along with funds generated by normal operations of the Company are expected to be sufficient to manage liquidity risk.

Note 4. Accounts and Notes Receivable

The recorded amount in notes receivable for which an impairment has been recognized and the related allowance for doubtful accounts at December 31, 2013 and 2012 were $4,652,016 and $4,893,407 respectively. There was no interest income recognized on the impaired notes receivable during 2013 and 2012. For the years ended December 31, 2013 and 2012, there were no sales of notes receivable.

The Company's accounts receivables consist of receivables related to student tuition and receivables related to the "Financing for Higher Education Studies" ("FIES"). FIES is a program whose purpose is to finance the postsecondary education of students enrolled in private institutions. In accordance with current legislation, the Company receives from the Brazilian Fund for Education Development ("FNDE") the amounts financed by the students in FIES.

The FIES Program targets students from low socio-economic backgrounds enrolled at private post-secondary institutions. Eligible students receive loans with below market interest rates that are required to be repaid after an 18-month grace period upon graduation. FIES pays the Company tax credits which can be used to pay certain federal taxes and social contributions. FIES repurchases excess credits for cash. As part of the FIES Program, the Company is obligated to pay 15% of any student default. The default obligation increases to 30% of any student default if the Company is not current with its federal taxes. FIES withholds between 1% and 3% of tuition paid to the Company to cover any potential student defaults ("holdback"). If the student pays 100% of their loan, the withheld amounts will be paid to the Company. The Company recognizes revenues net of the amounts withheld by FIES. FIES is 8% and 9% of revenues for the years ended December 31, 2013 and December 31, 2012 respectively.

Delinquency is the primary indicator of credit quality for the Company's receivables. For receivables related to tuition programs, the Company records an allowance for doubtful accounts based on the aging of the receivable.

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 4. Accounts and Notes Receivable (Continued)

The activity in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012 is as follows:

	December 31,	
	2013	**2012**
Allowance for doubtful accounts:		
Beginning balance	$ (4,893,407)	$ (3,811,916)
Write-offs		
Recoveries	655,710	
Provision	(414,319)	(1,081,491)
Ending balance	**$ (4,652,016)**	**$ (4,893,407)**

Note 5. Spin-off

On November 22, 2013, the Company made distributions to various quotaholders in the form of cash and assets in the amount of $75,630,100. The company made an asset distribution to two new entities owned by FAPA's quotaholders, SFS Assesoria e Consultoria S/S LTDA. and Sociedade Porto-alegrense de Pesquina Educacional LTDA. The assets distributed included (1) land and buildings in which FAPA provides services and with a net book value of $23,386,100 as of the spinoff date and (2) cash in the amount of $52,244,000 (refer to Note 9 Related Parties).

In accordance with GAAP, the spinoff represents a non-reciprocal transfer which is required to be accounted at fair value. FAPA recognized a gain in the amount of $90,357,900 for the difference between the fair value and the historical cost as disclosed below:

Historical net book value of lands and buildings distributed	$ 23,386,100
Gain recognized in the income statement	90,357,900
Fair Value of lands and buildings distributed	$ 113,744,000
Accounts payable to quotaholders	52,244,000
Total assets distributed (spin-off)	$ 165,988,000

From November 22, 2013 to December 31, 2013, without entering into a lease agreement or transferring any consideration to the owners, FAPA continued utilizing the spinoff assets without transferring any consideration to the new owners. This was considered expenses paid by the quotaholders on behalf of the Company. FAPA recognized rent expense of $466,641 and a related capital contribution (included as "Others" in the Statement of Quotaholder's Equity).

Note 6. Commitments

On July 2014, the Company signed a lease agreement related to the distributed assets with a prospective date (refer to Note 5), as such, the Company has no significant commitments as of year-end December 31, 2013 and 2012.

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 7. Contingencies

The Company is subject to legal actions arising in the ordinary course of its business. In management's opinion, they have adequate legal defenses and/or accrued liabilities with respect to the eventuality of such actions. FAPA does not believe that any settlement would have a material impact on its Financial Statements.

Other Current and Long-Term Liabilities

Included in Other Current and Long-Term Liabilities there are provisions for tax contingencies related to federal and municipal taxes, and are mainly tax risks related to taxes on income and financial transactions from tax positions and which are subject to the assessment of tax authorities. These provisions amounted to $10,600,387 and $9,730,031, respectively.

Note 8. Income Taxes

As of December 31, 2013 and 2012, FAPA has accounted for income tax payable amounting to $19,931,616 and $18,790,375, respectively, related to the loss of its "tax immunity". In August 22, 2014, FAPA entered the REFIS program, a government tax amnesty program and paid $17,825,044 to settle these payables.

