2U, INC.

FORM 10-Q
(Quarterly Report)

Filed 05/04/17 for the Period Ending 03/31/17

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Telephone	(301) 892-4350
CIK	0001459417
Symbol	TWOU
SIC Code	7372 - Prepackaged Software
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-36376

2U, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-2335939**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7900 Harkins Road, Lanham, MD	**20706**
(Address of principal executive offices)	(Zip Code)

(301) 892-4350

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of April 28, 2017, there were 47,542,527 shares of the registrant's common stock, par value $0.001 per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue" and "ongoing," or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- trends in the higher education market and the market for online education, and expectations for growth in those markets;
- the acceptance, adoption and growth of online learning by colleges and universities, faculty, students, employers, accreditors and state and federal licensing bodies;
- the potential benefits of our cloud-based software-as-a-service ("SaaS") technology and technology-enabled services to clients and students;
- anticipated launch dates of new client programs;
- the predictability, visibility and recurring nature of our business model;
- our ability to acquire new clients and expand programs with existing clients;
- our ability to execute our growth strategy in the international, undergraduate and non-degree alternative markets;
- our ability to continue to acquire prospective students for our clients' programs;
- our ability to affect or increase student retention in our clients' programs;
- our growth strategy;
- the scalability of our cloud-based SaaS technology;
- our expected expenses in future periods and their relationship to revenue;
- potential changes in regulations applicable to us or our clients; and
- the amount of time that we expect our cash balances and other available financial resources to be sufficient to fund our operations.

You should refer to the risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

2U, Inc.
Condensed Consolidated Balance Sheets
(unaudited, in thousands, except share and per share amounts)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 142,889	$ 168,730
Accounts receivable, net	28,672	7,860
Advances to clients	296	567
Prepaid expenses and other assets	8,855	7,541
Total current assets	180,712	184,698
Property and equipment, net	29,659	15,596
Capitalized technology and content development costs, net	34,263	31,867
Advances to clients, non-current	2,100	2,100
Prepaid expenses, non-current	10,843	7,052
Other non-current assets	3,103	3,007
Total assets	$ 260,680	$ 244,320
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 10,829	$ 3,729
Accrued compensation and related benefits	8,823	16,491
Accrued expenses and other liabilities	19,468	17,712
Deferred revenue	11,719	3,137
Total current liabilities	50,839	41,069
Non-current lease-related liabilities	13,792	7,620
Other non-current liabilities	305	394
Total liabilities	64,936	49,083
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, 0 shares issued and outstanding as of March 31, 2017 and December 31, 2016	—	—
Common stock, $0.001 par value, 200,000,000 shares authorized, 47,346,546 shares issued and outstanding as of March 31, 2017; 47,151,635 shares issued and outstanding as of December 31, 2016	47	47
Additional paid-in capital	375,549	371,455
Accumulated deficit	(179,852)	(176,265)
Total stockholders' equity	195,744	195,237
Total liabilities and stockholders' equity	$ 260,680	$ 244,320

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statements of Operations
(unaudited, in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2017	2016
Revenue	$ 64,829	$ 47,444
Costs and expenses:		
Servicing and support	10,925	9,512
Technology and content development	9,205	7,275
Program marketing and sales	34,670	23,656
General and administrative	13,664	10,447
Total costs and expenses	68,464	50,890
Loss from operations	(3,635)	(3,446)
Other income (expense):		
Interest expense	—	(26)
Interest income	196	92
Total other income (expense)	196	66
Loss before income taxes	(3,439)	(3,380)
Income tax expense	—	—
Net loss	$ (3,439)	$ (3,380)
Net loss per share, basic and diluted	$ (0.07)	$ (0.07)
Weighted-average shares of common stock outstanding, basic and diluted	47,237,341	45,953,082

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(unaudited, in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2016	47,151,635	$ 47	$ 371,455	$ (176,265)	$ 195,237
Cumulative-effect of accounting change (Note 2)	—	—	148	(148)	—
Balance, December 31, 2016, adjusted	47,151,635	47	371,603	(176,413)	195,237
Exercise of stock options	55,337	—	518	—	518
Issuance of common stock in connection with settlement of restricted stock units, net of withholdings	139,574	—	(467)	—	(467)
Stock-based compensation expense	—	—	3,895	—	3,895
Net loss	—	—	—	(3,439)	(3,439)
Balance, March 31, 2017	47,346,546	$ 47	$ 375,549	$ (179,852)	$ 195,744

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities		
Net loss	$ (3,439)	$ (3,380)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,648	2,149
Stock-based compensation expense	3,895	3,544
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(20,812)	(287)
Decrease in advances to clients	271	575
Increase in prepaid expenses and other current assets	(816)	(1,397)
Increase in accounts payable	7,100	1,806
Decrease in accrued compensation and related benefits	(7,668)	(6,459)
Increase in accrued expenses and other liabilities	918	2,299
Increase in deferred revenue	8,582	7,373
Increase in payments to clients	(4,514)	(309)
Decrease in other assets and other liabilities, net	1,236	364
Net cash (used in) provided by operating activities	(11,599)	6,278
Cash flows from investing activities		
Purchases of property and equipment	(9,384)	(345)
Capitalized technology and content development cost expenditures	(4,909)	(3,554)
Other	—	(68)
Net cash used in investing activities	(14,293)	(3,967)
Cash flows from financing activities		
Proceeds from exercise of stock options	518	1,021
Tax withholding payments associated with settlement of restricted stock units	(467)	(182)
Other	—	(169)
Net cash provided by financing activities	51	670
Net (decrease) increase in cash and cash equivalents	(25,841)	2,981
Cash and cash equivalents, beginning of period	168,730	183,729
Cash and cash equivalents, end of period	$ 142,889	$ 186,710

See accompanying notes to condensed consolidated financial statements.

2U, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Description of the Business

2U, Inc. (the "Company") was incorporated as 2Tor Inc. in the State of Delaware in April 2008 and changed its name to 2U, Inc. on October 11, 2012. Under long-term agreements, the Company provides an integrated solution comprised of cloud-based software-as-a-service ("SaaS"), fused with technology-enabled services (together, the "Platform"), that allows leading colleges and universities to deliver high-quality digital degree programs, extending the universities' reach and distinguishing their brands. The Company's SaaS technology consists of (i) a comprehensive learning environment ("Online Campus"), which acts as the hub for all student and faculty academic and social interaction, and (ii) a comprehensive suite of integrated applications, which the Company uses to launch, operate and support the Company's clients' programs. The Company also provides a suite of technology-enabled services optimized with data analysis and machine learning techniques that support the complete lifecycle of a higher education program, including attracting students, advising prospective students through the admissions application process, providing technical, success coaching and other support, facilitating accessibility to individuals with disabilities, and facilitating in-program field placements.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and include the assets, liabilities, results of operations and cash flows of the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain prior period amounts in the condensed consolidated balance sheets and condensed consolidated statements of cash flows have been reclassified to conform to the current period's presentation.

Unaudited Condensed Consolidated Financial Information

The accompanying unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The Company has condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP in the accompanying unaudited condensed consolidated financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of financial position, the results of operations, changes in stockholders' equity and cash flows, and the disclosures made herein are adequate to prevent the information presented from being misleading. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results for the full year ending December 31, 2017 or the results for any future periods. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2016, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 24, 2017.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. On an ongoing basis, the Company evaluates its estimates, including those related to the useful lives of long-lived assets, fair value measurements and income taxes, among others. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

Concentration of Credit Risk

Financial instruments that subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. All of the Company's cash is held at financial institutions that management believes to be of high credit quality. The Company's bank accounts exceed federally insured limits at times. The Company has not experienced any losses on cash to date. To manage accounts receivable risk, the Company maintains an allowance for doubtful accounts, if needed.

During the three months ended March 31, 2017, four clients each accounted for 10% or more of the Company's revenue, as follows: $19.7 million, $11.7 million, $6.8 million and $6.5 million, which equals 30%, 18%, 11% and 10% of total revenue, respectively.

During the three months ended March 31, 2016, three clients each accounted for 10% or more of the Company's revenue, as follows: $17.9 million, $7.8 million and $5.1 million, which equals 38%, 16% and 11% of total revenue, respectively.

As of March 31, 2017, two clients each accounted for 10% or more of the Company's accounts receivable balance, as follows: $19.4 million and $5.8 million, which equals 68% and 20% of total accounts receivable, respectively. As of December 31, 2016, two clients each accounted for 10% or more of the Company's accounts receivable balance, as follows: $5.8 million and $1.4 million, which equals 74% and 17% of total accounts receivable, respectively.

Long-Lived Assets

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Expenditures for major additions, construction and improvements are capitalized. Depreciation and amortization is expensed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years for computer hardware and five to seven years for furniture and office equipment. Leasehold improvements are depreciated on a straight-line basis over the lesser of the remaining term of the leased facility or the estimated useful life of the improvement, which generally ranges from four to 11 years. Useful lives of significant assets are periodically reviewed and adjusted prospectively to reflect the Company's current estimates of the respective assets' expected utility. Repair and maintenance costs are expensed as incurred.

Capitalized Technology and Content Development Costs

The Company capitalizes certain costs related to internal-use software, primarily consisting of direct labor associated with creating the software. Software development projects generally include three stages: the preliminary project stage (all costs are expensed as incurred), the application development stage (certain costs are capitalized and certain costs are expensed as incurred) and the post-implementation/operation stage (all costs are expensed as incurred). Costs capitalized in the application development stage include costs of designing the application, coding, integrating the Company's and the university's networks and systems, and the testing of the software. Capitalization of costs requires judgment in determining when a project has reached the application development stage and the period over which the Company expects to benefit from the use of that software. Once the software is placed in service, these costs are amortized on the straight-line method over the estimated useful life of the software, which is generally three years.

The Company works with each client's faculty members to develop and maintain educational content that is delivered to their students through Online Campus. The online content developed jointly by the Company and its clients consists of subjects chosen and taught by clients' faculty members and incorporates references and examples designed to remain relevant over extended periods of time. Online delivery of the content, combined with live, face-to-face instruction, provides the Company with rapid user feedback that it uses to make ongoing corrections, modifications and improvements to the course content. The Company's clients retain all intellectual property rights to the developed content, although the Company retains the rights to the content packaging and delivery mechanisms.

Much of the Company's new content development uses proven delivery platforms and is therefore primarily subject-specific in nature. As a result, a significant portion of content development costs qualify for capitalization due to the focus of the Company's development efforts on the unique subject matter of the content. Similar to on-campus programs offered by the Company's clients, the digital degree programs enabled by the Company offer numerous courses for each degree. The Company therefore capitalizes its development costs on a course-by-course basis.

The Company develops content on a course-by-course basis in conjunction with the faculty for each client program. The clients and their faculty generally provide course outlines in the form of the curriculum, required textbooks, case studies and other reading materials, as well as presentations that are typically used in the on-campus setting. The Company is then responsible for, and incurs all of the expenses related to, the conversion of the materials provided by each client into a format suitable for delivery through Online Campus.

The content development costs that qualify for capitalization are third-party direct costs, such as videography, editing and other services associated with creating digital content. Additionally, the Company capitalizes internal payroll and payroll-related costs incurred to create and produce videos and other digital content utilized in the clients' programs for delivery via Online Campus. Capitalization ends when content has been fully developed by both the Company and the client, at which time amortization of the capitalized content development costs begins. The capitalized costs are recorded on a course-by-course basis and included in capitalized content costs on the condensed consolidated balance sheets. These costs are amortized using the straight-line method over the estimated useful life of the respective capitalized content program, which is generally five years. The estimated useful life corresponds with the Company's planned curriculum refresh rate.

Evaluation of Long-Lived Assets

The Company reviews long-lived assets, which consist of property and equipment, capitalized technology costs, capitalized content development costs and acquired finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of a long-lived asset is measured by a comparison of the carrying value of an asset or asset group to the future undiscounted net cash flows expected to be generated by that asset or asset group. If such assets are not recoverable, the impairment to be recognized is measured by the amount by which the carrying value of an asset exceeds the estimated fair value (discounted cash flow) of the asset or asset group. In order to assess the recoverability of the capitalized technology and content development costs, the costs are grouped by degree vertical, which is the lowest level of independent cash flows. The Company's impairment analysis is based upon cumulative results and forecasted performance. The actual results could vary from the Company's forecasts, especially in relation to recently launched programs. For the three months ended March 31, 2017 and 2016, no impairment of long-lived assets was deemed to have occurred.

Non-cash investing and financing activities

During the three months ended March 31, 2017, the Company had new capital asset additions of $20.0 million, which was comprised of $11.1 million of leasehold improvements, $4.8 million in capitalized technology and content development costs and $4.1 million of other property and equipment. The $20.0 million increase primarily consisted of $14.3 million in cash capital expenditures and $5.4 million in landlord funded leasehold improvements.

During the three months ended March 31, 2016, the Company had new capital asset additions of $4.4 million, which was primarily comprised of capitalized technology and content development costs. The increase consisted almost entirely of cash capital expenditures.

Revenue Recognition and Deferred Revenue

The Company recognizes revenue when all of the following conditions are met: (i) persuasive evidence of an arrangement exists, (ii) rendering of services is complete, (iii) fees are fixed or determinable and (iv) collection of fees is reasonably assured.

The Company primarily derives its revenue from long-term contracts that typically range from 10 to 15 years in length. Under these contracts, the Company enables access to its Platform to its clients and their faculty and students. The Company is entitled to a contractually specified percentage of net program proceeds from its clients. These net program proceeds represent gross proceeds billed by clients to students, less credit card fees and other specified charges the Company has agreed to exclude in certain of its client contracts.

The Company generates substantially all of its revenue from multiple-deliverable contractual arrangements with its clients. Under each of these arrangements, the Company provides (i) access to Online Campus, which serves as a learning platform for its client's faculty and students and which also enables a comprehensive range of other client functions, (ii) access to operations applications which provide the content management, admissions application processing, customer relationship management, and other functionality necessary to effectively operate the Company's clients' programs and (iii) technology-enabled services that support the complete lifecycle of a higher education program, including attracting students, advising prospective students through the admissions application process, providing technical, success coaching and other support, facilitating accessibility to individuals with disabilities, and facilitating in-program field placements.

In order to treat deliverables in a multiple-deliverable contractual arrangement as separate units of accounting, deliverables must have standalone value upon delivery. The technology-enabled services within the Platform are provided primarily in support of programs delivered through Online Campus, and for students of the programs delivered through Online Campus. Accordingly, the Company has determined that no individual deliverable has standalone value upon delivery and, therefore, deliverables within the Company's multiple-deliverable arrangements do not qualify for treatment as separate units of accounting. Therefore, the Company considers all deliverables to be a single unit of accounting and recognizes revenue from the entire arrangement over the term of the service period.

Advance payments are recorded as deferred revenue until services are delivered or obligations are met, at which time revenue is recognized. Deferred revenue as of a particular balance sheet date represents the excess of amounts received as compared to amounts recognized in revenue in the condensed consolidated statements of operations as of the end of the reporting period, and such amounts are reflected as a current liability on the Company's condensed consolidated balance sheets.

Stock-Based Compensation

The Company accounts for stock-based compensation awards based on the fair value of the award as of the grant date. For awards subject to service-based vesting conditions, the Company recognizes stock-based compensation expense on a straight-line basis over the awards' requisite service period. For awards subject to both performance and service-based vesting conditions, the Company recognizes stock-based compensation expense using an accelerated recognition method when it is probable that the performance condition will be achieved.

See Note 6 for a summary of assumptions used in calculating the fair value of stock options.