The significant components of the income tax expense are as follows:

	December 31,	
	2013	**2012**
Current	$ (4,373,469)	$ (1,519,077)
Contingencies	(1,141,242)	(8,220,466)
Deferred	824,811	1,862,378
Total income tax expense	**$ (4,689,900)**	**$ (7,877,165)**

Income tax expense was $4,689,900 for the year ended December 31, 2013, and differed from the amount computed by applying the Brazilian federal income tax and social contribution combined rate of 34% to pretax income (deemed income tax) as a result of the following:

	December 31, 2013
Computed "expected" tax expense	$ (34,562,869)
Increase (reduction) in income taxes resulting from:	
Permanent differences	
Non-taxable gain on revaluation of assets to fair value	30,721,686
Interest and penalities	(1,141,242)
Other	292,525
Total income tax expense	**$ (4,689,900)**

Income tax expense was $7,877,165 for the year ended December 31, 2012, and it differs from the amount computed by applying the Brazilian federal income tax rate of 34% to pretax income as a

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SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 8. Income Taxes (Continued)

result of the adherence of the Company to the "Lucro Presumido Program" by which the income tax expense is calculated by applying a rate of 32% on revenues (deemed income tax). In addition, as mentioned above, FAPA was a not for profit entity from January 1 to October 1, 2012 which led to additional variances.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 are presented below:

	December 31,	
	2013	**2012**
Deferred tax assets:		
Accounts and notes receivable principally due to allowance for doubtful accounts	$ 508,575	$ 367,707
Contingencies	5,481,613	4,797,670
Net deferred tax assets	**$ 5,990,188**	**$ 5,165,377**

The Company records interest and penalties related to uncertain tax positions as a component of Income tax expense. During the years ended December 31, 2013 and 2012, the Company recognized interest and penalties related to income taxes of $1,141,242 and $2,267,875, respectively.

As of December 31, 2013, FAPA's federal and municipal statutes are generally open back to 2009.

Note 9. Employer Benefit Plans

The Company sponsors a defined contribution plan for all of its employees. FAPA makes annual contributions to the plan between 50% to 95% of the participant's contribution in accordance with the years of work.

The following table summarizes employer contributions during 2013 and 2012:

	Pension Plan	
	2013	**2012**
Employer contribution	$ 32,877	$ 35,374

Note 10. Related Party Transactions

Transactions between FAPA and Quotaholders

On November 22, 2013, the Company's quotaholders approved a distribution by which land and buildings with a net book value of $23,386,100 were distributed to SFS Assesoria and Sociedade P. Pesquisa and cash for $52,244,000 approved to be distributed. As of December 31, 2013, FAPA has not settled this obligation and $52,244,000 is included in the line item of Accounts Payable to Quotaholders in the Balance Sheet (refer to Note 5 Spinoff).

SOCIEDADE EDUCACIONAL SUL-RIO-GRANDENSE LTDA.

Notes to Financial Statements (Continued)

December 31, 2013 and 2012

Amounts in Brazilian Reais

Note 10. Related Party Transactions (Continued)

As of December 31, 2013 and 2012, the Income Statement includes salaries paid to quotaholders in the amounts of $553,785 and $118,509, respectively.

Also, during 2013 and 2012, the Company received services related to the collection of outstanding receivables from students from Educredito Gestao e Recuperacao de Ativos Educacionais LTDA., an entity partially owned by a quotaholder's relative. Educredito retains the interest on the payments collected from students as service fees.

Note 11. Supplemental Cash Flow Information

Net income tax cash payments were $4,039,307 and $0 for the years ended December 31, 2013 and 2012, respectively.

The distribution of assets (refer to Note 5) represents a non-cash flow transactions as of December 31, 2013 for the land and buildings transferred.

The cash obligation of $52,244,000 (refer to Note 9) represents a non-cash flow transaction as of December 31, 2013. It is a transaction that affected Equity and Accounts Payable and because of this is not presented in the Cash Flow Statement.

Note 12. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through September 28, 2015, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

On January 30, 2014 and July 4th, 2014, the Company settled the account payable to the Sellers amounting to 52,244,000 (refer to notes 5 and 9) by paying in cash $13 million and $39,244,000, respectively in each date.

On August 12, 2014, Laureate Educations, Inc. acquired FAPA. The total purchase price was $9,361,556, and was paid in form of two seller notes with a total discounted present value of approximately $6,250,802, plus an additional deferred payment of approximately $3,110,754.

29,000,000 Shares

Laureate Education, Inc.

Class A Common Stock

Credit Suisse

Morgan Stanley

Barclays

Macquarie Capital

J.P. Morgan

BMO Capital Markets

Citigroup

Goldman, Sachs & Co.

Baird

Barrington Research

Piper Jaffray

Stifel

William Blair

Bradesco BBI

BTG Pactual

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with this offering. All such amounts (except the SEC registration fee and the FINRA filing fee) are estimated.

SEC registration fee	$	75,786
FINRA filing fee		100,550
Nasdaq listing fee		150,000
Advisory fees		3,710,000
Printing and engraving expenses		956,000
Legal fees and expenses		1,950,000
Accounting fees and expenses		1,850,000
Blue Sky fees and expenses		20,000
Transfer Agent and Registrar fees		12,000
Miscellaneous		175,664
Total	$	9,000,000

Item 14. Indemnification of Directors and Officers.

Section 102 of the General Corporation Law of the State of Delaware (the "DGCL") permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation provides for this limitation of liability.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of such position, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our amended and restated certificate of incorporation and bylaws provide that we must indemnify, and advance expenses to, our directors and officers to the fullest extent permitted by the DGCL.

Prior to the completion of this offering, we intend to enter into separate indemnification agreements with each of our directors and certain officers. Each indemnification agreement will provide, among other things, for indemnification to the fullest extent permitted by law and our amended and restated certificate of incorporation and bylaws against any and all expenses, judgments, fines, penalties and amounts paid in settlement of any claim. The indemnification agreements will provide for the advancement or payment of all expenses to the indemnitee and for the reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our amended and restated certificate of incorporation and bylaws.

We maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of Class A common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

During the three years preceding the filing of this registration statement, Registrant sold the following securities which were not registered under the Securities Act of 1933, as amended:

On December 29, 2015, Registrant issued $50.1 million aggregate principal amount of its 9.250% senior notes due 2019 to the participants in stock-based deferred compensation arrangements in partial settlement of the deferred compensation obligations. The senior notes were issued pursuant to Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering.

On December 30, 2016, Registrant issued $10.453 million aggregate principal amount of its 9.250% senior notes due 2019 to the participants in stock-based deferred compensation arrangements in final settlement of the deferred compensation obligations. The senior notes were issued pursuant to Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering.

On December 20, 2016, Registrant sold 343,000 shares of Convertible Redeemable Preferred Stock Series A, par value $0.001 per share, consisting of 23,000 shares of Convertible Redeemable Preferred Stock Series A-1 sold to one purchaser and 320,000 shares of Convertible Redeemable Preferred Stock Series A-2 sold to 22 purchasers. The securities were offered and sold in a private placement offering in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

On January 18, 2017, Registrant sold 14,000 shares of Convertible Redeemable Preferred Stock Series A-2 to one purchaser and on January 23, 2017 Registrant sold an additional 43,000 shares of Convertible Redeemable Preferred Stock Series A-2 to the same purchaser. The securities were offered and sold in a private placement offering in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

On October 2, 2013, Registrant granted to 226 of its employees or other service providers options to purchase an aggregate of 4,344,840 shares of common stock under the 2013 Plan at an exercise price of $34.52. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On June 17, 2014, Registrant granted to six of its employees or other service providers options to purchase an aggregate of 116,605 shares of common stock under the 2013 Plan at an exercise price of $27.76. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

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On July 10, 2014, Registrant granted to 99 of its employees or other service providers options to purchase an aggregate of 269,307 shares of common stock under the 2013 Plan at an exercise price of $27.76. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On March 4, 2015, Registrant granted to 154 of its employees or other service providers options to purchase an aggregate of 424,307 shares of common stock under the 2013 Plan at an exercise price of $27.72. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 14, 2015, Registrant granted to five of its employees or other service providers options to purchase an aggregate of 20,387 shares of common stock under the 2013 Plan at an exercise price of $25.76. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On September 29, 2015, Registrant granted to 13 of its officers, employees or other service providers options to purchase an aggregate of 1,002,407 shares of common stock under the 2013 Plan at an exercise price of $26.32. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On February 10, 2016, Registrant granted to two of its officers, employees or other service providers options to purchase an aggregate of 5,322 shares of common stock at an exercise price of $22.40 per share. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 2, 2016, Registrant granted to 114 of its officers, employees or other service providers options to purchase an aggregate of 131,945 shares of common stock at an exercise price of $23.24 per share. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 24, 2016, Registrant granted three of its officers, employees or other service providers options to purchase an aggregate of 2,762 shares of common stock at an exercise price of $23.24 per share. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On October 25, 2016, Registrant granted one of its officers, employees or other service providers options to purchase an aggregate of 162,267 shares of common stock at an exercise price of $23.36 per share. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On December 8, 2016, Registrant granted four of its officers, employees or other service providers options to purchase an aggregate of 1,402 shares of common stock at an exercise price of $22.64 per share. The options were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving the Securities Act as transactions by an issuer not involving any public offering pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On October 2, 2013, Registrant granted 763,412 Performance Share Units to 126 of its officers, directors, employees or other service providers. The Performance Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On June 17, 2014, Registrant granted 15,233 Performance Share Units to five of its officers, directors, employees or other service providers. The Performance Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On July 10, 2014, Registrant granted 59,322 Performance Share Units to 86 of its officers, directors, employees or other service providers. The Performance Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On March 4, 2015, Registrant granted 60,727 Performance Share Units to 84 of its officers, directors, employees or other service providers. The Performance Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On September 29, 2015, Registrant granted to two of its officers, employees or other service providers an aggregate of 174,730 Performance Share Units. The Performance Share Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On December 16, 2015, Registrant granted 30,578 Performance Stock Units to two of its officers, employees or other service providers. The Performance Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On February 10, 2016, Registrant granted to two of its officers, employees or other service providers 544 Performance Share Units. The Performance Share Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 2, 2016, Registrant granted to 114 of its officers, employees or other service providers 136,712 Performance Share Units. The Performance Share Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 24, 2016, Registrant granted three of its officers, employees or other service providers 2,832 Performance Share Units. The Performance Share Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

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On October 25, 2016, Registrant granted 25 of its officers, employees or other service providers 71,588 Performance Share Units. The Performance Share Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On December 8, 2016, Registrant granted five of its officers, employees or other service providers 2,195 Performance Share Units. The Performance Share Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to a benefit plans and contracts relating to compensation as provided under Rule 701.