Comprehensive Loss

The Company's net loss equals comprehensive loss for all periods presented as the Company has no material components of other comprehensive income.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* . The ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice surrounding how certain transactions are classified in the statement of cash flows. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the effect that this standard will have on its consolidated statements of cash flows and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation —Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* . The ASU simplifies various aspects related to the accounting and presentation of share-based payments. The guidance also allows employers to withhold shares to satisfy minimum statutory withholding requirements up to the employees' maximum individual tax rate without causing the award to be classified as a liability. Additionally, the guidance stipulates that cash paid by an employer to a taxing authority when directly withholding shares for tax withholding purposes should be classified as a financing activity on the statement of cash flows, and allows companies to elect an accounting policy to either estimate the share-based award forfeitures (and expense) or account for forfeitures (and expense) as they occur. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016. The Company adopted this ASU on January 1, 2017. In connection with the adoption of this standard, the Company elected to no longer apply an estimated forfeiture rate and will instead account for forfeitures as they occur. Accordingly, the Company applied the modified retrospective adoption approach, which resulted in a $0.1 million cumulative-effect reduction to retained earnings with an offset to additional paid-in-capital.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* . The ASU introduces a model for lessees requiring most leases to be reported on the balance sheet. Lessor accounting remains substantially similar to current U.S. GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the effect that this ASU will have on its consolidated financial position and related disclosures, and believes that this standard may materially increase its other non-current assets and non-current liabilities on the consolidated balance sheets in order to record right-of-use assets and related liabilities for its existing operating leases.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* . The ASU requires that an entity's management evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments in this ASU are effective for annual reporting periods ending after December 15, 2016. The Company adopted this ASU on January 1, 2017. Adoption of this standard did not have a significant impact on the Company's financial reporting process.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB deferred the mandatory effective date of this ASU by one year from January 1, 2017 to January 1, 2018. Early application is permitted, but not prior to the original effective date of January 1, 2017. Subsequently, the FASB has issued the following standards related to ASU No. 2014-09: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations* ; ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ; ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* ; and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* . The Company must adopt ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12 and ASU No. 2016-20 with ASU No. 2014-09 (collectively, the "new revenue standard"). The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company has engaged an independent third-party to assist with the implementation of the new revenue standard, has completed the review of the Company's contracts portfolio and has continued to make progress with its implementation and assessment of the new revenue standard during the first quarter of 2017. While the Company cannot currently estimate the impact of adopting the new revenue standard, the Company is in the process of reviewing the current accounting policies and practices to identify potential differences that could result from applying the requirements of the new revenue standard to its revenue contracts and expects to complete the assessment effort by the end of the second quarter of 2017. Over the second half of 2017, the Company will complete the quantification of any identified impacts, the evaluation and implementation of any necessary changes to its business processes and controls in order to support revenue recognition and disclosure under the new revenue standard, and the determination of which transition approach will be applied. As part of this effort, the Company will continue to monitor and assess the impact of any changes to the new revenue standard and its interpretations as they become available. The Company will provide additional updates on progress made and further conclusions in its remaining Quarterly Reports on Form 10-Q to be filed in 2017, and adopt the new revenue standard on January 1, 2018.

3. Capitalized Technology and Content Development Costs

Capitalized technology and content development costs consisted of the following as of:

	March 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Capitalized technology costs	$ 13,617	$ (8,520)	$ 5,097	$ 12,988	$ (7,822)	$ 5,166
Capitalized technology costs in process	5,382	—	5,382	4,112	—	4,112
Total capitalized technology costs	18,999	(8,520)	10,479	17,100	(7,822)	9,278
Capitalized content development costs	36,265	(16,778)	19,487	33,353	(15,367)	17,986
Capitalized content development costs in process	4,297	—	4,297	4,603	—	4,603
Total capitalized content development costs	40,562	(16,778)	23,784	37,956	(15,367)	22,589
Capitalized technology and content development costs	$ 59,561	$ (25,298)	$ 34,263	$ 55,056	$ (23,189)	$ 31,867

Amortization expense related to capitalized technology was $0.7 million and $0.5 million for the three months ended March 31, 2017 and 2016, respectively. This expense is included in technology and content development costs in the accompanying condensed consolidated statements of operations.

The Company re corded amortization expense related to capitalized content development costs of $1.7 million and $1.2 million for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, the estimated future amortization expense for the capitalized technology and content development costs placed in service is as follows (in thousands):

2017	$	6,626
2018		7,686
2019		5,650
2020		3,246
2021		1,370
Thereafter		6
Total	$	24,584

4. Commitments and Contingencies

Line of Credit

In March 2017, the Company amended its credit agreement for a revolving line of credit to extend the maturity date through July 31, 2017. No amounts were outstanding under this credit agreement as of March 31, 2017 or December 31, 2016. The Company intends to extend this agreement under comparable terms, prior to expiration.

Certain of the Company's operating lease agreements entered into prior to March 31, 2017 require security deposits in the form of cash or an unconditional, irrevocable letter of credit. As of March 31, 2017, the Company has entered into standby letters of credit totaling $11.5 million, as security deposits for the applicable leased facilities. These letters of credit reduced the aggregate amount the Company may borrow under its revolving line of credit to $13.5 million.

Under this revolving line of credit, the Company has the option of borrowing funds subject to (i) a base rate, which is equal to 1.5% plus the greater of Comerica Bank's prime rate, the federal funds rate plus 1% or the 30 day LIBOR plus 1%, or (ii) LIBOR plus 2.5%. For amounts borrowed under the base rate, the Company may make interest-only payments quarterly, and may prepay such amounts with no penalty. For amounts borrowed under LIBOR, the Company may make interest-only payments in periods of one, two and three months and will be subject to a prepayment penalty if such borrowed amounts are repaid before the end of the interest period.

Borrowings under the line of credit are collateralized by substantially all of the Company's assets. The availability of borrowings under this credit line is subject to compliance with reporting and financial covenants, including, among other things, that the Company achieves specified minimum three-month trailing revenue levels during the term of the agreement and specified minimum six-month trailing profitability levels for some client programs, measured quarterly. In addition, the Company is required to maintain a minimum adjusted quick ratio, which measures short-term liquidity, of at least 1.10 to 1.00. As of March 31, 2017 and December 31, 2016, the Company's adjusted quick ratio was 5.40 and 5.43, respectively.

The covenants under the line of credit also place limitations on the Company's ability to incur additional indebtedness or to prepay permitted indebtedness, grant liens on or security interests in its assets, carry out mergers and acquisitions, dispose of assets, declare, make or pay dividends, make capital expenditures in excess of specified amounts, make investments, loans or advances, enter into transactions with affiliates, amend or modify the terms of material contracts, or change its fiscal year. If the Company is not in compliance with the covenants under the line of credit, after any opportunity to cure such non-compliance, or it otherwise experiences an event of default under the line of credit, the lenders may require repayment in full of all principal and interest outstanding. If the

Company fails to repay such amounts, the lenders could foreclose on the assets pledged as collateral under the line of credit. The Company is currently in compliance with all such covenants.

Legal Contingencies

From time to time, the Company may become involved in legal proceedings or other contingencies in the ordinary course of its business. The Company is not presently involved in any legal proceeding or other contingency that, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business, operating results, financial condition or cash flows. Accordingly, the Company does not believe that there is a reasonable possibility that a material loss exceeding amounts already recognized may have been incurred as of the date of the balance sheets presented herein.

Program Marketing and Sales Commitments

Certain of the agreements entered into between the Company and its clients require the Company to commit to meet certain staffing and spending investment thresholds related to program marketing and sales activities. In addition, certain of the agreements require the Company to invest up to agreed-upon levels in marketing the programs to achieve specified program performance. The Company believes it is currently in compliance with all such commitments.

Operating Leases

The Company leases office facilities under non-cancelable operating leases in Maryland, New York, California, Colorado, North Carolina, Virginia and Hong Kong. In February 2017, the Company signed a lease for new office space in Brooklyn, New York, which is expected to be occupied beginning in 2018 after vacating the current offices in New York City. The lease covers three floors totaling approximately 80,000 square feet and will expire approximately eleven years and nine months after the lease commencement date, which will be no later than July 1, 2017. The Company also leases office equipment under non-cancelable leases.

As of March 31, 2017, the future minimum lease payments were as follows (in thousands):

2017	$	5,677
2018		8,948
2019		11,656
2020		11,561
2021		13,828
Thereafter		97,003
Total future minimum lease payments	$	148,673

The future minimum lease payments due under non-cancelable operating lease arrangements contain fixed rent increases over the term of the lease. Rent expense on these operating leases is recognized over the term of the lease on a straight-line basis. The excess of rent expense over actual lease payments is reported in non-current liabilities in the accompanying condensed consolidated balance sheets. The deferred rent liability related to these leases totaled $3.6 million and $2.5 million as of March 31, 2017 and December 31, 2016, respectively. The Company does not have any subleases as of March 31, 2017.

Total rent expense from non-cancelable operating lease agreements was $1.9 million for the three months ended March 31, 2017, and $1.0 million (net of sublease income of $0.1 million) for the three months ended March 31, 2016.

Fixed Payments to Clients

The Company is contractually obligated to make fixed payments to certain of its clients in exchange for contract extensions and various marketing and other rights. Currently, the future minimum fixed payments to the Company's clients in exchange for contract extensions and various marketing and other rights were as follows (in thousands):

2017	$	1,728
2018		3,875
2019		875
2020		625
2021		625
Thereafter		5,025
Total future fixed payments to clients	$	12,753

Contingent Payments to Clients

The Company has entered into specific program agreements under which it would be obligated to make future minimum program payments to a client in the event that certain program metrics, partially associated with programs not yet launched, are not achieved. Due to the dependency of these calculations on future program launches, the amounts of any associated contingent payments cannot be reasonably estimated at this time. As the Company cannot reasonably estimate the amounts of the contingent payments, and because it believes any contingent payments under this agreement would likely be immaterial, the Company has excluded such payments from the table above.

5. Stockholders' Equity

As of March 31, 2017, the Company was authorized to issue 205,000,000 total shares of capital stock, consisting of 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. At March 31, 2017, the Company had reserved a total of 11,500,002 of its authorized shares of common stock for future issuance as follows:

Outstanding stock options	4,803,073
Possible future issuance under 2014 Equity Incentive Plan	5,452,700
Outstanding restricted stock units	1,244,229
Total shares of common stock reserved for future issuance	11,500,002

The compensation committee of the Company's board of directors, acting under authority delegated from the board of directors, granted in April 2017 option awards to employees to purchase an aggregate of 510,335 shares of common stock at an exercise price of $39.66 and restricted stock unit awards for an aggregate of 447,493 shares of common stock, in each case under the 2014 Equity Incentive Plan (as defined in Note 6 below).

6. Stock-Based Compensation

The Company provides equity-based compensation awards to employees, independent contractors and directors as an effective means for attracting, retaining and motivating such individuals. The Company maintains two share-based compensation plans: the 2014 Equity Incentive Plan (the "2014 Plan") and the 2008 Stock Incentive Plan (the "2008 Plan"). Upon the effective date of the 2014 Plan in January 2014, the Company ceased using the 2008 Plan to grant new equity awards and began using the 2014 Plan for grants of new equity awards.

The number of shares of the Company's common stock that may be issued under the 2014 Plan will automatically increase on January 1st of each year, for a period of ten years, from January 1, 2015 continuing through January 1, 2024, by 5% of the total number of shares of the Company's common stock outstanding on December 31st of the preceding calendar year, or a lesser number of shares as may be determined by the Company's board of directors. The shares available for issuance increased by 2,357,579 and 2,288,820 on January 1, 2017 and 2016, respectively, pursuant to the automatic share reserve increase provision under the 2014 Plan.

Stock-Based Compensation Expense

Stock-based compensation expense related to stock-based awards is included in the following line items in the accompanying condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Servicing and support	$ 695	$ 651
Technology and content development	646	452
Program marketing and sales	342	258
General and administrative	2,212	2,183
Total stock-based compensation expense	$ 3,895	$ 3,544

Stock Options

The following table summarizes the assumptions used for estimating the fair value of the stock options granted for the periods presented.

	Three Months Ended March 31,	
	2017	2016
Risk-free interest rate	2.1%	1.9%
Expected term (years)	6.08	6.08
Expected volatility	49%	50%
Dividend yield	0%	0%

The following is a summary of the stock option activity for the three months ended March 31, 2017:

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding balance at December 31, 2016	4,882,237	$ 10.74	6.30	$ 95,081
Granted	2,839	30.15	9.76	
Exercised	(55,337)	9.37	5.83	
Forfeited	(26,666)	19.92		
Expired	—	—		
Outstanding balance at March 31, 2017	4,803,073	10.72	5.93	139,015
Exercisable at March 31, 2017	3,504,296	6.83	5.11	115,061
Vested and expected to vest at March 31, 2017	4,803,073	10.72	5.93	139,015

The total compensation cost related to the nonvested options not yet recognized as of March 31, 2017 was $11.0 million and will be recognized over a weighted-average period of approximately 2.1 years.

The aggregate intrinsic value of the options exercised during the three months ended March 31, 2017 and 2016 was $1.5 million and $5.3 million, respectively.

Restricted Stock Units

The following is a summary of restricted stock unit activity for the three months ended March 31, 2017:

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
Outstanding balance at December 31, 2016	1,412,934	$ 20.60
Granted	2,875	30.15
Vested	(153,301)	11.50
Forfeited	(18,279)	22.75
Outstanding balance at March 31, 2017	1,244,229	21.71

The total compensation cost related to the nonvested restricted stock units not yet recognized as of March 31, 2017 was $19.2 million and will be recognized over a weighted-average period of approximately 2.3 years.

7. Net Loss per Share

Diluted net loss per share is the same as basic net loss per share for all periods presented because the effects of potentially dilutive items were anti-dilutive, given the Company's net loss. The following securities have been excluded from the calculation of weighted-average shares of common stock outstanding because the effect is anti-dilutive for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
Stock options	4,803,073	5,019,640
Restricted stock units	1,244,229	1,011,375

Basic and diluted net loss per share is calculated as follows:

	Three Months Ended March 31,	
	2017	2016
Numerator (in thousands):		
Net loss	$ (3,439)	$ (3,380)
Denominator:		
Weighted-average shares of common stock outstanding, basic and diluted	47,237,341	45,953,082
Net loss per share, basic and diluted	$ (0.07)	$ (0.07)

8. Segment and Geographic Information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") for purposes of allocating resources and evaluating financial performance. The Company's CODM reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. As such, the Company's operations constitute a single operating segment and one reportable segment. The Company offers similar services to substantially all of its clients, which primarily represent well-recognized nonprofit colleges and universities in the United States. Substantially all assets were held and all revenue was generated in the United States during all periods presented.

9. Subsequent Events

As disclosed in the Company's Current Report on Form 8-K filed on May 2, 2017, the Company's wholly subsidiary K2017143886 South Africa Proprietary Limited ("2U South Africa"), a company duly incorporated and registered in accordance with the laws of South Africa, entered into a share sale agreement (the "Share Sale Agreement"), dated as of May 1, 2017, by and among 2U South Africa, Get Educated International Proprietary Limited, a private company duly incorporated in South Africa ("GetSmarter"), the shareholders of GetSmarter (the "Sellers") and Samuel Edward Paddock, as the sellers' representative.

Under the terms of the Share Sale Agreement, 2U South Africa will acquire all of the outstanding equity interests of GetSmarter (the "Acquisition") for approximately $103 million in cash (the "Purchase Price"), plus a potential earn out payment of up to $20 million, subject to the achievement of certain financial milestones in calendar years 2017 and 2018. Following the completion of the Acquisition, GetSmarter will be a wholly owned subsidiary of 2U South Africa. The Purchase Price is subject to certain purchase price adjustments for cash, indebtedness, transaction expenses and other matters. The Acquisition is expected to close during the third quarter of 2017.

Each of GetSmarter and the Sellers have made customary representations and warranties and covenants in the Share Sale Agreement and certain of the Sellers have agreed to indemnify 2U South Africa and the Company with respect to breaches of representations and warranties of GetSmarter and the Sellers, pre-closing taxes and certain other matters, in each case, subject to limitations. Certain of the Sellers have agreed to customary non-competition and non-solicitation obligations

following closing of the Acquisition.

The Acquisition is subject to customary closing conditions, including certain regulatory approvals and third party consents, absence of any order or laws prohibiting completion of the Acquisition, the absence of a material adverse effect on GetSmarter and the accuracy of each party's representations and warranties (subject to certain qualifications), and each party's material compliance with their respective covenants and agreements contained in the Share Sale Agreement.

Under the terms of the Share Sale Agreement, the Company has agreed to issue restricted stock unit awards over the shares of common stock, par value $0.001 per share, of the Company to certain employees and officers of GetSmarter. The awards will be subject to the 2014 2U, Inc. Equity Incentive Plan and will vest over either a two or four year period following closing of the Acquisition.

The foregoing summary of the Share Sale Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Share Sale Agreement, which is attached hereto as Exhibit 2.1 and incorporated by reference herein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2016. Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions, or the negative of such words or phrases, are intended to identify "forward-looking statements." We have based these forward-looking statements on our current expectations and projections about future events. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Many factors could cause or contribute to these differences, including those discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2016, and our other filings with the Securities and Exchange Commission, or "SEC." Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes for the year ended December 31, 2016, which are included in our Annual Report on Form 10-K filed with the SEC on February 24, 2017.

Overview

We are a leading provider of cloud-based software-as-a-service, or SaaS, technology and technology-enabled services that enable leading nonprofit colleges and universities to deliver their degree programs at scale to students anywhere. Our SaaS technology consists of an innovative online learning environment, where our clients deliver their high-quality educational content to students in a live, intimate and engaging setting. We also provide a comprehensive suite of integrated applications, including a content management system and a customer relationship management system, that serve as the back-end infrastructure of the programs we enable. This technology is fused with technology-enabled services, including student acquisition services, content development services, student and faculty support, clinical placement services, and admissions applications advising services . This suite of technology tightly integrated with technology-enabled services, optimized with data analysis and machine learning techniques, provides a comprehensive set of capabilities that would otherwise require the purchase of multiple, disparate point solutions, and allows our clients' programs to expand and operate at scale, providing the comprehensive infrastructure colleges and universities need to attract, enroll, educate, support and graduate their students.