On May 2, 2014, Registrant granted an aggregate of 10,007 shares of common stock to six of its directors and board observers, of which 7,504 were Restricted Shares. The common stock was granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On September 30, 2014, Registrant granted an aggregate of 18,558 Restricted Shares to one of its directors. The Restricted Shares were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On June 1, 2015, Registrant granted an aggregate of 8,117 shares of common stock to five of its directors and board observers, of which 6,087 were Restricted Shares. The common stock was granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On June 30, 2016, Registrant granted an aggregate of 13,984 shares of common stock to seven of its directors and board observers, of which 6,994 were Restricted Shares. The common stock was granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On October 2, 2013, Registrant granted 61,108 Restricted Stock Units to 88 of its officers or employees. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On June 17, 2014, Registrant granted 1,852 Restricted Stock Units to two of its officers or employees. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On July 10, 2014, Registrant granted 56,572 Restricted Stock Units to 86 of its officers or employees. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On March 4, 2015, Registrant granted 62,472 Restricted Stock Units to 94 of its officers or employees. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 14, 2015, Registrant granted 20,380 Restricted Stock Units to one of its officers. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On September 29, 2015, Registrant granted to five of its officers, employees or other service providers an aggregate of 81,638 Restricted Stock Units. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On December 16, 2015, Registrant granted to one of its officers, employees or other service providers, an aggregate of 11,005 Restricted Stock Units. The Restricted Stock Units were granted under the 2013 Plan pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation provided under Rule 701.

On February 10, 2016, Registrant granted to two of its officers, employees or other service providers 11,274 Restricted Stock Units. The Restricted Stock Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 2, 2016, Registrant granted to 205 of its officers, employees or other service providers 174,142 Restricted Stock Units. The Restricted Stock Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On May 24, 2016, Registrant granted six of its officers, employees or other service providers 9,242 Restricted Stock Units. The Restricted Stock Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

On October 25, 2016, Registrant granted 44 of its officers, employees or other service providers 221,550 Restricted Stock Units. The Restricted Stock Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation under Rule 701.

On December 8, 2016, Registrant granted eight of its officers, employees or other service providers 5,194 Restricted Stock Units. The Restricted Stock Units were issued pursuant to Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

Item 16. Exhibits and Financial Statement Schedule.

(a) *Exhibits.* See the Exhibit Index immediately following the signature page hereto, which is incorporated by reference as if fully set forth herein.

(b) *Financial Statement Schedules*

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The following Financial Statement Schedule is included herein:

Supplemental Financial Schedule II Valuation and Qualifying Accounts.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of us in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

We hereby undertake that:

(i) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baltimore, State of Maryland on January 31, 2017.

LAUREATE EDUCATION, INC.

By: /s/ EILIF SERCK-HANSSEN

Name: Eilif Serck-Hanssen
Title: *Executive Vice President and Chief Financial Officer*

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on January 31, 2017.

SIGNATURE	TITLE	DATE
* Douglas L. Becker	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	January 31, 2017
/s/ EILIF SERCK-HANSSEN Eilif Serck-Hanssen	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	January 31, 2017
* Tal Darmon	Senior Vice President, Chief Accounting Officer and Global Controller (Principal Accounting Officer)	January 31, 2017
* Brian F. Carroll	Director	January 31, 2017
* Andrew B. Cohen	Director	January 31, 2017
* Darren M. Friedman	Director	January 31, 2017
* John A. Miller	Director	January 31, 2017

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SIGNATURE	TITLE	DATE
* George Muñoz	Director	January 31, 2017
* Judith Rodin	Director	January 31, 2017
* Jonathan D. Smidt	Director	January 31, 2017
* Ian K. Snow	Director	January 31, 2017
* Steven M. Taslitz	Director	January 31, 2017
* Quentin Van Doosselaere	Director	January 31, 2017
* Robert B. Zoellick	Director	January 31, 2017

*By: /s/ EILIF SERCK-HANSSEN

Eilif Serck-Hanssen,
as attorney-in-fact

EXHIBIT INDEX

Exhibit No.	Description
1.1**	Form of Underwriting Agreement
2.1#**	Equity Purchase Agreement, dated as of May 10, 2013, by and between Rede Internacional de Universidades Laureate Ltda., and Dra. Labibi Elias Alves da Silva, Prof. Dr. Edevaldo Alves da Silva, Dra. Aidéa Alves da Silva, and Dr. Arnold Fioravante, and Faculdades Metropolitanas Unidas Associação Educacional in the capacity of intervening and consenting party
2.2#**	Equity Purchase Agreement, dated as of May 10, 2013, by and between Rede Internacional de Universidades Laureate Ltda., and Dra. Labibi Elias Alves da Silva, Prof. Dr. Edevaldo Alves da Silva and Dr. Arnold Fioravante, and Associação de Cultura e Ensino, in the capacity of intervening and consenting party
2.3#**	Equity Purchase Agreement, dated as of May 10, 2013, by and between Rede Internacional de Universidades Laureate Ltda., and Dra. Labibi Elias Alves da Silva, and Dr. Eduardo Alves da Silva, Dr. Edson Alves da Silva, and União Educacional de São Paulo, in the capacity of intervening and consenting party
2.4#**	Quota Purchase Agreement, dated as of July 11, 2014, by and between Sociedade de Educacao Ritter dos Reis Ltda. and Solon Flores Sant'anna, Darci Sanfelici, Ana Maria Lisboa de Mello, Iron Augusto Muller and, as intervening consenting parties, Sociedade Educacional Sul-Rio-Grandense S/S Ltda., Sociedade Porto-Alegrense de Pesquisa Educacional S/S Ltda., and SFS Assessoria e Consultoria S/S Ltda.
2.5#**	Sale and Purchase Agreement, dated as of March 15, 2016, by and between Laureate International B.V. and Graduate S.A.
2.6#**	Share Purchase Agreement, dated as of April 15, 2016, by and between Laureate I B.V. and Insignis.
3.1	Amended and Restated Certificate of Incorporation
3.2	Amended and Restated Bylaws
3.3**	Certificate of Designations of Convertible Redeemable Preferred Stock, Series A of Laureate Education, Inc.
4.1**	Senior Indenture, dated July 25, 2012, among Laureate Education, Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee
4.2**	First Supplemental Indenture, dated November 13, 2012, among Laureate Education, Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee
4.3	Second Supplemental Indenture, dated December 29, 2015, among Laureate Education, Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee (incorporated herein by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-4 (File No. 333-208758), filed on January 20, 2016)
4.4**	Third Supplemental Indenture, dated December 30, 2016, among Laureate Education, Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee
4.5**	Form of 9.250% Senior Notes due 2019 (included in Exhibit 4.1)
5.1**	Opinion of DLA Piper LLP (US)

Exhibit No.	Description
10.1**	Second Amendment to Credit Agreement, dated as of June 16, 2011, among Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, certain financial institutions listed on the signature pages thereto and Goldman Sachs Credit Partners L.P., as Administrative Agent and Collateral Agent
10.2**	Amended and Restated Credit Agreement dated as of August 17, 2007 and amended and restated as of June 16, 2011, among Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, the lending institutions from time to time parties thereto, and Citibank, N.A. (as successor to Goldman Sachs Credit Partners L.P.), as Administrative Agent and Collateral Agent
10.3**	First Amendment to Amended and Restated Credit Agreement, dated as of January 18, 2013, entered into by Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, Citibank, N.A., as successor Administrative Agent and Collateral Agent, and certain financial institutions listed on the signature pages thereto
10.4**	Second Amendment to Amended and Restated Credit Agreement, dated as of April 23, 2013, entered into by Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, Citibank, N.A., as successor Administrative Agent and Collateral Agent, and certain financial institutions listed on the signature pages thereto
10.5**	Third Amendment to Amended and Restated Credit Agreement, dated as of October 3, 2013, entered into by Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, Citibank, N.A., as successor Administrative Agent and Collateral Agent, and certain financial institutions listed on the signature pages thereto
10.6**	Fourth Amendment to Amended and Restated Credit Agreement and Amendment to the U.S. Obligations Security Agreement and the U.S. Pledge Agreement, dated as of July 7, 2015, entered into by Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, Citibank, N.A., as successor Administrative Agent and Collateral Agent, the other parties thereto and certain financial institutions listed on the signature pages thereto
10.7**	Joinder Agreement, dated as of December 22, 2011, by and among Bank of Montreal, Chicago Branch, Laureate Education, Inc. and Citibank, N.A., as Administrative Agent and Collateral Agent
10.8**	Joinder Agreement, dated as of December 22, 2011, by and among Morgan Stanley Senior Funding, Inc., Laureate Education, Inc. and Citibank, N.A., as Administrative Agent and Collateral Agent
10.9**	Joinder Agreement, dated as of January 18, 2013, by and among the lenders party thereto, Laureate Education, Inc., as borrower, and Citibank, N.A., as Administrative Agent
10.10**	Joinder Agreement, dated as of April 23, 2013, by and among the lenders party thereto, Laureate Education, Inc., as borrower, and Citibank, N.A., as Administrative Agent
10.11**	Joinder Agreement, dated as of December 16, 2013, by and among lenders party thereto, Laureate Education, Inc., as borrower, and Citibank, N.A., as Administrative Agent
10.12**	Guarantee dated as of August 17, 2007, by certain domestic subsidiaries of Laureate Education, Inc., as Guarantors in favor of Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 1 dated as of April 1, 2009 between LEI Administration, LLC, as the New Guarantor, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 2 dated as of July 15, 2011, between Exeter Street Holdings LLC, as the New Guarantor, and Goldman Sachs Credit Partners L.P., as Collateral Agent