Our Business Model

The key elements of our business model are described below.

Revenue Drivers and Predictability

Substantially all of our revenue is derived from revenue-share arrangements with our clients, under which we receive a contractually specified percentage of the amounts students pay them in tuition and other fees. Accordingly, the primary driver of our revenue growth is the increase in the number of student course enrollments in our clients' programs. This in turn is influenced primarily by three factors:

- our ability to increase the number of programs offered by our clients, either by adding new clients or by expanding the number of client programs;
- our ability to identify and acquire prospective students for our clients' programs; and
- our ability, and that of our clients, to retain the students who enroll in their programs.

In the near term, we expect the primary drivers of our financial results to continue to be our first two programs with the University of Southern California, which are our longest running programs, which we launched in 2009 and 2010, and our programs with Simmons College, which launched between 2013 and 2016. For the three months ended March 31, 2017 and 2016, 30% and 38%, respectively, of our revenue was derived from the first two University of Southern California programs. For the three months ended March 31, 2017 and 2016, 18% and 16%, respectively, of our revenue was derived from the Simmons College programs. We expect that the first two DGPs with the University of Southern California and our programs with Simmons College will continue to account for a large portion of our revenue even though that portion should decline as other client programs become more mature and achieve higher enrollment levels.

Program Marketing and Sales Expense

Our most significant expense in each fiscal period has been program marketing and sales expense, which relates primarily to student acquisition activities. We have primary responsibility for identifying qualified students for our clients' programs, generating potential student interest in the programs and driving applications to the programs. While our clients make all admissions decisions, the number of students who enroll in our clients' programs in any given period is significantly dependent on the amount we have spent on these student acquisition activities in prior periods. Accordingly, although most of our clients' programs span multiple academic terms and, therefore, generate continued revenue beyond the term in which initial enrollments occur, we expect that we will need to continue to incur significant program marketing and sales expense for existing programs going forward to generate a continuous pipeline of new enrollments. For new programs, we begin incurring program marketing and sales costs as early as nine months prior to the start of a new client program.

We typically identify prospective students for our clients' programs between three months and two or more years before they ultimately enroll. For the students currently enrolled in our clients' programs and those who have graduated, the average time from our initial prospective student acquisition to initial enrollment was approximately seven months. For the students who have graduated from these programs, the average time from initial enrollment to graduation was 22 months. Based on the student retention rates and patterns we have observed in our clients' programs, we estimate that, for our current programs, the average time from a student's initial enrollment to graduation will be approximately two years.

Accordingly, our program marketing and sales expense in any period is an investment we make to generate revenue in future periods. Likewise, revenue generated in any period is largely attributable to the investment made in student acquisition activities in earlier periods. Because program marketing and sales expense in any period is almost entirely unrelated to revenue generated in that period, we do not believe it is meaningful to directly compare the two. We believe that the total revenue we will receive over time related to students who enroll in our clients' programs as a result of current period program marketing and sales expense, will be significantly greater as a multiple of that current period expense than is implied by the multiple of current period revenue to current period program marketing and sales expense as expressed in our financial statements. Further, we believe that our program marketing and sales expense in future periods will generally decline as a percentage of the revenue reported in those same periods as our revenue base from returning students in existing programs increases.

We continually manage our program marketing and sales expense to ensure that across our portfolio of client programs, our cost to acquire students for these programs is appropriate for our business model. We use a ratio of attrition adjusted lifetime revenue of a student, or LTR, to the total cost to acquire that student, or TCA, as the measure of our marketing efficiency and to determine how much we are willing to spend to acquire an additional student for any program. The calculations included in this ratio include certain assumptions. For any period, we know what we spent on program sales and marketing and therefore, can accurately calculate the ratio's denominator. However, given the time lag between when we incur our program marketing and sales expense and when we receive revenue related to students enrolled based on that expense, we have to incorporate forecasts of student enrollments and retention into our calculation of the ratio's numerator, which is our estimate of future revenue related to that period's expense. We use the significant amount of data we have on the effectiveness of various marketing channels, student attrition and other factors to inform our forecasts and are continually testing the assumptions underlying these forecasts against actual results to give us confidence that our forecasts are reasonable. The LTR to TCA ratio may vary from program to program depending on the degree being offered, where that program is in its lifecycle and whether we enable the same or similar degrees at other universities.

Period-to-Period Fluctuations

Our revenue, cash position, accounts receivable and deferred revenue can fluctuate significantly from quarter to quarter due to variations driven by the academic schedules of our clients' programs. These programs generally start classes for new and returning students an average of four times per year. Class starts are not necessarily evenly spaced throughout the year, do not necessarily correspond to the traditional academic calendar and may vary from year to year. As a result, the number of classes our client programs have in session, and therefore the number of students enrolled, will vary from month to month and quarter to quarter, leading to variability in our revenue.

Our clients' programs often have academic terms that straddle two fiscal quarters. Our clients generally pay us when they have billed tuition and specified fees to their students, which is typically early in the academic term, and once the drop/add period has passed. We recognize the related revenue ratably over the course of the academic term, beginning on the first day of classes through the last. Because we generally receive payments from our clients prior to our ability to recognize the majority of those amounts as revenue, we record deferred revenue at each balance sheet date equal to the excess of the amounts we have billed or received from our clients over the amounts we have recognized as revenue as of that date. For these reasons, our cash flows typically vary considerably from quarter to quarter and our cash position, accounts receivable and deferred revenue typically fluctuate between quarterly balance sheet dates.

Our expense levels also fluctuate from quarter to quarter, driven primarily by our program marketing and sales activity. We typically reduce our paid search and other program marketing and sales efforts during late November and December because these efforts are less productive during the holiday season. This generally results in lower total program marketing and sales expense during the fourth quarter. In addition, because we begin spending on program marketing and sales, and, to a lesser extent, services and support as much

as nine months prior to the start of classes for a new client program, these costs as a percentage of revenue fluctuate, sometimes significantly, depending on the timing of new client programs and anticipated program launch dates.

Components of Operating Results and Results of Operations

First Quarter 2017 Highlights

- Revenue was $64.8 million, an increase of 36.6% from $47.4 million in the first quarter of 2016.
- Net loss was $(3.4) million, or $(0.07) per share, compared to $(3.4) million or $(0.07) per share, in the first quarter of 2016.
- Adjusted EBITDA was $3.9 million, compared to $2.2 million in the first quarter of 2016.

Revenue

Substantially all of our revenue consists of a contractually specified percentage of the amounts our clients bill to their students for tuition and fees, less credit card fees and other specified charges we have agreed to exclude in certain of our client contracts, which we refer to as net program proceeds. Most of our contracts have 10 to 15 year initial terms. We recognize revenue ratably over the service period, which we define as the first through the last day of classes for each academic term in a client's program.

We establish a refund allowance for our share of tuition and fees ultimately uncollected by our clients.

In addition to providing access to our SaaS technology, we provide technology-enabled services that support the complete lifecycle of a higher education program, including attracting students, advising prospective students through the admissions application process, providing technical, success coaching and other support, facilitating accessibility to individuals with disabilities and facilitating in-program field placements. We have determined that no individual deliverable has standalone value upon delivery and, therefore, the multiple deliverables within our arrangements do not qualify for treatment as separate units of accounting. Accordingly, we consider all deliverables to be a single unit of accounting and we recognize revenue from the entire arrangement over the term of the service period.

We generally receive payments from our clients early in each academic term, prior to completion of the service period. We record these advance payments as deferred revenue until the services are delivered or until our obligations are otherwise met, at which time we recognize the revenue. As of each balance sheet date, deferred revenue is a current liability and represents the excess amounts we have billed or received over the amounts we have recognized as revenue in the consolidated statements of operations as of that date.

Revenue for the three months ended March 31, 2017 was $64.8 million, an increase of $17.4 million, or 36.6%, from $47.4 million for the same period of 2016. The increase was primarily attributable to a 34.7% increase in period-over-period full course equivalent enrollments in our client programs, from 17,709 for the three months ended March 31, 2016 to 23,857 for the three months ended March 31, 2017. Of the increase in full course equivalent enrollments, 808, or 13.1%, were attributable to client DGPs launched during the 12 months ended March 31, 2017. Also contributing to the increase, adjustments to student refund allowances resulted in higher period-over-period revenues of $0.5 million.

Costs and Expenses

Costs and expenses consist of servicing and support costs, technology and content development costs, program marketing and sales expenses and general and administrative expenses. To support our anticipated growth, we expect to continue to hire new employees (which will increase both our cash and non-cash stock-based compensation costs), increase our program promotion and student acquisition efforts, expand our technology infrastructure and increase our other program support capabilities. As a result, we expect our costs and expenses to increase in absolute dollars, but to decrease as a percentage of revenue over time as we achieve economies of scale through the expansion of our business.

Non-cash stock-based compensation expense is a component of compensation cost within each of the four cost and expense categories described above. In early 2014, the Compensation Committee of our Board of Directors approved a framework for granting equity awards under our 2014 Equity Incentive Plan. Under this framework, the majority of our equity awards are made on or around April 1 of each year and typically have four-year vesting periods. As such, non-cash stock-based compensation expense is expected to continue to increase year-over-year until four years after the initial early-2014 grants.

Servicing and support. Servicing and support expense consists primarily of cash and non-cash stock-based compensation costs related to program management and operations, as well as costs for technical support for our SaaS technology and faculty and student support. It includes costs to facilitate in-program field placements, student immersions and other student enrichment experiences and costs to assist our clients with their state compliance requirements. It also includes software licensing, telecommunications and other costs to provide access to our SaaS technology for our clients and their students.

Servicing and support. Servicing and support costs for the three months ended March 31, 2017 were $10.9 million, an increase of $1.4 million, or 14.9%, from $9.5 million for the same period of 2016. This increase was due primarily to a $1.3 million increase in cash compensation costs as we increased our headcount in this area by 17% to serve a growing number of students and faculty in existing and new client programs. As a percentage of revenue,

servicing and support costs decreased from 20.0% for the three months ended March 31, 2016 to 16.8% for the same period of 2017, as revenue grew at a higher rate than the increase in expense.

Technology and content development. Technology and content development expense consists primarily of cash and non-cash stock-based compensation and outsourced services costs related to the ongoing improvement and maintenance of our SaaS technology, and the developed content for our client programs. It also includes the costs to support our internal infrastructure, including our cloud-based server usage. Additionally, it includes the associated amortization expense related to capitalized technology and content development costs, as well as hosting and other costs associated with maintaining our SaaS technology in a cloud environment.

Technology and content development. Technology and content development costs for the three months ended March 31, 2017 were $9.2 million, an increase of $1.9 million, or 26.5%, from $7.3 million for the same period of 2016. This increase was due primarily to the increased number of courses that have been developed for our client programs, which resulted in higher amortization expense associated with our capitalized technology and content development costs of $0.8 million. Additionally, cash compensation costs (net of amounts capitalized for technology and content development) increased by $0.5 million, as we increased our headcount in this area by 27% to support the launch of new client programs and the scaling of existing programs. The remainder of the increase in technology and content development costs related to cloud-based hosting services, non-cash compensation and travel and related expenses. As a percentage of revenue, technology and content development costs decreased from 15.3% for the three months ended March 31, 2016 to 14.2% for the same period of 2017, as revenue grew at a higher rate than the increase in expense.

Program marketing and sales. Program marketing and sales expense consists primarily of costs related to student acquisition. This includes the cost of online advertising and prospective student generation, as well as cash and non-cash stock-based compensation costs for our program marketing, search engine optimization, marketing analytics and admissions application counseling personnel. We expense all costs related to program marketing and sales as they are incurred.

Program marketing and sales. Program marketing and sales expense for the three months ended March 31, 2017 was $34.7 million, an increase of $11.0 million, or 46.6%, from $23.7 million for the same period of 2016. This increase was due primarily to a $7.7 million increase in direct internet marketing costs to acquire students for our clients' programs. Additionally, cash compensation costs increased by $2.2 million as we increased our headcount in this area by 20% to acquire students for, and drive revenue growth in, new client programs. The remainder of the increase in program marketing and sales expense primarily related to rent expense in connection with our new Maryland headquarters lease, travel and related expenses, non-cash stock-based compensation and other costs to support our programs marketing efforts. As a percentage of revenue, program marketing and sales expense increased from 49.9% for the three months ended March 31, 2016 to 53.5% for the same period of 2017, reflecting a higher year-over-year percentage increase in revenue than the increase in expense.

General and administrative. General and administrative expense consists primarily of cash and non-cash stock-based compensation costs for employees in our executive, administrative, finance and accounting, legal, communications and human resources functions. Additional expenses include external legal, accounting and other professional fees, telecommunications charges and other corporate costs such as insurance and travel that are not related to another function.

General and administrative. General and administrative expense for the three months ended March 31, 2017 was $13.7 million, an increase of $3.3 million, or 30.8%, from $10.4 million for the same period of 2016. This was due primarily to an increase in employee education benefits of $0.9 million and higher cash compensation costs of $0.9 million as we increased our headcount in this area by 25% to support our growing business. Additionally, consulting costs increased by $0.6 million primarily driven by the integration of our enterprise resource planning system, and our depreciation and amortization expense increased by $0.5 million primarily due to placing more fixed assets into service in connection with the commencement of our new Maryland headquarters lease, as well as accelerated depreciation of certain facility-related assets in connection with our headquarters relocation. The remainder of the increase in general and administrative expense primarily related to higher legal, accounting and other professional fees. As a percentage of revenue, general and administrative expense decreased from 22.0% for the three months ended March 31, 2016 to 21.1% for the same period of 2017, reflecting a higher year-over-year percentage increase in revenue than the increase in expense.

Other Income (Expense)

Other income (expense) consists of interest income, interest expense and other expenses. Interest income is derived from interest received on our cash and cash equivalents. Interest expense consists primarily of the amortization of deferred financing costs associated with our line of credit.

Total other income (expense) for the three months ended March 31, 2017 was $0.2 million, an increase of $0.1 million, or 199.1%, from $0.1 million for the same period of 2016. This increase was driven by higher interest income associated with our cash balances.

Income Tax (Expense) Benefit

Income tax expense consists of U.S. federal, state and foreign income taxes. To date, we have not been required to pay U.S. federal income taxes because of our current and accumulated net operating losses. We incurred immaterial state and foreign income tax liabilities for the three months ended March 31, 2017 and 2016.

Consolidated Statements of Operations as a Percentage of Revenue

The following table sets forth selected consolidated statements of operations data as a percentage of revenue for each of the periods indicated.

	Three Months Ended March 31,	
	2017	2016
Revenue	100.0%	100.0%
Costs and expenses:		
Servicing and support	16.8	20.0
Technology and content development	14.2	15.3
Program marketing and sales	53.5	49.9
General and administrative	21.1	22.0
Total costs and expenses	105.6	107.2
Loss from operations	(5.6)	(7.2)
Other income (expense):		
Interest expense	—	(0.1)
Interest income	0.3	0.2
Other	—	—
Total other income (expense)	0.3	0.1
Net loss	(5.3)%	(7.1)%

Key Business and Financial Performance Metrics

We use a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. In addition to adjusted EBITDA, which we discuss below, we discuss revenue and the components of loss from operations in the section above entitled "—Components of Operating Results and Results of Operations." Additionally, we utilize other key metrics to evaluate the success of our growth strategy, including measures we refer to as platform revenue retention rate and full course equivalent enrollments in our clients' programs.

Platform Revenue Retention Rate

We measure our platform revenue retention rate for a particular period by first identifying the group of programs that our clients launched with our solutions before the beginning of the prior year comparative period. We then calculate our platform revenue retention rate by comparing the revenue we recognized for this group of programs in the reporting period to the revenue we recognized for the same group of programs in the prior year comparative period, expressed as a percentage of the revenue we recognized for the group in the prior year comparative period.

The following table sets forth our platform revenue retention rate for the periods presented, as well as the number of programs included in the platform revenue retention rate calculation. For all of these periods, our platform revenue retention rate was greater than 100% because we had no programs terminate and full course equivalent enrollments in the aggregate increased year-over-year. There is no direct correlation between the platform revenue retention rate and the number of programs included in the calculation of that rate. However, there may be a correlation between the platform revenue retention rate and the average maturity of the programs included in the calculation of that rate because newer programs tend to have higher percentage growth rates.

	Three Months Ended March 31,	
	2017	2016
Platform revenue retention rate	131.3%	123.3%
Number of programs included in comparison (1)	17	12

(1) Reflects the number of programs operating both in the reported period and in the prior year comparative period.

Full Course Equivalent Enrollments in Our Clients' Programs

We measure full course equivalent enrollments in our clients' programs by determining, for each of the courses offered during a particular period, the number of students enrolled in that course multiplied by the percentage of the course completed during that period. We use this metric to account for the fact that many courses offered by our clients straddle two or more fiscal quarters. For example, if a course had 25 enrolled students and 40% of the course was completed during a particular period, we would count the course as having 10 full course equivalent enrollments for that period. Any individual student may be enrolled in more than one course during a period.