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Exhibit No.	Description
10.13**	Security Agreement, dated as of August 17, 2007, among Laureate Education, Inc., and certain domestic subsidiaries of Laureate Education, Inc., as Grantors, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 1 dated as of April 1, 2009 between LEI Administration, LLC, as the New Grantor, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 2 dated as of July 15, 2011 between Exeter Street Holdings LLC, as the New Grantor, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as amended by the Fourth Amendment to Amended and Restated Credit Agreement and Amendment to the U.S. Obligations Security Agreement and the U.S. Pledge Agreement, dated as of July 7, 2015
10.14**	Pledge Agreement, dated as of August 17, 2007, among Laureate Education, Inc., and certain domestic subsidiaries of Laureate Education, Inc., as Pledgors, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 1 dated as of April 1, 2009 between LEI Administration, LLC, as Additional Pledgor, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as supplemented by Supplement No. 2 dated as of July 15, 2011 between Exeter Street Holdings LLC, as Additional Pledgor, and Goldman Sachs Credit Partners L.P., as Collateral Agent, as amended by the Fourth Amendment to Amended and Restated Credit Agreement and Amendment to the U.S. Obligations Security Agreement and the U.S. Pledge Agreement, dated as of July 7, 2015
10.15**	Amended and Restated Collateral Agreement, dated as of June 16, 2011, among Walden University, LLC, each other subsidiary of Laureate Education, Inc. that becomes a party thereto from time to time, and Goldman Sachs Credit Partners L.P., as Collateral Agent
10.16**	Exchange and Registration Rights Agreement, dated as of July 25, 2012, among Laureate Education, Inc., the guarantors listed on the signature pages thereto and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., KKR Capital Markets LLC and Morgan Stanley & Co. LLC
10.17**	Exchange and Registration Rights Agreement, dated as of November 13, 2012, among Laureate Education, Inc., the guarantors listed on the signature pages thereto and J.P. Morgan Securities LLC, Barclays Capital Inc., Citigroup Global Markets Corp., BMO Capital Markets Corp., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., KKR Capital Markets LLC and Morgan Stanley & Co. LLC
10.18	Exchange and Registration Rights Agreement, dated as of December 29, 2015, among Laureate Education, Inc., the guarantors listed on the signature pages thereto and the initial holders listed on the signature pages thereto (incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4 (File No. 333-208758), filed on January 20, 2016)
10.19**	Foreign Obligations Guarantee, dated as of January 23, 2008, by Rede Internacional de Universidades Laureate, Ltda., as Foreign Obligations Guarantor, in favor of Goldman Sachs Credit Partners L.P., as Collateral Agent under the Credit Agreement for the benefit of the Foreign Obligations Secured Parties

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Exhibit No.	Description
10.20**	Foreign Obligations Guarantee, dated as of January 23, 2008, by Laureate Education, Inc., ICE Inversiones Brazil, SL, Inversiones en Educacion Limitada, Laureate Education Mexico, S. de R.L. de C.V., Laureate Education Peru, S.R.L., Laureate Honduras S. de R.L. de C.V., Laureate I B.V., Laureate International B.V., Laureate International Costa Rica S.R.L., LIUF, SAS, Online Higher Education, B.V., Laureate Panama, S.A., Laureate Chile Limitada, and Iniciativas Culturales de España S.L., as Foreign Obligations Guarantors, in favor of Goldman Sachs Credit Partners L.P., as Collateral Agent under the Credit Agreement for the benefit of the Foreign Obligations Secured Parties
10.21**	Deed of Pledge of Receivables, dated August 17, 2007, between Goldman Sachs Credit Partners L.P. and Laureate Education, Inc. with respect to interests in Fleet Street International Universities C.V.
10.22**	Deed of Pledge of Receivables, dated September 2011, between Laureate Education, Inc., as Pledgor, and Citibank, N.A., in its capacity as Collateral Agent, as Pledgee, with respect to interests in Fleet Street International Universities C.V.
10.23**	Deed of Pledge of Receivables dated August 17, 2007, between Goldman Sachs Credit Partners L.P. and Laureate Education International Limited, with respect to interests in Fleet Street International Universities C.V.
10.24**	Deed of Pledge of Receivables, dated September 30, 2011, between Laureate Education International Limited, as Pledgor, and Citibank, N.A., in its capacity as Collateral Agent, as Pledgee, with respect to interests in Fleet Street International Universities C.V.
10.25**	Deed of Pledge (Laureate I B.V.), dated January 29, 2008, by Iniciativas Culturales de España S.L. in favor of Goldman Sachs Credit Partners L.P., in its capacity as Collateral Agent under the Credit Agreement for the benefit of the Secured Parties
10.26**	Deed of Pledge (Laureate I B.V.), dated September 30, 2011, between Iniciativas Culturales de España S.L., as Pledgor, Citibank, N.A., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Lenders under the Credit Agreement, as Pledgee, and Laureate I B.V., as the Company
10.27**	Deed of Pledge (Laureate International B.V.), dated January 29, 2008, by Laureate I B.V. in favor of Goldman Sachs Credit Partners L.P., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Secured Parties
10.28**	Deed of Pledge (Laureate International B.V.), dated September 30, 2011, between Laureate I B.V., as Pledgor, Citibank, N.A., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Lenders under the Credit Agreement, as Pledgee, and Laureate International B.V., as the Company
10.29**	Deed of Pledge Over Credit Rights Derived from Bank Account, dated March 14, 2008, by Iniciativas Culturales de España S.L. in favor of Goldman Sachs Credit Partners L.P., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Secured Parties, as amended by that Amendment Agreement in Respect of Pledge Over Credit Rights Derived from Bank Account, dated October 5, 2011, by and between Iniciativas Culturales de España S.L., as Pledgor, Goldman Sachs Credit Partners L.P., as Prior Pledgee, and Citibank, N.A., acting as Administrative Agent and Collateral Agent, as Pledgee