Average revenue per full course equivalent enrollment represents our weighted-average revenue per course across the mix of courses being offered in our client programs during a period. This number is derived by dividing our total revenue for a period by the number of full course equivalent enrollments during that same period. This amount may vary from period to period depending on the academic calendars of our clients, the relative growth rates of programs with varying tuition levels, the launch of new programs with higher or lower than average net tuition costs and annual tuition increases instituted by our clients. As a part of our growth strategy, we are actively targeting new graduate-level clients in academic disciplines for which we have existing programs. Over time, this strategy is likely to reduce our average revenue per full course equivalent. However, we believe this approach will enable us to leverage our program marketing investments across multiple client programs within specific academic disciplines, significantly decreasing student acquisition costs within those disciplines and more than offsetting any decline in average revenue per full course equivalent enrollment.

The following table sets forth the full course equivalent enrollments and average revenue per full course equivalent enrollment in our clients' DGPs for the periods presented.

	Three Months Ended March 31,	
	2017	2016
Full course equivalent enrollments in our clients' programs	23,857	17,709
Average revenue per full course equivalent enrollment in our clients' programs	$ 2,717	$ 2,679

Adjusted EBITDA

Adjusted EBITDA represents our earnings before net interest (income) expense, income taxes, depreciation and amortization, adjusted to eliminate stock-based compensation expense, which is a non-cash item. Adjusted EBITDA is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA is not a measure calculated in accordance with U.S. GAAP, and should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with U.S. GAAP. In addition, adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate adjusted EBITDA in the same manner as we do. We prepare adjusted EBITDA to eliminate the impact of stock-based compensation expense, which we do not consider indicative of our core operating performance.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect interest or tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider adjusted EBITDA alongside other U.S. GAAP-based financial performance measures, including various cash flow metrics, net income (loss) and our other U.S. GAAP results. The following table presents a reconciliation of net loss to adjusted EBITDA for each of the periods indicated:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Net loss	$ (3,439)	$ (3,380)
Adjustments:		
Interest expense	—	26
Interest income	(196)	(92)
Depreciation and amortization expense	3,648	2,149
Stock-based compensation expense	3,895	3,544
Total adjustments	7,347	5,627
Adjusted EBITDA	$ 3,908	$ 2,247

Liquidity and Capital Resources

Sources of Liquidity

In March 2017, we amended our credit agreement for a revolving line of credit to extend the maturity date through July 31, 2017. No amounts were outstanding under this credit agreement as of March 31, 2017 or December 31, 2016.

Certain of our operating lease agreements entered into prior to March 31, 2017 require security deposits in the form of cash or an unconditional, irrevocable letter of credit. As of March 31, 2017, we have entered into standby letters of credit totaling $11.5 million, as security deposits for the applicable leased facilities. These letters of credit reduced the aggregate amount we may borrow under our revolving line of credit to $13.5 million.

Under this revolving line of credit, we have the option of borrowing funds subject to (i) a base rate, which is equal to 1.5% plus the greater of Comerica Bank's prime rate, the federal funds rate plus 1% or the 30 day LIBOR plus 1%, or (ii) LIBOR plus 2.5%. For amounts borrowed under the base rate, we may make interest-only payments quarterly, and may prepay such amounts with no penalty. For amounts borrowed under LIBOR, we may make interest-only payments in periods of one, two and three months and will be subject to a prepayment penalty if we repay such borrowed amounts before the end of the interest period.

Borrowings under the line of credit are collateralized by substantially all of our assets. The availability of borrowings under this credit line is subject to our compliance with reporting and financial covenants, including, among other things, that we achieve specified minimum three-month trailing revenue levels during the term of the agreement and specified minimum six-month trailing profitability levels for some of our client programs, measured quarterly. In addition, we are required to maintain a minimum adjusted quick ratio, which measures our short-term liquidity, of at least 1.10 to 1.00. As of March 31, 2017 and December 31, 2016, our adjusted quick ratios were 5.40 and 5.43, respectively.

The covenants under the line of credit also place limitations on our ability to incur additional indebtedness or to prepay permitted indebtedness, grant liens on or security interests in our assets, carry out mergers and acquisitions, dispose of assets, declare, make or pay dividends, make capital expenditures in excess of specified amounts, make investments, loans or advances, enter into transactions with our affiliates, amend or modify the terms of our material contracts, or change our fiscal year. If we are not in compliance with the covenants under the line of credit, after any opportunity to cure such non-compliance, or we otherwise experience an event of default under the line of credit, the lenders may require repayment in full of all principal and interest outstanding. If we fail to repay such amounts, the lenders could foreclose on the assets we have pledged as collateral under the line of credit. We are currently in compliance with all such covenants.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Cash (used in) provided by:		
Operating activities	$ (11,599)	$ 6,278
Investing activities	(14,293)	(3,967)
Financing activities	51	670

Operating Activities

For the three months ended March 31, 2017, net cash used in operating activities of $11.6 million consisted of a net loss of $3.4 million and a $15.7 million net cash outflow from changes in working capital, partially offset by $7.5 million in non-cash items. The decrease in cash resulting from changes in working capital consisted of a $20.8 million increase in accounts receivable, a $7.7 million decrease in accrued compensation and related benefits and other changes in working capital of $2.9 million, partially offset by an $8.6 million increase in deferred revenue and a $7.1 million increase in accounts payable. Non-cash items consisted of non-cash stock-based compensation charges of $3.9 million and depreciation and amortization expense of $3.6 million.

For the three months ended March 31, 2016, net cash provided by operating activities of $6.3 million consisted of $5.7 million in noncash items and a $4.0 million net cash inflow from changes in working capital, partially offset by a net loss of $3.4 million. Non-cash items consisted of non-cash stock-based compensation charges of $3.5 million and depreciation and amortization expense of $2.1 million. The increase in cash resulting from changes in working capital consisted of a $7.4 million increase in deferred revenue, a $2.3 million increase in accrued expenses and other liabilities, a $1.8 million increase in accounts payable and a $0.4 million change in other assets and other liabilities. These increases were partially offset by a $6.5 million decrease in accrued compensation and related benefits and a $1.4 million increase in prepaid expenses and other current assets.

Investing Activities

For the three months ended March 31, 2017, net cash used in investing activities of $14.3 million consisted of $9.4 million of purchases of property and equipment, primarily related to leasehold improvement expenditures related to our new office operating leases. Additionally, costs related to internal-use software and content developed to support a greater number of launched programs were $4.9 million.

For the three months ended March 31, 2016, net cash used in investing activities of $4.0 million consisted primarily of costs related to internal-use software and content developed to support a greater number of launched programs.

Financing Activities

For the three months ended March 31, 2017, net cash provided by financing activities was $0.1 million, consisting of $0.5 million of proceeds received from the exercise of stock options, partially offset by $0.4 million of cash used for the payment of employee withholding taxes related to net settlement releases of restricted stock units.

For the three months ended March 31, 2016, net cash provided by financing activities was $0.7 million, consisting of $1.0 million of proceeds received from the exercise of stock options, partially offset by $0.3 million of cash used for the payment of employee withholding taxes related to the release of restricted stock units.

Operating and Capital Expenditure Requirements

During the three months ended March 31, 2017, we had new capital asset additions of $20.0 million, which was comprised of $11.1 million of leasehold improvements, $4.8 million in capitalized technology and content development costs and $4.1 million of other property and equipment. The $20.0 million increase primarily consisted of $14.3 million in cash capital expenditures and $5.4 million in landlord funded leasehold improvements. For the full year of 2017, we expect new capital asset additions of approximately $44 to $49 million, of which approximately $6 to $8 million will be funded by landlord leasehold improvement allowances.

Contractual Obligations and Commitments

We have non-cancelable operating leases for our office space, and we are also contractually obligated to make fixed payments to certain of our university clients in exchange for contract extensions and various marketing and other rights.

We have a $25.0 million line of credit from Comerica Bank (with letters of credit reducing the aggregate amount we may borrow to $13.5 million) and no amounts were outstanding as of March 31, 2017.

See Note 4 in the “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 and “Legal Proceedings” contained in Part II, Item 1 of this Quarterly Report on Form 10-Q for additional information regarding contingencies.

Recent Accounting Pronouncements

Refer to Note 2 in the “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of FASB’s recent accounting pronouncements and their effect on us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to market risk from the information provided in Part II, Item 7A of our Annual Report on Form 10-K, filed with the SEC on February 24, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act and the rules and regulations thereunder. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of March 31, 2017.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2017, we finished the migration our Human Capital Management and payroll systems to a single enterprise resource planning ("ERP") system called Workday. This completed the first of a two-phase ERP system implementation project. The second phase of this implementation project covers the migration of our accounting and financial reporting systems to Workday, which is targeted to occur in the second quarter of 2017. This two-phase ERP system implementation impacts various internal processes and controls for business activities within human resources, payroll and accounting, as well as financial reporting. While the Company believes that this new system and the related changes to internal controls will ultimately strengthen its internal controls over financial reporting, there are inherent risks in implementing any ERP system, and the Company will continue to evaluate and test control changes in order to provide certification on the effectiveness, in all material respects, of its internal controls over financial reporting for the year ending December 31, 2017.

Except for our implementation of Workday as described above, there were no changes in our internal control over financial reporting that occurred during the first quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company has modified and will continue to modify its internal controls relating to its business and financial processes throughout the entire ERP system implementation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to Note 4 in "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

The risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 24, 2017, remain current in all material respects. Those risk factors do not identify all risks that we face . Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of the Document
2.1	Share Sale Agreement, by and among a wholly owned subsidiary of the Registrant, K2017143886 South Africa Proprietary Limited, Get Educated International Proprietary Limited ("Get Educated"), the shareholders of Get Educated, and Samuel Edward Paddock, as the Seller's Representative.
3.1 (1)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2 (2)	Amended and Restated Bylaws of the Registrant.
31.1	Certification of Chief Executive Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer of 2U, Inc. pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer of 2U, Inc. in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36376), filed with the Commission on April 4, 2014, and incorporated by reference herein.

(2) Previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-36376), filed with the Commission on April 4, 2014, and incorporated by reference herein.

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 thereunto duly authorized.

2U, Inc.

May 4, 2017 By: /s/ Christopher J. Paucek
Christopher J. Paucek
Chief Executive Officer

May 4, 2017 By: /s/ Catherine A. Graham
Catherine A. Graham
Chief Financial Officer

Exhibit 2.1

150 west street
sandown sandton johannesburg 2196
p o box 783347 sandton south africa 2146
docex 152 randburg
tel +2711 269 7600 fax +2711 269 7899
info@ensafrica.com ensafrica.com

SHARE SALE AGREEMENT

entered into between

GET EDUCATED INTERNATIONAL PROPRIETARY LIMITED

(Registration No. 2016/324480/07)

and

K2017143886 SOUTH AFRICA PROPRIETARY LIMITED

(Registration No. 2017/143886/07)

and

THOSE PERSONS NAMED IN ANNEXURE G

and

SAMUEL EDWARD PADDOCK

(Identity No. 8110095231089)

and

ROBERT JAMES PADDOCK

(Identity No. 8307235194082)

and

ANTHONY EDWARD GRAHAM SAUNDERS

(Identity No. 7905075139082)

and

CHRISTOPHER MURRAY VELLA

(Identity No. 8110265072081)

and

RYAN MICHAEL O'MAHONEY

(Identity No. 7909285085085)

and

DALE WILLIAMS

(Identity number. 6703275134081)

TABLE OF CONTENTS

1. **INTERPRETATION**

In this Agreement, clause headings are for convenience and shall not be used in its interpretation and, unless the context clearly indicates a contrary intention -

1.1. an expression which denotes -

1.1.1. any gender includes the other genders;

1.1.2. a natural person includes an artificial or juristic person (corporate or unincorporated and including the state) and vice versa; and

1.1.3. the singular includes the plural and vice versa;

1.2. the following expressions shall bear the meanings assigned to them below and cognate expressions bear corresponding meanings -

1.2.1. " **Audited Accounts** " means the signed and audited consolidated balance sheets of the Group as of December 31, 2016 and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the twelve month period ended December 31, 2016, as well as the footnotes to such financial statements as of and for the same period (" **2016 Audited Accounts** ") as well as the signed and audited consolidated balance sheets of the Group as of December 31, 2015 and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the twelve month periods ended December 31, 2015, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same period (" **2015 Audited Accounts** " and together with the 2016 Audited Accounts, the " **Audited Accounts** ") such that all of the preceding are presented in USD, in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP), and audited in accordance with generally accepted auditing standards in the U.S. (as defined by the AICPA);

1.2.2. " **Preliminary Unaudited Accounts** " means (A) (i) the consolidated balance sheets of the Group as of December 31, 2016 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the twelve month period ended December 31, 2016, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods, a copy of which is attached hereto as Annexure C.1

(“ **2016 Preliminary Unaudited Accounts** ”), (B) (i) the consolidated balance sheets of the Group as of December 31, 2015 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for the twelve month period ended December 31, 2015, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods, a copy of which is attached hereto as Annexure C.2 (“ **2015 Preliminary Unaudited Accounts** ”) and (C) (i) the consolidated balance sheets of the Group as of March 31, 2017 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for the three month period ended March 31, 2017, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods, a copy of which is attached hereto as Annexure C.3 (“ **2017 Preliminary Unaudited Accounts** ” and together with the 2016 Unaudited Accounts and the 2015 Unaudited Accounts, the “ **Preliminary Unaudited Accounts** ”), all of which have been prepared in accordance with IFRS in USD, with any exceptions to IFRS identified and quantified, unless otherwise mutually agreed between the Purchaser and the Sellers’ Representative in writing;

1.2.3. “ **Final Unaudited Accounts** ” means (A) (i) the consolidated balance sheets of the Group as of December 31, 2016 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for the twelve month period ended December 31, 2016, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods (“ **2016 Final Unaudited Accounts** ”), (B) (i) the consolidated balance sheets of the Group as of December 31, 2015 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for the twelve month period ended December 31, 2015, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods (“ **2015 Final Unaudited Accounts** ”) and (C) (i) the consolidated balance sheets of the Group as of March 31, 2017 and (ii) the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for the three month period ended March 31, 2017, as well as the footnotes to such financial statements, together with the unconsolidated statements above of each of the members of the Group as of and for the same periods (“ **2017 Final Unaudited Accounts** ” and together

with the 2016 Unaudited Accounts and the 2015 Unaudited Accounts, the " **Final Unaudited Accounts** "), all of which shall be prepared in accordance with IFRS in USD or U.S. GAAP, as mutually agreed between the Purchaser and the Sellers' Representative in writing, and all of which shall be reviewed by the Auditors and shall be confirmed by the Auditors in writing as having been reviewed by them;

1.2.4. " **2017 Preliminary Budget** " means the budget for the Company and the Group for the financial year ending December 31, 2017, a copy of which is attached hereto as Annexure A, which has been prepared in accordance with IFRS in USD, with all exceptions to IFRS identified and quantified;

1.2.5. " **2017 Final Budget** " means the budget for the Company and the Group for the financial year ending December 31, 2017, which shall be prepared in accordance with IFRS in USD or U.S. GAAP, as mutually agreed between the Purchaser and the Sellers' Representative in writing;

1.2.6. " **2018 Budget** " means the budget for the Company and the Group for the financial year ending December 31, 2018, which shall be prepared in accordance with IFRS in USD or U.S. GAAP, as mutually agreed between the Purchaser and the Sellers' Representative in writing;

1.2.7. " **2U** " means 2U, Inc., a company incorporated in the State of Delaware in the U.S., the common shares of which are listed on the NASDAQ;

1.2.8. " **Agreement** " means this agreement and its annexures, as amended from time to time;

1.2.9. **"Anti-corruption Laws** " means laws, regulations or orders relating to anti-bribery or anti-corruption (governmental or commercial), including but not limited to the FCPA and the U.K. Bribery Act 2010, having the force of law, to the extent such laws, regulations or orders apply to the business and dealings of the Company and/or any Group Company;

1.2.10. " **Auditors** " means Grant Thornton Cape Inc. Chartered Accountants (S.A.), the auditors of the Company, or any other independent public registered accounting firm, reasonably acceptable to Purchaser, appointed by the Company after 1 January 2017 to audit the Company's financial statements;

1.2.11. " **Business** " means the business conducted by the Company and the business conducted by each other member of the Group;

1.2.12. " **Business Day** " means any day other than a Saturday, Sunday or official public holiday in South Africa, the United States or the United Kingdom;