Exhibit No.	Description
10.30**	Deed of First Priority Pledge Over Credit Rights, dated March 14, 2008, by Iniciativas Culturales de España S.L. in favor of Goldman Sachs Credit Partners L.P., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Secured Parties, as amended by that Amendment Agreement in Respect of Pledge Over Credit Rights, dated October 5, 2011, by and between Iniciativas Culturales de España S.L., as Pledgor, Goldman Sachs Credit Partners L.P., as Prior Pledgee, and Citibank, N.A., acting as Administrative Agent and Collateral Agent, as Pledgee
10.31**	Deed of Pledge of Participations, dated March 14, 2008, by Iniciativas Culturales de España S.L. in favor of Goldman Sachs Credit Partners L.P., as Administrative Agent and Collateral Agent under the Credit Agreement for the benefit of the Secured Parties, as amended by that Amendment Agreement in Respect of Pledge of Shares, dated October 5, 2011, by and between Iniciativas Culturales de España S.L., as Pledgor, Goldman Sachs Credit Partners L.P., as Prior Pledgee, and Citibank, N.A., acting as Administrative Agent and Collateral Agent, as Pledgee
10.32 **	2007 Stock Incentive Plan for Key Employees of Laureate Education, Inc. and its Subsidiaries
10.33 **	2007 Stock Incentive Plan Form of Stock Option Agreement, as amended on August 31, 2010
10.34 **	2013 Long-Term Incentive Plan of Laureate Education, Inc. and its Subsidiaries, dated June 13, 2013, as amended by the First Amendment to the 2013 Long-Term Incentive Plan effective as of September 17, 2015
10.35 **	2013 Stock Incentive Plan Form of Stock Option Agreement effective as of September 11, 2013
10.36 **	Laureate Education, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2009
10.37 **	Form of Management Stockholder's Agreement for equityholders
10.38 **	Employment Offer Letter, dated July 6, 2015, between Laureate Education, Inc. and Enderson Guimarães
10.39 **	Deferred Compensation Letter Agreement, dated August 16, 2007, by and among L Curve Sub Inc., Laureate Education, Inc. and Douglas L. Becker
10.40 **	Deferred Compensation Letter Agreement, dated December 24, 2015, between Laureate Education, Inc. and Douglas L. Becker (incorporated herein by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-4 (File No. 333-208758), filed on January 20, 2016)
10.41 **	2nd Amended and Restated Executive Interest Subscription Agreement, dated August 31, 2010, between Wengen Alberta, Limited Partnership and Douglas L. Becker
10.42 **	Employment Offer Letter, dated July 21, 2008, between Laureate Education, Inc. and Eilif Serck-Hanssen
10.43 **	Amendment to Employment Offer Letter, dated December 9, 2010, between Laureate Education, Inc. and Eilif Serck-Hanssen
10.44 **	Time-Based Restricted Stock Agreement, dated August 5, 2008, between Laureate Education, Inc. and Eilif Serck-Hanssen
10.45 **	Form of Time-Based Restricted Stock Units Agreement, for grants from and after September 11, 2013

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Exhibit No.	Description
10.46**	Support Services Agreement between Santa Fe University of Art and Design, LLC and Laureate Education, Inc. dated October 1, 2014
10.47**	Master Service and Confidentiality Agreement, dated April 28, 2014, by and between Laureate Education, Inc. and Accenture LLP
10.48 **	System Wide Master Agreement, dated April 10, 2015, between Blackboard Inc. and Laureate Education, Inc.
10.49 **	Form of Stockholders' Agreement for Entity-Appointed Directors
10.50 **	Form of Stockholders' Agreement for Individual Directors
10.51 **	2013 Stock Incentive Plan Form of Restricted Stock Units Agreement
10.52 **	2013 Stock Incentive Plan Form of Performance Share Units Agreement
10.53**	Form of Laureate Education, Inc. Note Exchange Agreement dated as of April 15, 2016
10.54 **	Executive Retention Agreement, dated February 25, 2016, by and between Ricardo Berckemeyer and Laureate Education, Inc., effective as of September 1, 2015
10.55 **	2013 Long-Term Incentive Plan Form of Performance Share Award Agreement for 2016 for Named Executive Officers
10.56 **	2013 Long-Term Incentive Plan Form of Performance Share Award Agreement for 2016
10.57 **	2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016 for Named Executive Officers
10.58 **	2013 Long-Term Incentive Plan Form of Stock Option Agreement for 2016
10.59 **	2013 Long-Term Incentive Plan Form of Restricted Stock Unit Agreement for 2016 for Named Executive Officers
10.60 **	2013 Long-Term Incentive Plan Form of Restricted Stock Unit Agreement for 2016
10.61**	Fifth Amendment to Amended and Restated Credit Agreement, dated as of June 3, 2016, entered into by Laureate Education, Inc., Iniciativas Culturales de España S.L., Citibank, N.A., as successor Administrative Agent and Collateral Agent, the other parties thereto and certain financial institutions listed on the signature pages thereto
10.62**	Sixth Amendment to Amended and Restated Credit Agreement, dated as of July 7, 2016, entered into by Laureate Education, Inc. and Iniciativas Culturales de España S.L., as borrowers, Citibank, N.A., as successor Administrative Agent and Collateral Agent, the other parties thereto and certain financial institutions listed on the signature pages thereto
10.63**	Subscription Agreement, dated as of December 4, 2016, by and among Laureate Education, Inc., Macquarie Sierra Investment Holdings Inc., and each of the other Persons listed on Schedule A and Schedule B thereto.
10.64**	Form of Registration Rights Agreement by and among Laureate Education, Inc., each of the Investors set forth on Schedule A thereto, Douglas L. Becker and Wengen Alberta, Limited Partnership.
10.65**	Form of Investors' Stockholders Agreement by and among Laureate Education, Inc., Wengen Alberta, Limited Partnership and the Investors set forth on Schedule A thereto.
10.66 **	First Amendment to the 2013 Long-Term Incentive Plan, effective as of September 15, 2015.

Exhibit No.	Description
10.67 **	Second Amendment to the 2013 Long-Term Incentive Plan, effective as of December 14, 2016.
10.68 **	Deferred Compensation Letter Agreement, dated December 30, 2016, between Laureate Education, Inc. and Douglas L. Becker
10.69**	Exchange and Registration Rights Agreement, dated as of December 30, 2016, among Laureate Education, Inc., the guarantors listed on the signature pages thereto and the initial holders listed on the signature pages thereto
10.70 **	2013 Long-Term Incentive Plan Form of Restricted Stock Unit Agreement for October 2016
10.71 **	2013 Long-Term Incentive Plan Form of Performance Share Unit Agreement for Named Executive Officers for October 2016
10.72 **	2013 Long-Term Incentive Plan Form of Performance Share Unit Agreement for October 2016
10.73 **	Form of Cash Long-Term Incentive Plan Agreement
10.74	Form of Amended and Restated Securityholders Agreement by and among Wengen Alberta, Limited Partnership, Laureate Education, Inc. and the other parties thereto
10.75	Form of Amended and Restated Registration Rights Agreement by and among Wengen Alberta, Limited Partnership, Wengen Investments Limited, Laureate Education, Inc. and the other parties thereto
21.1**	List of Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of PricewaterhouseCoopers Auditores Independentes, São Paulo, Brazil
23.3	Consent of PricewaterhouseCoopers Auditores Independentes, Porto Alegre, RS, Brazil
23.4**	Consent of DLA Piper LLP (US) (included in Exhibit 5.1)
24.1**	Powers of Attorney
24.2**	Power of Attorney for Tal Darmon
99.1**	Consent of Director Designee William L. Cornog
99.2	Consent of Director Designee Pedro del Corro

** Previously filed.

Laureate Education, Inc. hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to such agreement to the U.S. Securities and Exchange Commission upon request.

Indicates a management contract or compensatory plan or arrangement.

Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

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Laureate Education, Inc.

Supplemental Financial Schedule II Valuation and Qualifying Accounts

(In Thousands)

Description	Balance at Beginning of Period	Additions: Charges to Costs and Expenses	Additions: Charges to Other Accounts	Deductions	Balance at End of Period
Deducted from asset accounts:					
Year ended December 31, 2015:					
Allowance for doubtful accounts receivable(1)	$ 170,140	$ 107,162	$	$ (115,644)	$ 161,658
Valuation allowance on deferred tax assets(2)	994,434	157,960		(59,443)	1,092,951
Total deducted from asset accounts	$ 1,164,574	$ 265,122	$	$ (175,087)	$ 1,254,609
Deducted from asset accounts:					
Year ended December 31, 2014:					
Allowance for doubtful accounts receivable(1)(3)	$ 167,521	$ 110,302	$ 4,736	$ (112,419)	$ 170,140
Valuation allowance on deferred tax assets(2)	907,203	94,791		(7,560)	994,434
Total deducted from asset accounts	$ 1,074,724	$ 205,093	$ 4,736	$ (119,979)	$ 1,164,574
Deducted from asset accounts:					
Year ended December 31, 2013:					
Allowance for doubtful accounts receivable(1)	$ 164,910	$ 102,662	$	$ (100,051)	$ 167,521
Valuation allowance on deferred tax assets(2)	747,148	171,644		(11,589)	907,203
Total deducted from asset accounts	$ 912,058	$ 274,306	$	$ (111,640)	$ 1,074,724

Notes:

(1) Deductions includes accounts receivable written off against the allowance (net of recoveries), reclassifications, and foreign currency translation.

(2) Deductions includes reclassifications.

(3) Charges to Other Accounts in 2014 includes reclassifications.

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