1.2.13. " **Cash on Hand** " means all cash and cash equivalents of the Group. "Cash on Hand" shall, for the avoidance of doubt, exclude (i) any deduction, withholding or additional cost (including Tax) payable or incurred on any cash or cash equivalents that at the relevant date (or within thirty-three (33) days thereof) is not capable of being spent, distributed, loaned or released by a Group Company from the jurisdiction in which it is situated on that date, (ii) any cash or cash equivalents received by the Company with respect to repayment of loans among any Group Company and any employee, director, officer or shareholder of any Group Company or from borrowings under the Interim Period Facility, if applicable; (iii) any cash or cash equivalents that are not otherwise readily accessible on that date by the Group (including any cash and cash equivalents designated as restricted cash on the consolidated balance sheet contained in the 2016 Preliminary Unaudited Accounts and/or the Preliminary Management Accounts, any cash securing rent deposits or any other cash held as collateral in respect of obligations to any other party); and (iv) all Tax (A) the liability for which has been incurred prior to the Closing Date or is attributable to such pre-Closing period and/or (B) the liability for which is not reflected in the 2016 Final Unaudited Accounts and/or (C) any Tax payable by any member of the Group arising from or out of the implementation of the Transaction and any steps taken to place any Seller in a position to sell its Sold Shares in terms of this Agreement, and which Tax contemplated in (A), (B) and/or (C) of this definition has not been paid as at the Closing Date (including, to avoid doubt, employee PAYE tax and VAT due for payment within 30 days after the Closing Date);

1.2.14. " **Closing** " means the closing of the Transaction on the Closing Date, as provided for in clauses 7.3 and 7.5;

1.2.15. " **Closing Date** " means the CP Fulfilment Date or such other date as Purchaser and the Sellers' Representative may mutually agree in writing; provided, however, that in no event shall the Closing occur within the last forty-five (45) days of any fiscal quarter of 2U (in which case, the Closing Date shall be deferred to the first Business Day of the next fiscal quarter of 2U), without the prior written consent of 2U;

1.2.16. " **Companies Act** " means the Companies Act, No. 71 of 2008, as amended, and any regulations or rules promulgated thereunder;

1.2.17. " **Company** " means Get Educated International Proprietary Limited (Registration No. 2016/324480/07), a private company duly incorporated in South Africa;

1.2.18. " **Company Representative** " means the Company, any Group Company, or any director, prescribed officer, agent or employee of the Company or any Group Company (in their capacity as such) (individually and collectively);

1.2.19. " **Company Transaction Costs** " means all third party fees, expenses or other costs incurred or contracted for by or on behalf of the Group and/or the Sellers on or before the Closing Date, which are unpaid as of the Closing Date or are payable on or after the Closing Date (excluding fees paid to Grant Thornton LLP after April 1, 2017 and any STT payable with respect to the Transaction), in connection with the Transaction (inclusive of VAT), including, without limitation:

1.2.19.1. the fees of Webber Wentzel from 1 December 2016 in connection with the Transaction;

1.2.19.2. the fees of any broker, financial advisor, legal counsel, or other advisor in respect of the Transaction including, without limitation, with respect to advice received on the structuring of the Transaction); and

1.2.19.3. any compensation payable by any Group Company to any director, officer, employee, agent, consultant or advisor as a result of the transactions contemplated by this Agreement, including any change in control payments, transaction-related bonuses, retention or "stay" bonuses (excluding those contemplated by clause 11.2.2), special or closing bonuses or similar payments;

1.2.20. " **Conditions Precedent** " means the suspensive conditions set out in clause 2.1;

1.2.21. " **Costa** " means Robyn Costa, identity number 8207080106084;

1.2.22. " **Covenantors** " means Samuel Edward Paddock, Robert James Paddock, Anthony Edward Graham Saunders, Ryan Michael O'Mahoney, Dale Williams and Christopher Murray Vella and a reference to "Covenantors" includes a reference to each individually;

1.2.23. " **CP Fulfilment Date** " means the date on which the last of the Conditions Precedent is fulfilled, or waived, as the case may be;

1.2.24. " **Credit Agreement** " means that certain Amended and Restated Revolving Credit Agreement, dated as of December 31, 2013 (as amended, amended and restated, supplemented or otherwise modified from time to time), among 2U and

Comerica Bank, as administrative agent, a lender, issuing lender, and swing line lender, and the other lenders from time to time party thereto;

1.2.25. " **Data Room** " means the electronic data room hosted by Merrill Corporation via their website address http://global.merrillcorp.com/dashboard/home, on an exchange named Project Penguin;

1.2.26. " **Data Room Index** " means the index of the documents listed in the Data Room, a copy of which is attached as Annexure D;

1.2.27. " **DiGame** " means DiGame Africa, company number 137512 C1/GBL and licence number C116015654, a company incorporated in accordance with the laws of the Republic of Mauritius;

1.2.28. " **Earn Out Amount** " means an amount calculated in accordance with Annexure E;

1.2.29. " **ENS Africa** " means Edward Nathan Sonnenbergs Inc, attorneys of ENS House, 1 North Wharf Square, Lower Loop Street, Cape Town;

1.2.30. " **Escrow Agent** " bears the meaning set out in clause 7.4.1;

1.2.31. " **Escrow Agreement** " means the Escrow Agreement in the form attached as Annexure H to be entered into between the Purchaser, the Company, 2U, the Escrow Agent and the Sellers' Representative (on behalf of all the Sellers, save for DiGame, which shall not be bound thereby) and in terms of which the Sellers' Escrow Proportions shall be as set out therein and in terms of which the Escrow Amount shall be payable to the Party/ies to whom it becomes payable, in whole or in part (and which shall contain a provision that the Escrow Agreement shall remain in effect and the Purchaser shall deliver to the Escrow Agent thereunder any portion of the Earn Out Amount which is subject to a dispute in accordance with clause 6.4 and/or concerning a Set Off Amount (as described in Annexure E) until such time as the dispute concerning such Earn Out Amount or any Set Off Amount thereto has been finally determined or settled in accordance with this Agreement);

1.2.32. " **Escrow Amount** " means USD 7,440,000;

1.2.33. " **Fairly Disclosed** " means disclosed in such manner and in such detail as would enable the Purchaser, acting reasonably and in good faith, to identify and to be sufficiently aware of the matter so as fairly to be on notice in respect thereof and thus able to make further inquiries, examinations or assessments as are reasonably necessary to understand the nature and extent of the matter

and its potential impact on the relevant company or relevant asset or liability to which the disclosure relates and to make an informed assessment of the matter concerned and to establish with a reasonable degree of certainty what the consequences thereof would be;

1.2.34. " **FCPA** " means the U.S Foreign Corrupt Practices Act of 1977, as amended;

1.2.35. " **FT** " means the trustees for the time being of The Firebird Trust, Master's reference number IT1883/2012;

1.2.36. " **General Indemnity** " shall bear the meaning ascribed thereto below clause 15.1.9;

1.2.37. " **General Tax Indemnity** " shall bear the meaning ascribed thereto in clause 15.1.10;

1.2.38. " **GetSmarter** " means Get Educated Proprietary Limited, registration number 2013/058758/07, a South African private company incorporated and tax resident in South Africa, trading as "GetSmarter";

1.2.39. " **Governmental Entity** " means (i) any supra-national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), (ii) any quasi-governmental, private body or any other entity exercising any regulatory, executive, legislative, judicial, taxing, or administrative functions of or pertaining to government, (iii) any public international organisation, (iv) any agency, division, bureau, department, or other political subdivision of any government, entity or organisation described in the foregoing clauses (i) or (ii) of this definition, (v) any company, business, enterprise, or other entity owned, in whole or in part, or controlled by any government, entity, organisation, or other person described in the foregoing clauses (i), (ii), (iii) or (iv) of this definition, or (v) any political party;

1.2.40. " **Government Official** " means (i) any official, officer, employee, or representative of, or any person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party or party official or candidate for political office, (iii) a Politically Exposed Person (PEP) as defined by applicable law, rule or regulation; (iv) any member of a royal or ruling family; or (v) any company, business, enterprise or other entity owned, in whole or in part, or controlled by any person described in the foregoing clauses (i), (ii), (iii), or (iv) of this definition;

1.2.41. " **Group** " means the Company and the Subsidiaries;

1.2.42. " **Group Company** " means a company in the Group;

1.2.43. " **GS Online** " means Get Smarter Online Limited, company number 09755054, a private company incorporated and tax resident in England;

1.2.44. " **Hill** " means John Hill, identity number 8806125021081;

1.2.45. " **IAT** " means the trustees for the time being of The Infinite Affluence Trust, Master's reference number IT2996/98;

1.2.46. " **IFRS** " means International Financial Reporting Standards;

1.2.47. " **Income Tax Act** " means the Income Tax Act, 58 of 1962, as amended, and any regulations or rules promulgated thereunder;

1.2.48. " **Indemnifying Sellers** " means each of the Sellers with the exception of DiGame;

1.2.49. " **Indemnifying Sellers' Proportions** " means, with respect to any Indemnifying Seller, a fraction, the numerator of which is (x) the number of Sold Shares held by such Indemnifying Seller and the denominator of which is (y) the aggregate number of issued Shares of the Company minus those Sold Shares sold by DiGame, in each case, on the Closing Date, immediately before the Closing, as set out in the second column of Annexure P;

1.2.50. " **Independent Accountant** " means a suitably qualified independent accountant or accounting firm to be agreed upon by the Sellers' Representative and the Purchaser or, failing agreement within 5 (five) Business Days from the date of a request by either of them for such agreement, as appointed by the president for the time being of the South African Institute of Chartered Accountants;

1.2.51. " **Interim Period** " means the period from the Signature Date up to (and including) the earlier of the Closing Date or the date of termination or rescission of this Agreement in accordance with its terms;

1.2.52. " **Johnson** " means Amy Johnson, identity number 8704230079088;

1.2.53. " **Key Employees** " means the following key employees of the Company and the Group:

1.2.53.1. Samuel Edward Paddock,

1.2.53.2. Robert James Paddock,

1.2.53.3. Anthony Edward Graham Saunders,

1.2.53.4. Amy Johnson,

1.2.53.5. Ryan Michael O'Mahoney,

1.2.53.6. Christopher Murray Vella,

1.2.53.7. John Hill, and

1.2.53.8. Thelma Janse Van Rensburg;

1.2.54. " **Preliminary Management Accounts** " means the unaudited internally prepared monthly consolidated management accounts of the Company and its Subsidiaries, for each complete calendar month between 1 January 2016 and the last day of the calendar month preceding the Signature Date (reflecting the current month in question and, separately and cumulatively, for the financial year which commenced 1 January 2016), all of which shall be prepared in accordance with IFRS in USD, with any exceptions to IFRS identified and quantified;

1.2.55. " **Final Management Accounts** " means the unaudited internally prepared monthly consolidated management accounts of the Company and its Subsidiaries, for each complete calendar month between 1 January 2016 and the last day of the full calendar month thirty (30) days prior to the Closing Date (reflecting the current month in question and, separately and cumulatively, for the financial year which commenced 1 January 2016), all of which shall be prepared in accordance with IFRS in USD or U.S. GAAP, as mutually agreed between the Purchaser and the Sellers' Representative in writing;

1.2.56. " **Material Adverse Effect** " means any event, circumstance, change, occurrence or effect (collectively, " **Events** ") that, individually or in the aggregate with all other Events, (A) are materially adverse to the business, assets, liabilities, prospects, financial condition or results of operations of the Group, taken as a whole, or (B) materially impair or delay the ability of the Company to consummate the transactions contemplated by this Agreement; provided that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: any adverse Event arising from or relating to (i) general business, political or economic conditions, including such conditions related to the business of the Group, (ii) financial, banking or securities markets, including any disruption thereof, any decline in the price of any security or any market index, changes in interest or exchange rates or the availability of credit financing, (iii) changes in applicable law or IFRS or the interpretation thereof, or

(iv) the announcement of the transactions contemplated by this Agreement; provided that with respect to a matter described in any of the foregoing clauses (i) - (iii), such matter shall only be excluded so long as such matter does not have a disproportionate effect on the Group, taken as a whole, relative to other comparable entities operating in the industry in which the Group operates;

1.2.57. " **Material Contract** " means each contract set out in Annexure F;

1.2.58. " **Parties** " means the Company, the Purchaser, the Sellers and the Sellers' Representative, and " **Party** " shall mean any of them as the context may require;

1.2.59. " **PFT** " means the trustees for the time being of The Paddock Family Trust, Master's reference number IT2581/98;

1.2.60. " **Prime Rate** " means in relation to any period, the percentage prime rate of interest ruling from time to time, expressed as a rate per annum, at which the Company's commercial bankers from time to time lends to its customers from time to time during that period, as published by such bankers;

1.2.61. " **PT** " means the trustees for the time being of The Princess Trust, Master's reference number IT1524/2011;

1.2.62. " **Purchase Price** " means the Rand Equivalent of the aggregate amount payable by the Purchaser in respect of the Sold Shares, as determined in accordance with this Agreement;

1.2.63. " **Purchaser** " means K2017143886 South Africa Proprietary Limited (Registration No. 2017/143886/07), a company duly incorporated and registered in accordance with the laws of South Africa;

1.2.64. " **Rand** " means Rand, the official currency of South Africa;

1.2.65. " **Rand Equivalent** " means:

1.2.65.1. in respect of each amount payable by the Purchaser in respect of the Purchase Price (including the Escrow Amount and the Earn Out Amount), an amount quoted in Rand, being the equivalent of the relevant amount of USD converted into Rand by the Purchaser's South African bankers and in the amount so paid by the Purchaser's South African bankers to the Purchaser;

1.2.65.2. in respect of amounts contemplated in this Agreement which are referred to in USD and require conversion into Rand (such as, by way of example only, the amount of Cash on Hand and the amount

of Working Capital), other than those in clause 1.2.65.1, an amount quoted in Rand, being the equivalent of the relevant amount of USD as if it had been converted into Rand by the Purchaser's South African bankers for the date in question at 17h00 on that date using the average of the bid and offer prices then prevailing at such bankers and *vice versa* for amounts in Rand which require conversion into USD;

1.2.65.3. if applicable, in respect of amounts in UK Pounds Sterling (" **GBP** ") as applicable to GS Online, which require conversion into Rand (such as, by way of example only, the amount of Cash on Hand and the amount of Working Capital), an amount quoted in Rand, being the equivalent of the relevant amount of GBP as if it had been converted into Rand by the Purchaser's South African bankers for the date in question at 17h00 on that date using the average of the bid and offer prices then prevailing at such bankers;

1.2.66. " **Related Person** " shall mean an "associate" as defined in the Listings Requirements published by the JSE Limited as at the Signature Date. For the avoidance of doubt and without limitation:

1.2.66.1. Samuel Edward Paddock and his Related Persons are Related Persons in respect of SEPFT;

1.2.66.2. Robert James Paddock and his Related Persons are Related Persons in respect of RJPFT;

1.2.66.3. Amanda Claire Paddock and Graham John Paddock and their Related Persons are Related Persons in respect of PFT;

1.2.66.4. Christopher Murray Vella and his Related Persons are Related Persons in respect of VT;

1.2.66.5. Anthony Edward Graham Saunders and his Related Persons are Related Persons in respect of FT;

1.2.66.6. Ryan Michael O'Mahoney and his Related Persons are Related Persons in respect of PT; and

1.2.66.7. Dale Williams and his Related Persons are Related Persons in respect of IAT;

1.2.67. " **Relevant Parties** " means, for purposes of clause 19 and clause 23, the Purchaser and the Sellers' Representative, each being a " **Relevant Party** ";

1.2.68. " **Required Company Information** " means all customary financial and other pertinent information regarding the Company and the Subsidiaries as Purchaser shall reasonably request during the Interim Period, including (i) information necessary for 2U to prepare a pro forma consolidated balance sheet (statement of financial position) and pro forma consolidated statements of income of 2U and the Company on a combined basis, (ii) any audit reports, and other financial information and financial data, pro forma financial statements and other data and information regarding the Company and the Subsidiaries for the financial periods and of the type and form required by Regulation S-X and Regulation S-K under the Securities Act for registered offerings of securities on Form S-3 (or any successor forms thereto) under the Securities Act, and of the type and form, and for the periods, in each case, as reasonably requested by Purchaser, (iii) the Final Unaudited Accounts, (iv) the Final Management Accounts; (v) the 2017 Final Budget; (vi) the2016 student enrollment data and associated revenue by course by month for each Group Company; (vii), 2017 and 2018 projected student enrollment data and associated revenue by course by month for each Group Company; and (viii) all other data of the Company and the Subsidiaries that would be necessary for independent accountants to provide customary "comfort" (including customary negative assurances) or necessary for 2U to make applicable filings under Regulation S-X and Regulation S-K under the Securities Act;

1.2.69. " **RJPFT** " means the trustees for the time being of The Robert James Paddock Family Trust, master's reference number IT2913/2012;

1.2.70. " **Sale and Subscription Agreement** " means the Sale and Subscription Agreement entered into in writing between SEPFT, RJPFT, PFT, DiGame Africa, GetSmarter and the Company, dated August 5, 2016;

1.2.71. " **Sanctions Laws and Regulations** " means (i) any of the Trading With the Enemy Act, the International Emergency Economic Powers Act, the United Nations Participation Act, or the Syria Accountability and Lebanese Sovereignty Act, all as amended, or regulations of the US Treasury Department Office of Foreign Assets Controls (" **OFAC** "), or any export control law or regulation applicable to US-origin goods, or any enabling legislation or executive order relating to any of the above, as collectively interpreted and applied by the US Government at the prevailing point in time (ii) any U.S. sanctions related to or administered by the US Department of State and (iii) any sanctions measures or

embargos imposed by the United Nations Security Council, Her Majesty's Treasury (UK), the European Union or other relevant sanctions authority;

1.2.72. " **Sanctions Target** " means (i) any country or territory that is the subject of country-wide or territory-wide Sanctions, including, but not limited to, as at the Signature Date, Iran, Cuba, Syria, Sudan and North Korea; (ii) a person or entity that is on the list of Specially Designated Nationals and Blocked Persons published by OFAC or any equivalent list of sanctioned persons issued by the U.S. Department of State; or (iii) a person or entity that is located in or organised under the laws of a country or territory that is identified as the subject of country-wide or territory-wide Sanctions Law and Regulations;

1.2.73. " **Sanctioned Person** " means any person or organisation (i) located within, or doing business or operating from, a country or other territory subject to a general embargo administered by OFAC, (ii) designated on the OFAC list of Specially Designated Nationals or (iii) otherwise targeted under any Sanctions Laws or Regulations, or a person owned or controlled by, or acting as an agent for, any such person or organisation described in sub-clauses (i), (ii) or (iii) above;

1.2.74. " **Sanctioned Territory** " means any country or other territory subject to a general export, import, financial or investment embargo under Sanctions Laws or Regulations;

1.2.75. " **Securities Act** " means the U.S. Securities Act, 1933;

1.2.76. " **Sellers** " means those persons named in the first column of Annexure G;

1.2.77. " **Sellers' Escrow Proportions** " means, with respect to any Seller, a fraction, the numerator of which is (x) the number of Sold Shares held by such Seller and the denominator of which is (y) the aggregate number of issued Shares of the Company, minus those Sold Shares sold by DiGame, in each case, on the Closing Date, immediately before the Closing, as set out in the second column of Annexure I;

1.2.78. " **Sellers' Proportions** " means, with respect to any Seller, a fraction, the numerator of which is the number of Sold Shares held by such Seller and the denominator of which is the aggregate number of issued Shares of the Company, in each case, on the Closing Date, immediately before the Closing, as set out in the second column of Annexure G;

1.2.79. " **Sellers' Representative** " means the duly authorised representative of the Sellers for the purposes set out in this Agreement as set out in clause 20, being Samuel Edward Paddock;

1.2.80. " **SEPFT** " means the trustees for the time being of The Samuel Edward Paddock Family Trust, Master's reference number IT2914/2012;

1.2.81. " **Shareholders' Agreement** " means the agreement entered into in writing between the Company, the Sellers and certain individuals in respect of the Company, dated August 5, 2016;

1.2.82. " **Shares** " means ordinary shares having no par value in the authorised share capital of the Company;

1.2.83. " **Signature Date** " means the date of signature of this Agreement by the last of all of the Parties to do so;

1.2.84. " **Sold Shares** " means the 714,000 ordinary shares of no par value in issue by the Company on the Closing Date, being 100% (one hundred per cent) of the issued shares of the Company;

1.2.85. " **South Africa** " means the Republic of South Africa;

1.2.86. " **STT** " means securities transfer tax;

1.2.87. " **STT Act** " means The Securities Transfer Act, No. 25 of 2007, as amended;

1.2.88. " **Subsidiaries** " means GetSmarter and GS Online;

1.2.89. " **TAA** " means the Tax Administration Act No. 28 of 2011;

1.2.90. " **Target Cash on Hand** " means Cash on Hand in an aggregate amount equal to R20 million;

1.2.91. " **Tax** " means all statutory taxes, including all income tax, capital gains tax, secondary tax on companies (or any similar tax replacing or substituting it), dividend tax, dividend withholding tax, value-added tax, donations tax, Regional Service Council levies, skills development levies, stamp duties, securities transfer tax, transfer duties, mineral royalty, PAYE, unemployment insurance fund contributions, levies, assessments, imposts, deductions, charges and withholdings whatsoever in terms of any tax legislation, and includes all additional tax, penalties and interest payable as a consequence of any failure or delay in paying any taxes, and " **Taxes** " shall have a corresponding meaning;

1.2.92. " **Tax Warranty** " means each of the warranties regarding Tax contained in paragraph 12 of Annexure B and the General Tax Indemnity;

1.2.93. " **Title Warranty** " means each of the specific warranties contained in clause 14.3 and in paragraph 2 of Annexure B, and "Title Warranties" shall mean all of them as the context may require;

1.2.94. " **Transaction** " means the sale of the Sold Shares in terms of this Agreement;

1.2.95. " **Transaction Agreements** " means this Agreement, the 2U Parent Guarantee (attached as Annexure N) and the Escrow Agreement;

1.2.96. " **UK** " means the United Kingdom of Great Britain;

1.2.97. " **US** " means the United States of America;

1.2.98. " **USD** " means United States Dollars, the official currency of the US;

1.2.99. " **Van Rensburg** " means Thelma Janse Van Rensburg, identity number 8701280213088;

1.2.100. " **VAT** " means value added tax in terms of the VAT Act;

1.2.101. " **VAT Act** " means the Value Added Tax Act, 1991;

1.2.102. " **VT** " means the trustees for the time being of The Velflex Trust, Master's reference number IT1323/2015;

1.2.103. " **Warranty Claim** " means any claim or claims by the Purchaser against the Sellers or any of them for or in respect of breach of the warranties in terms of this Agreement, including under the General Indemnity or the General Tax Indemnity;

1.2.104. " **Webber Wentzel** " means Webber Wentzel Attorneys of 15 th Floor, Convention Tower, Heerengracht, Foreshore, Cape Town; and

1.2.105. " **Working Capital** " means the result of the current assets of the Group (aggregated as if they were one legal entity) minus the current liabilities of the Group (aggregated as if they were one legal entity) as at the commencement of business on the Closing Date, comprising each of the line items and taking into account the principles and adjustments set out in Annexure K and no others; and for the avoidance of doubt excluding dividend withholding tax or any other Tax, stamp duty, levy or impost payable upon or as a result of the

implementation of the Transaction Agreements and excluding also Company Transaction Costs;

1.3. if any provision in a definition is a substantive provision conferring a right or imposing an obligation on any Party then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of this Agreement;

1.4. any reference to an enactment is to that enactment as at the Signature Date and as amended or re-enacted from time to time and includes any subordinate legislation made from time to time under such enactment. Any reference to a particular section in an enactment is to that section as at the Signature Date, and as amended or re-enacted from time to time and/or an equivalent measure in an enactment, provided that if as a result of such amendment or re-enactment, the specific requirements of a section referred to in this Agreement are changed, the relevant provision of this agreement shall be read also as if it had been amended as necessary, without the necessity for an actual amendment;

1.5. if any term is defined within the context of any particular clause in this Agreement, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the meaning ascribed to it for all purposes in terms of this Agreement, notwithstanding that that term has not been defined in this interpretation clause;

1.6. where any number of days is to be calculated from a particular day, such number shall be calculated as excluding such particular day and commencing on the next day, and including the last day. If the last day of such number so calculated falls on a day which is not a Business Day, the last day shall be deemed to be the next succeeding day which is a Business Day;

1.7. references to time are to time in South Africa;

1.8. if figures are referred to in numerals and in words and if there is any conflict between the two, the words shall prevail;

1.9. any reference to days (other than a reference to Business Days), months or years shall be a reference to calendar days, months or years, as the case may be;

1.10. expressions defined in this Agreement shall bear the same meanings in schedules or annexures to this Agreement which do not themselves contain their own conflicting definitions;

1.11. the use of any expression in this Agreement covering a process available under South African law such as winding up (without limitation *eiusdem generis*) shall, if any of the

Parties is subject to the law of any other jurisdiction, be construed as including any equivalent or analogous proceedings under the law of such defined jurisdiction;

1.12. the expiration or termination of this Agreement shall not affect such of the provisions of this Agreement as expressly provide that they will operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this;

1.13. any reference in this Agreement to a Party shall include a reference to that Party's assigns expressly permitted under this Agreement and, if such Party is liquidated or sequestrated or placed under Business Rescue in terms of Chapter 6 of the Companies Act, be applicable also to and binding upon that Party's liquidator, trustee or Business Rescue practitioner, as the case may be;

1.14. any reference in this Agreement to any other agreement or document shall be construed as a reference to such other agreement or document as same may have been, or may from time to time be, amended, varied, novated or supplemented;

1.15. the words "other" and "otherwise" shall not be construed *eiusdem generis* with any preceding words if a wider construction is possible;

1.16. the words "include", "including" and "in particular" shall be construed as being by way of example or emphasis only and shall not be construed, nor shall they take effect, as limiting the generality of any preceding word/s; and

1.17. the terms of this Agreement having been negotiated, the *contra proferentem* rule (the rule of construction that a contract shall be interpreted against the party responsible for the drafting or preparation of the contract) shall not be applied in the interpretation of this Agreement.

2. **CONDITIONS PRECEDENT**

2.1. The whole of this Agreement, save for the provisions of this clause 2, clauses 1, 7.1, 7.2, 8.1,11.2.1, 12, 13, 19 and clauses 20 to 33 (both inclusive) which shall be of immediate force and effect on the Signature Date, is subject to the fulfilment (or, where appropriate, waiver) of the following Conditions Precedent by no later than 17h00 on 3 July 2017 or such other date as may be specified in relation to any particular Condition Precedent:

2.1.1. the Sellers' Representative has delivered to the Purchaser a final tax study of the Group prepared by Aronson LLC (which study is currently in process);

2.1.2. since the Signature Date, there shall not have occurred a Material Adverse Effect;

2.1.3. by no later than 17h00 on the fifth (5th) Business Day following the Signature Date, each of the Key Employees enters into a new Executive Employment Agreement substantially in the form attached as Annexure M;

2.1.4. by no later than 17h00 on the thirtieth (30th) Business Day following the Signature Date, each of the consents set forth in Annexure F shall have been obtained from the relevant counterparty and each such consent shall be in full force and effect through the Closing Date;

2.1.5. by no later than 17h00 on the fifteenth (15th) Business Day following the Signature Date, the Escrow Agreement has been entered into in writing by each of the parties thereto;

2.1.6. by no later than 17h00 on June 30, 2017, the Purchaser has received from the Company the Required Company Information;

2.1.7. the Takeover Regulation Panel granting its approval or an unconditional written exemption in terms of section 119(6) of the Companies Act in relation to the sale of the Sold Shares as contemplated in this Agreement;

2.1.8. by no later than 17h00 on June 30, 2017, 2U shall have entered into an effective waiver, consent, amendment, or other modification of or to the provisions of the Credit Agreement to permit (i) the Transaction and (ii) any other transactions contemplated by this Agreement;

2.1.9. by no later than 17h00 on the fifteenth (15th) Business Day after the Signature Date, 2U providing an irrevocable guarantee to and in favour of the Sellers, in the form attached hereto as Annexure N, to the Sellers' Representative and an authorised dealer and/or authorised bank (as authorised by the Foreign Surveillance Department of the South African Reserve Bank) appointed by the Purchaser for purposes of obtaining the approval referred to in clause 2.1.10.2;

2.1.10. the authorised dealer and/or authorised bank (as authorised by the Foreign Surveillance Department of the South African Reserve Bank) appointed by the Purchaser for this purpose confirms in writing to the Purchaser:

2.1.10.1. in respect of the share certificate in the name of DiGame, reflecting DiGame as the owner of 142 800 Sold Shares, such authorised bank shall cancel the "non-resident" endorsement thereon on the Closing Date as a result of the Transaction; and

2.1.10.2. either that the furnishing by 2U of the guarantee referred to in clause 2.1.9 does not require approval under South African

exchange control laws, regulations, policies or practice or that, if it does require such approval, such approval is granted.

2.2. Forthwith after the Signature Date, the Parties shall use their respective reasonable commercial endeavours and co-operate in good faith to procure, to the extent that it is within their power to do so, the fulfilment of all of the Conditions Precedent, as expeditiously as reasonably possible with a view to achieving the fulfilment of all of the Conditions Precedent as soon as reasonably possible, irrespective of the date specified for their fulfilment.

2.3. The Conditions Precedent set out in clauses 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.6, 2.1.8 and 2.1.10 have been inserted for the benefit of the Purchaser which will be entitled at its sole discretion to waive any one or more or all of such Conditions Precedent (in whole or in part, as elected by the Purchaser) prior to the expiry of the relevant time period set out in clause 2.1 (or such extended time period as may be agreed in writing between the Sellers' Representative and the Purchaser in accordance with clause 2.7).

2.4. The Condition Precedent set out in clause 2.1.9 has been inserted for the benefit of the Sellers which will be entitled to waive such Condition Precedent prior to the expiry of the relevant time period set out in clause 2.1 (or such extended time period as may be agreed in writing between the Sellers' Representative and the Purchaser in accordance with clause 2.7).

2.5. The Condition Precedent set out in clause 2.1.5 has been inserted for the benefit of the Sellers and the Purchaser, who will be entitled by agreement between the Sellers' Representative and the Purchaser in writing to waive such Condition Precedent prior to the expiry of the relevant time period set out in clause 2.1 (or such extended time period as may be agreed in writing between the Sellers' Representative and the Purchaser in accordance with clause 2.7).

2.6. The Condition Precedent in clause 2.1.7 may not be waived.

2.7. Unless the Conditions Precedent have been fulfilled or waived by not later than the relevant dates for fulfilment thereof (or such later date or dates as may be agreed in writing between the Sellers' Representative and the Purchaser on or before the aforesaid date or dates), the provisions of this Agreement save for this clause 2, clauses 1, 7.1, 7.2, 8.1,11.2.1, 12, 13, 19 and clauses 20 to 33 (both inclusive) which will remain of full force and effect, will never become of any force or effect and the *status quo ante* will be restored as near as may be possible and none of the Parties will have any claim against any other in terms hereof or arising from the failure of the Conditions Precedent, save for any claims arising from a breach of clause 2.2 and/or any prior breach of any of the provisions of this Agreement which became effective on the Signature Date.

2.8. The Mutual Non-Disclosure Agreement entered into between 2U and the Company on or about 2 September 2016 shall continue to apply according to its terms and is in no way affected by this Agreement. In addition, the Purchaser shall have the same obligations in terms thereof as those of 2U and the Sellers shall have the same obligations in terms thereof as those of the Company.

2.9. Each of the Sellers jointly in the Sellers' Proportions (and not jointly and severally) give the Purchaser, in addition to the warranties set out in clauses 14.1, 14.2 and 14.3 and the warranties set out in Annexure B, the following warranties, namely that on the Signature Date:

2.9.1. the Sellers (in their capacities as shareholders of the Company) and the board of directors of the Company have each passed resolutions electing (in the case of the Sellers) the following persons as directors of the Company and accepting their appointment (in the case of the board of directors of the Company), with effect from the date and time upon which this Agreement, having become unconditional, is implemented and the Purchaser is entered into the securities register of the Company as the holder of the Sold Shares at the Closing, namely Susan Cates and Matthew Norden, true copies of which have been furnished to the Purchaser;

2.9.2. each of the Sellers and the boards of directors of each of the Group Companies have passed all such resolutions and obtained all such consents as may be necessary or required for purposes of the provisions of clauses 3.1, 3.2, 3.3 and 3.4 being of full force and effect from the Closing Date;

2.9.3. the shareholders and the boards of directors of the Company and each member of the Group have each passed all such resolutions and obtained all necessary consents as may be necessary or required in terms of the memorandum of incorporation (or equivalent constitutional document) of each member of the Group and the Shareholders' Agreement in order to make this Agreement binding on the Sellers in all respects according to its terms;

2.9.4. the shareholders of the Company have passed special resolutions in terms of sections 44 and 45 of the Companies Act, approving any financial assistance by the Company in terms of this Agreement and as contemplated by those sections for purposes of the Transaction (including to enable the Company to fund GetSmarter for purposes of clauses 11.2 and 11.3 and for the payment of Company Transaction Costs payable by the Company);

2.9.5. with effect from the Closing Date, all delegations of authority by the boards of directors of each member of the Group have been fully revoked; and

2.9.6. the trustees of each Seller which is a trust have approved the terms of this Agreement and the Escrow Agreement and confirmed the authority of the person who signs this Agreement and the Escrow Agreement for such Seller.

3. **TERMINATION OF THE SHAREHOLDERS' AGREEMENT, SALE AND SUBSCRIPTION AGREEMENT AND CALL OPTIONS**

3.1. The Sellers, GetSmarter and the Company (as well as the other signatories thereto) hereby terminate the Shareholders' Agreement, and the parties to the Sale and Subscription Agreement (the Company agreeing for itself and for and on behalf of GetSmarter) hereby terminate the Sale and Subscription Agreement (solely with respect to the warranties, representations and undertakings that survived the date of the Closing Meeting, as defined in the Sale and Subscription Agreement), in each case, effective as of the Closing Date, and the Sellers waive all and any claims against the Company which any one or more or all of them may have, with effect from the Closing Date.

3.2. Each of the Sellers waives all and any pre-emptive and similar rights which it may have to purchase any of the Sold Shares, whether in terms of the Shareholders' Agreement or the Company's memorandum of incorporation or otherwise.

3.3. The Company waives all and any pre-emptive and similar rights which it may have to acquire any of the Sold Shares, whether in terms of the Shareholders' Agreement or the Company's memorandum of incorporation or otherwise.

3.4. Each Seller which holds a call option over any Sold Shares held by any other Seller/s agrees that in the Interim Period it shall not be entitled to exercise such call option and that each such call option lapses in its entirety on the Closing Date.

4. **MERGER NOTIFICATION**

It is recorded that the Transaction will not result in an acquisition of control as contemplated by Chapter 3 of the Competition Act, 1998 which will require the approval of the Competition Commission or the Competition Tribunal prior to the Transaction being implemented.

5. **SALE OF THE SOLD SHARES**

5.1. The Purchaser agrees to purchase (and take cession of all rights in and to) the Sold Shares at the Purchase Price and the Sellers agree to sell and cede all rights in and to the Sold Shares to the Purchaser on the Closing Date against payment of the portion of the Purchase Price due and payable on the Closing Date in accordance with clauses 6 and 7. The Purchaser purchases the Sold Shares as one indivisible transaction and shall not be required to complete the purchase unless 100% (one hundred per cent) of the issued shares in the Company are sold, ceded and transferred to it on the Closing Date at the Closing.

5.2. Notwithstanding the Signature Date, the Sold Shares are sold with effect from the Closing Date against payment of the Purchase Price due and payable on the Closing Date in accordance with clauses 6 and 7, from which date all risk in and benefits attaching to them shall be deemed to have passed to the Purchaser.

6. **PURCHASE PRICE**

6.1. The aggregate amount payable by the Purchaser in respect of the Sold Shares (" **Purchase Price** ") shall be the sum of the amounts determined in terms of clause 6.2 (as may be adjusted in accordance with clause 9) and clause 6.4.

6.2. The portion of the Purchase Price determined on the Closing Date shall be an amount calculated as follows:

6.2.1. the Rand Equivalent of USD 103,000,000 (one hundred three million USD); less

6.2.2. any Company Transaction Costs (inclusive of VAT) incurred on or before Closing which are payable on or after the Closing Date; less

6.2.3. the amount by which Cash on Hand as of the close of business on the Business Day immediately prior to the Closing is less than the Target Cash on Hand; less

6.2.4. if applicable, an amount equal to the amount due in terms of clause 12.11.1; less

6.2.5. the amount, in aggregate, paid by the Purchaser to the Company on the Closing Date in terms of clause 8; less

6.2.6. the amount, in aggregate, paid by the Purchaser to the Company on the Closing Date in terms of clauses 11.2.2 and 11.3.

6.3. The Purchase Price shall be paid in accordance with clause 7.

6.4. In addition to the Purchase Price determined in accordance with clause 6.2, in respect of each of the years ended on each of December 31, 2017 and December 31, 2018, an amount equal to the Rand Equivalent of the applicable Earn Out Amount, if any, shall become payable by the Purchaser to the Sellers, as determined in terms of Annexure E, in respect of the Sold Shares, which amount shall be quantified with reference to the audited financial statements of the Group and shall be payable not later than 30 (thirty) days after the audit of the Group for the year in question has been completed and the audited financial statements signed by the auditors. Any Earn Out Amount paid by the Purchaser to the Sellers shall constitute an increase in the Purchase Price paid by the Purchaser for the Sold Shares as of the Closing Date. In accordance with clause 9.3 and Annexure E, the Earn Out Amount or any part thereof may be set off by Purchaser against any amount which any

Seller/s may owe to the Purchaser as a result of any claim by the Purchaser in terms of this Agreement which has not been settled in full from the Escrow Amount or by the Sellers directly in cash. If any dispute arises between the Sellers' Representative and the Purchaser concerning the Purchaser's set off of any Earn Out Amount (or portion thereof) against any amount the Purchaser alleges is owed to it by the Sellers, notwithstanding anything to the contrary herein, the Purchaser shall deliver eighty percent (80%) of such portion of any Earn Out Amount in dispute to the Escrow Agent to be held in accordance with the Escrow Agreement, pending a written agreement of the Parties resolving such dispute or a final determination of such dispute in accordance with this Agreement. Any payment which may become due to the Sellers from such amounts held pursuant to the terms of the Escrow Agreement shall be payable only to the Sellers excluding DiGame (which shall not be entitled to payment of any amount from the Escrow Agreement in any circumstance) in accordance with each of the Sellers' respective Sellers' Escrow Proportion. The remaining balance of such portion of any Earn Out Amount in dispute shall be retained by the Purchaser and shall be payable to DiGame only to the extent all or any portion of such amount is finally determined to be payable to DiGame in accordance with a written agreement of the Parties resolving such dispute or a final determination of such dispute in accordance with this Agreement.

6.5. The Purchaser and the Company shall, until 31 December 2018 (" **Earn Out Protection Period** "), ensure that the business of the Company is conducted in accordance with the final paragraph of Annexure E.

7. **CLOSING**

7.1. The Sellers' Representative shall, not later than five (5) Business Days prior to the Closing Date, provide to the Purchaser a written statement prepared (in good faith with reasonably supporting documentation) (in accordance with the form attached as Annexure L) (the " **Estimated Closing Statement** ") setting out:

7.1.1. the calculation of the Purchase Price in accordance with clause 6.2;

7.1.2. a true and complete schedule of the Company Transaction Costs, with a detailed breakdown and itemisation of their composition and amounts and the persons to which such amounts are due;

7.1.3. the Cash on Hand as of the close of business on the Business Day prior to the Closing Date;

7.1.4. the Working Capital as of the close of business on the Business Day prior to the Closing Date; and

7.1.5. the amounts to be paid to the Company in accordance with clause 8;

7.1.6. the amount of unpaid Tax (other than STT) payable by any member of the Group after the Closing Date, the liability for which arose or accrued on or prior to the Closing Date, separately itemising each category of tax in a different line item (by way of example only and without limitation, one line item for PAYE for employees, one line item for VAT, one line item for skills development levies, etc).

The Estimated Closing Statement shall be based upon the Final 2016 Unaudited Accounts and Final Management Accounts for the Interim Period and the books and records of the Group during the Interim Period. The content of the Estimated Closing Statement and the components thereof shall be reasonably acceptable to Purchaser. The Company shall provide reasonable access to the appropriate personnel and financial books and records of the Group and its representatives, as well as any additional relevant information and work papers as the Purchaser may reasonably request, to enable the Purchaser to properly evaluate the Estimated Closing Statement.

7.2. If the Purchaser disputes the portion of the Purchase Price referred to in clause 6.2 as reflected in the Estimated Closing Statement and/or the basis of calculation of any one or more components thereof in writing by notice to the Sellers' Representative, the dispute shall be resolved or determined in accordance with clauses 9 and 19 after the Closing Date, unless the amount in dispute exceeds R5,000,000 (five million rand) and concerns a matter referred to in clause 7.1.3 or clause 7.1.4, in which case the Closing Date shall be deferred to the first Business Day following resolution and/or determination of such dispute; provided that the Closing shall not occur within the last forty-five (45) days of any fiscal quarter of 2U (in which case, the Closing Date shall be deferred to the first Business Day of the next fiscal quarter of 2U). If the Purchaser does not dispute same before the Closing, such failure to raise a dispute shall in no way affect the Purchaser's right to raise a dispute after the Closing and/or to claim any amount from the Sellers in terms of this Agreement.

7.3. At 09h00 on the Closing Date, the Purchaser shall, subject to clause 7.6, pay to ENS Africa the portion of the Purchase Price referred to in clause 6.2, less the Escrow Amount which shall be paid to the Escrow Agent in accordance with clause 7.4, in such a manner that the payment shall immediately reflect in ENS Africa's designated bank account on the Closing Day, for distribution by ENS Africa of the amount received by ENS Africa to Webber Wentzel, with Webber Wentzel to distribute same to the Sellers. Webber Wentzel shall on the Closing Date distribute the Purchase Price referred to in clause 6.2, as received by Webber Wentzel from ENS Africa as follows:

7.3.1. an amount equal to twenty percent (20%) of the portion of the Purchase Price determined on the Closing Date in accordance with clause 6.2 shall be paid to DiGame; and

7.3.2. the remaining portion of the amount received by Webber Wentzel from ENS Africa on the Closing Date in accordance with clause 7.3, shall be delivered to the Sellers (other than DiGame), in accordance with their respective Sellers' Escrow Proportions.

For all purposes of this Agreement, payment of any amount by the Purchaser to ENS Africa and by ENS Africa to Webber Wentzel in terms of this Agreement shall fully and finally discharge the obligation of the Purchaser to make payment of such amount to the Sellers for all purposes of this Agreement. Neither the Purchaser nor ENS Africa shall be responsible for the payment by Webber Wentzel of any amount received by Webber Wentzel from ENS Africa to any Seller, nor shall it be liable for any non-payment or late payment by Webber Wentzel. The Sellers and Webber Wentzel are responsible for ensuring that all amounts paid by the Purchaser to ENS Africa and by ENS Africa to Webber Wentzel in terms of this Agreement are allocated between the Sellers, and neither the Purchaser nor ENS Africa shall have any liability in this regard.

7.4. Escrow Amount

7.4.1. On the Closing Date (the " **Escrow Payment Date** "), the Purchaser shall cause to be delivered to a separate account with Delaware Trust Company (the " **Escrow Agent** " and such account, the " **Escrow Account** ") the Escrow Amount in accordance with the terms of the Escrow Agreement. Such amount shall be held pursuant to the terms of the Escrow Agreement and shall be available to satisfy any obligations of the Sellers (other than DiGame) in respect of (i) any adjustments to the Purchase Price hereunder, and (ii) any indemnification obligations and any claims for breach of any warranty of the Sellers (other than DiGame) under this Agreement. 2U shall pay all fees and expenses of the Escrow Agent.

7.4.2. Notwithstanding anything to the contrary contained in this Agreement, if the Purchaser intends to set-off or deduct amounts due and payable to the Purchaser, in terms of this Agreement, from any portion of (i) the Escrow Amount and/or (ii) the Earn Out Amount, and the Sellers' Representative disputes such set-off or deduction, then such disputed amount shall be placed with the Escrow Agent in accordance with clause 6.4..

7.4.3. Subject to the terms and conditions of this Agreement and the Escrow Agreement, (i) fifty percent (50%) of any amounts remaining in the Escrow Account on the twelve (12) month anniversary of the Closing Date and (ii) any amounts remaining in the Escrow Account on the eighteen (18) month anniversary of the Closing Date (each such date, an " **Escrow Release Date** "), which are not reserved for the payment of, or otherwise subject to, any claim for

adjustment to the Purchase Price, indemnification, claim for breach of warranty hereunder or disputed right to set off hereunder (the " **Escrow Release Amount** "), shall be released for benefit of the Sellers (other than DiGame) no later than the fifteenth (15th) Business Day following such Escrow Release Date (each, an " **Escrow Payment Date** "). On each Escrow Payment Date, the Escrow Agent shall deliver the applicable Escrow Release Amount on behalf of the Purchaser to ENS Africa, for payment by ENS Africa to Webber Wentzel and for distribution by Webber Wentzel to the Sellers (other than DiGame) pro rata in accordance with their respective Sellers' Escrow Proportions.

7.4.4. For all purposes of this Agreement, DiGame shall not be a party to the Escrow Agreement and shall not be entitled to receive any portion of the Escrow Amount or any other amounts payable to Sellers in terms of the Escrow Agreement.

7.4.5. If any amount becomes payable to the Purchaser from the Escrow Amount or any other amount held in terms of the Escrow Agreement in terms of this Agreement, such amount shall have been released on behalf of the Sellers, excluding DiGame, in the Sellers' respective Sellers' Escrow Proportions.

7.5. At 09h00 on the Closing Date, the Purchaser (or its representatives) and the Sellers' Representative shall meet at the head offices of the Company or such other venue as the Company, the Sellers' Representative and the Purchaser shall agree in writing, at which meeting, against receipt of payment of the Purchase Price in accordance with clause 7.3:

7.5.1. the Sellers' Representative (for and on behalf of all the Sellers) and the representatives of the Purchaser shall confirm in writing that all of the Conditions Precedent have been fulfilled or waived, as the case may be, and that the Agreement has become unconditional;

7.5.2. the Sellers' Representative shall deliver to the Purchaser the confirmation by each Seller, in writing, that the representations and warranties contained in this Agreement (subject to clause 14.6) were true and correct on and as of the Signature Date and are true and correct on and as of the Closing Date, dated on and as of the Closing Date (disregarding any "Material Adverse Effect" or similar materiality qualification therein), except that representations and warranties that are made as of a specific date are true and correct only as of such date;

7.5.3. the Sellers' Representative shall (and the Sellers shall procure that the Sellers' Representative shall) against payment of that portion of the Purchase Price due

and payable on the Closing Date in accordance with clauses 6 and 7 by the Purchaser in terms of clause 7.3, immediately deliver to the Purchaser:

7.5.3.1. the share certificates in respect of all of the Sold Shares (including that of DiGame, with its non-resident endorsement cancelled), together with declarations for the transfer thereof in blank as to transferee, duly signed by the respective Sellers of such Sold Shares as of the Closing Date and otherwise complying with the provisions of the Company's memorandum of incorporation and the STT Act, each of the Sellers and the Company acknowledging and agreeing that this Agreement constitutes a proper instrument of transfer for purposes of the requirements of the Company's memorandum of incorporation;

7.5.3.2. a certified copy of a resolution passed:

7.5.3.2.1. by the directors of the Company approving of the transfer of the Sold Shares to the Purchaser;

7.5.3.2.2. by the Sellers (in their capacities as shareholders of the Company) and the directors of the Company and of the Subsidiaries electing (in the case of the Sellers) the Purchaser's nominee/s named in clause 2.9.1 as directors of the Company and accepting their appointment (in the case of the board of directors of the Company and the Subsidiaries), with effect from Closing;

7.5.3.3. such other documents as are necessary in order to enable the Purchaser to procure the registration of the Sold Shares into its name;

7.5.3.4. an updated securities register of the Company to reflect the transfer of the Sold Shares and that the Purchaser is the holder of 100% (one hundred per cent) of the issued shares of the Company; and

7.5.3.5. deliver a new share certificate to the Purchaser reflecting the Purchaser as the holder of the Sold Shares; and

7.5.4. the Sellers shall deliver to the Purchaser the resignation letters of each of the directors of the Company and the Subsidiaries in office as of the Closing Date, namely Samuel Edward Paddock, Robert James Paddock and Samer Salty, in which they acknowledge and agree they have no claims against the relevant

Group Company as a result of such resignation and which resignations shall become effective immediately upon the date and time upon which the persons named in clause 2.9.1 have had their appointment as directors confirmed by the then existing board of directors.

7.6. Notwithstanding clause 7.5 and notwithstanding anything to the contrary contained anywhere else in this Agreement, if at the meeting referred to in clause 7.5 the Purchaser does not receive from the Sellers' Representative the written confirmation referred to in clause 7.5.2, signed by each Seller individually, the Purchaser shall be entitled to cancel this Agreement with immediate effect and without the requirement to give notice, in which case the Purchaser shall —

7.6.1. have no obligation, on the Closing Date or at any time thereafter, to make payment of any amount whatsoever to the Sellers, ENS Africa, Webber Wentzel, the Company or any other person, as contemplated in clause 7.3 or in any other provision of this Agreement, or for any other cause or reason whatsoever and shall not be, or be deemed to be, in breach of this Agreement if it fails to make any such payment;

7.6.2. have no liability or obligation of any nature to any of the Sellers for any reason whatsoever, whether arising in terms of or out of this Agreement or otherwise.

7.7. The Parties shall perform all such other reasonable acts as may be necessary or required to facilitate the implementation of the Transaction on the Closing Date.

7.8. All payments by the Purchaser to ENS Africa shall be made into the South African bank account nominated in writing by ENS Africa for this purpose not less than 10 (ten) Business Days before the Closing.

7.9. The Parties agree that the sale of the Sold Shares is one indivisible sale. If the sale of the Sold Shares is not implemented in full on the Closing Date, the Purchaser shall have the right, on written notice to the Sellers' Representative, to cancel this Agreement forthwith, without prejudice to its right to claim damages. Similarly, all payments by ENS Africa to Webber Wentzel shall be made into the South African bank account nominated in writing by Webber Wentzel for this purpose not less than 10 (ten) Business Days before the Closing.

8. **SHAREHOLDER LOANS**

8.1. Not less than five (5) Business Days prior to the Closing Date, the Company shall notify the Purchaser in writing of the amount of the outstanding loans among any Group Company and any Seller (" **Indebted Seller** ") and the amount owed by each Indebted Seller individually to each Group Company, specifying which Group Company. The aggregate amount owed by

the Indebted Sellers for purposes hereof shall not exceed R10,500,000 (ten million five hundred thousand Rand).

8.2. On or prior to the Closing Date, each Indebted Seller, individually, shall make payment of the amount owed by it to the Company. The Purchaser shall be entitled, in its sole discretion, to make payment of such amounts directly to the Company on behalf of each Indebted Seller if they do not do so themselves on or prior to the Closing Date. If the Purchaser does so, the amounts so paid by the Purchaser in terms hereof shall constitute payment by the Purchaser to the Company, on behalf of each Indebted Seller, of the amount owed by each Indebted Seller to the Company as notified to the Purchaser in terms of clause 8.1 and shall simultaneously constitute —

8.2.1. partial payment by the Purchaser to the Indebted Seller concerned of a portion of the Purchase Price due to such Indebted Seller on the Closing Date; and

8.2.2. payment by the Indebted Seller concerned of the amount owed by it to the Company (or other Group Company) in discharge of that debt in that amount.

9. **PURCHASE PRICE ADJUSTMENTS**

9.1. Within thirty (30) days following the Closing Date, Purchaser shall prepare, or cause to be prepared, and deliver to the Sellers' Representative a written statement (the " **Closing Statement** ") setting out:

9.1.1. the calculation of the Purchase Price in accordance with clause 6.2 based on the Closing Statement;

9.1.2. a true and complete schedule of the Company Transaction Costs, with a detailed breakdown and itemisation of their composition and the persons to which such amounts are due;

9.1.3. the Cash on Hand as of the close of business on the Business Day prior to the Closing Date;

9.1.4. the Working Capital as of the close of business on the Business Day prior to the Closing Date; and

9.1.5. the amount of unpaid Tax (other than STT) payable by any member of the Group after the Closing Date, the liability for which arose or accrued on or prior to the Closing Date, separately itemising each category of tax in a different line item (by way of example only and without limitation, one line item for PAYE for employees, one line item for VAT, one line item for skills development levies, etc).

9.2. Subject to clause 9.5, if the portion of the Purchase Price payable on the Closing Date as calculated pursuant to the Closing Statement is greater than the Purchase Price as calculated pursuant to the Estimated Closing Statement by reason of —

9.2.1. Cash on Hand being more at Closing than as set out in the Estimated Closing Statement; and/or

9.2.2. Company Transaction Costs being less than as set out in the Estimated Closing Statement,

then Purchaser shall promptly pay the amount of such difference to ENS Africa, for payment by ENS Africa to Webber Wentzel, for distribution by Webber Wentzel to the Sellers in accordance with their respective Sellers' Proportions, provided that for purposes of clause 9.2.1, the maximum amount payable in terms hereof in respect of Cash on Hand shall be an amount equal to the difference between the Cash on Hand as set out in the Estimated Closing Statement and the amount of Target Cash on Hand.

9.3. Subject to clause 9.5, if the portion of the Purchase Price payable on the Closing Date as calculated pursuant to the Estimated Closing Statement is greater than the Purchase Price payable on that date as calculated pursuant to the Closing Statement, then the Sellers shall promptly pay the amount of such difference to the Purchaser. The Purchaser shall be entitled to set off such amount against any portion of the Purchase Price, Escrow Amount or other amount payable to the Sellers in terms of this Agreement.

9.4. Any amounts paid by the Purchaser to the Sellers in accordance with clause 9.2 shall constitute an increase in the Purchase Price paid by the Purchaser for the Sold Shares as of the Closing Date.

9.5. If the Sellers' Representative disputes the portion of the Purchase Price referred to in clause 6.2 as reflected in the Closing Statement and/or the basis of calculation of any one or more components thereof in writing by notice to the Purchaser, the dispute shall be resolved or determined in accordance with clause 19 and payment in terms of clause 9.2 or clause 9.3, as the case may be, shall be deferred until the third Business Day after the determination of such dispute.

10. LATE PAYMENT AND INTEREST

Should a Party fail to make payment of any amount owing by it under this Agreement, then, without prejudice to such other rights as may accrue to any other Party as a consequence of such failure, such Party shall be liable for interest on the unpaid portion of such payment at the Prime Rate plus 2% (two percent) per annum (capitalised monthly in arrears on the balance due), from the date on which such payment was due to the date of actual payment, both dates inclusive.

11. **EQUITY AWARDS AND RETENTION BONUS POOL FOR CERTAIN EMPLOYEES**

11.1. Equity Awards

11.1.1. By no later than thirty (30) days after the Closing Date, the Purchaser shall procure that restricted stock unit awards (" **RSU Awards** ") over 2U shares shall be granted to those persons named in Annexure J and those persons referred to in clause 11.1.5, subject to this clause 11.

11.1.2. The terms of the RSU Awards shall be subject to the 2014 2U, Inc. Equity Incentive Plan, any applicable successor equity incentive plan, or amendments to any such plan to comply with applicable law (the " **Plan** ") and the applicable award agreements (the " **Award Agreements** "). The value of the RSU Awards shall be as set forth in Annexure J and shall vest over a two year period after the grant date. The exact number of RSU Awards granted to each individual listed in Annexure J shall be calculated by dividing the applicable dollar value as set forth in Annexure J by the fair market value of a share of 2U, Inc.'s common stock on the close of trading (Eastern Time) on the Closing Date for the Year 1 Awards (as defined in Annexure J) and on the first anniversary of the Closing Date (or, if such day is not a Business Day, the first Business Day thereafter) for the Year 2 Awards (as defined in Annexure J).

11.1.3. The RSU Awards shall be made pursuant to the Plan, the applicable Award Agreements, and in compliance with South African laws (including exchange control). In addition, if required to comply with applicable law, the Purchaser, in its sole discretion, may elect to issue any other award whose value is determined with reference to 2U's common stock in lieu of RSU Awards. All such equity awards will be subject to other terms and conditions (including, without limitation, vesting conditions to be contained in the incentive plan document and applicable award agreements).

11.1.4. Upon finalisation of such equity incentive plan by no later than (30) thirty days after the Closing Date, the Purchaser shall procure that those persons named in Annexure J shall be granted equity awards according to and subject to the terms of such equity incentive plan and applicable Award Agreements, on the basis set out in this clause 11 and in Annexure J (subject to such changes and modifications as may be required to comply with applicable law, including without limitation, South African exchange control laws, regulations and practise).

11.1.5. In addition to those persons named in Annexure J, the Purchaser shall procure that an additional 35 employees of the Group (such list of employees to be

provided in writing by the Sellers' Representative to the Purchaser) are awarded RSUs and/or Stock Options and/or restricted stock, phantom stock or any other award whose value is determined with reference to 2U's common stock, as determined in the sole discretion of the Purchaser, to a value, per person, of USD25,000 (the " **Additional Equity Awards** "). The Additional Equity Awards shall vest over a four year period after the grant date and shall otherwise be granted in accordance with the applicable provisions of clauses 11.1.1 to 11.1.4. On 1 April of each year, from 2018, such persons (if there is no change in their employment status) shall be eligible to receive annual awards under the Plan, subject to the prior written approval of the Compensation Committee of the Board of Directors of 2U in each instance.

11.2. Bonus Awards

11.2.1. Following the Signature Date and at least five days prior to the Closing Date, the Company shall identify employees of GetSmarter to whom GetSmarter wishes to grant bonus awards and the respective amounts thereof, which amounts shall not exceed Twenty Million Rand (R20,000,000) in the aggregate. The Company will reasonably consult with the Purchaser in determining the recipients and respective amounts of such bonus awards. Such bonus awards shall be made pursuant to an award agreement in form and substance reasonably acceptable to the Purchaser.

11.2.2. An amount equal to such bonus awards, which amounts shall not exceed Twenty Million Rand (R20,000,000) in the aggregate, shall be paid by the Purchaser to the Company on the Closing Date so as to fund GetSmarter's ability to make such bonus awards and payments. The bonus awards shall be paid by the Company to GetSmarter and by GetSmarter to the respective recipients thereof in accordance with their terms promptly after receipt thereof by the Company.

11.3. Donation. An amount equal to Ten Million Rand (R10,000,000) shall be paid by the Purchaser to the Company on the Closing Date so as to fund a donation from GetSmarter to the University of Cape Town (the " **Donation** "). The Donation shall be paid by the Company to GetSmarter and by GetSmarter to the University of Cape Town in the calendar quarter in which the Closing occurs and in accordance with all applicable law.

12. **INTERIM PERIOD UNDERTAKINGS**

12.1. The Sellers undertake that, during the Interim Period, save with the prior written consent of the Purchaser:

12.1.1. the Company has continued and will continue to operate in the ordinary, normal and regular course of business (including, without limitation, with respect to the management of its Working Capital) and the Company has not taken and will not take steps to apply for its winding-up;

12.1.2. the Company has not and will not enter into any agreement or transaction other than in the ordinary, normal and regular course of its business;

12.1.3. the Company has not changed and will not change its normal manner, method or trading style of carrying on business;

12.1.4. no assets have been or will be acquired or sold by the Company other than in the ordinary, normal and regular course of business;

12.1.5. the Company has not and will not incur any liabilities other than in the ordinary, normal and regular course of business or in accordance with the 2017 Preliminary Budget and will not authorise or incur, any capital expenditure except in the ordinary, normal and regular course of business or in accordance with the 2017 Preliminary Budget;

12.1.6. the Company has not issued nor will it issue or agree to issue any shares (including bonus and capitalisation shares) and the Sellers have not passed nor agreed to pass, and will not pass nor agree to pass, any resolution for the increase or reduction of the Company's capital, or for the creation of any securities;

12.1.7. other than in the ordinary course of business, the Company has not acquired or entered into any agreement to acquire, and will not acquire or enter into any agreement to acquire (whether by one transaction or a series of transactions) the whole or a substantial or material part of the business, undertaking or assets of any other person/s;

12.1.8. other than in the ordinary course of business with respect to programs offered with the Company's university clients, the Company has not entered nor will it enter into or agree to enter into, any joint venture, partnership agreement or other venture for the sharing of profits or assets;

12.1.9. the Company has paid and will pay all amounts of any nature whatsoever that become due and payable by the Company in the ordinary course and in accordance with past practice;

12.1.10. no actual or contingent liabilities have been or will be paid, agreed, undertaken, indemnified or guaranteed by any Group Company for the benefit of any Seller

or any Related Person to that Seller (including with respect to any share capital or other securities of any Group Company), and any existing indemnities or guarantees for the benefit of any Seller or any Related Person to that Seller will be released prior to the Closing Date without any costs to the Group;

12.1.11. existing insurance cover for the Company has been and shall in all material respects be maintained at all times on the basis disclosed to the Purchaser as being in force on the Signature Date;

12.1.12. the Company has kept and will keep proper accounting records and in them make complete entries of any dealings and transactions in relation to the Company.

12.2. Without prejudice to the provisions of clause 12.1, in the Interim Period, the Sellers and the Company shall each procure, so far as it is lawfully able, that (except as set out in clause 12.5) none of the following matters will be undertaken by the Company without the prior written consent of the Purchaser:

12.2.1. the modification of any of the rights attached to any shares of the Company or the creation or issue of any shares or the grant or agreement to grant any option over any shares of the Company;

12.2.2. the declaration, payment or other making by the Company of any dividend or other distribution or return of capital to its shareholder/s or the repayment by the Company of any loan accounts;

12.2.3. any alteration to the articles of association or any other constitutional document of the Company;

12.2.4. the granting by the Company of any guarantee, suretyship, indemnity or any other security in respect of the liabilities of any third person;

12.2.5. the making of any individual capital expenditure or commitment to the extent such individual capital expenditure or commitment is not expressly contained in the 2017 Preliminary Budget;

12.2.6. the borrowing of any money or acceptance of any financial facility by the Company or the making or granting of any loan or any financial facility other than the facility set forth in Annexure O (the " **Interim Period Facility** "), provided always that the Interim Period Facility may only be used and extended in accordance with its terms, in the ordinary course of business and in accordance with the terms set forth in Annexure O;

12.2.7. other than liens arising by operation of law or in the ordinary course of business, the creation or issue or allowing to come into being of any encumbrance upon or over any part of the material property or material assets of the Company or the creation or issue of debentures;

12.2.8. the payment of any amount by or on behalf of the Company to or for the benefit of the Sellers or their Related Persons, save for Company Transaction Costs or remuneration, reimbursement of business expenses and other employment related payments, in each case in the ordinary course of business, consistent with past practice in respect of exiting employment arrangements;

12.2.9. the waiver or forgiveness of any material amount owed to the Company by a member of the Group and *vice versa* ;

12.2.10. entering into or agreeing to enter into any new death, retirement, profit-sharing, bonus, share option, share incentive or other employee incentive scheme for the benefit of any of the employees of the Group or make any variation (including, but without limitation, any increase in the rates of contribution) to any such existing scheme;

12.2.11. save as required by law or contained in the 2017 Preliminary Budget, making any change to the terms of employment of any or all of the employees of the Group which could increase the total staff costs;

12.2.12. commencing, compromising or discontinuing any legal, administrative, regulatory or arbitration proceedings;

12.2.13. save in respect of the repaying or prepaying of any debt required in terms of this Agreement, repaying or prepaying any loans of whatever nature and amount, any borrowings or any other financial facility or assistance (excluding accounts payable arising in the ordinary course of business and/or any amounts payable to the Subsidiaries of the Company) made available to it;

12.2.14. save as required by law or by changes to IFRS or other applicable accounting standards, making any changes to the accounting policies and procedures of the Company and its Subsidiaries;

12.2.15. selling, purchasing or disposing of any interest in any share or loan capital or other security;

12.2.16. giving consent to, amending or withdrawing any claim, election, surrender, disclaimer, consent or similar item relating to Tax that is outside the ordinary course of business and may adversely affect its Tax position;

12.2.17. entering into or materially modifying any agreement with any trade union or other body representing its employees;

12.2.18. varying, surrendering or otherwise terminating any lease agreements by which any member of the Group is bound other than for material breach by the landlord or serve any notices upon the landlords under them;

12.2.19. intentionally and knowingly entering into an agreement, transaction or dealing (i) with, for the benefit of, or involving any property of, any Sanctioned Person, (ii) involving a Sanctioned Territory or (iii) that would violate or constitute sanctionable conduct under any Sanctions Laws or Regulations.

12.3. During the Interim Period, the Sellers shall procure that none of the following matters will be undertaken by the Company:-

12.3.1. the sale or disposal of any material part of the undertaking or assets of the Company; and

12.3.2. giving notice of termination of employment to, or dismissing, any Key Employee, other than for reason of material breach of employment contract or poor performance, without Purchaser's prior written approval.

12.4. Required Company Information:

12.4.1. During the Interim Period, the Sellers shall, and shall cause the Company to provide to Purchaser, and shall cause each of its Subsidiaries to provide, and shall use its commercially reasonable best efforts to cause its Representatives, including legal and accounting, to provide to Purchaser as promptly as practicable (i) all Required Company Information and (ii) all cooperation requested by Purchaser in connection with preparing pro forma financial statements that would be prescribed by Rule 11-02 of Regulation S-X under the Securities Act including, for the avoidance of doubt, the pro forma consolidated balance sheet and pro forma consolidated statements of income of 2U (collectively, " **Pro Forma Financial Statements** "). In this regard the Sellers shall designate members of senior management, with appropriate seniority and expertise, of the Company to participate in a reasonable number of meetings in connection with preparing the Pro Forma Financial Statements. The Final Unaudited Accounts, the Final Management Accounts, the 2017 Final Budget and the 2018 Budget (collectively, the " **Final Unaudited Financial Statements** ") required to be delivered as part of Required Company Information shall be prepared in accordance with IFRS in USD or U.S. GAAP, as mutually agreed between the Purchaser and the Sellers' Representative in

writing; provided, however, that the Final Unaudited Financial Statements shall each be prepared in accordance with the same standard.

12.4.2. During the Interim Period, the Sellers shall, and shall cause the Company to use its commercially reasonable best efforts to provide to Purchaser, and shall cause each of its Subsidiaries to use its commercially reasonable best efforts to provide, and shall use its commercially reasonable best efforts to cause its Representatives, including legal and accounting, to provide, the Audited Accounts; provided, however, that failure to provide the Audited Accounts shall not constitute a breach of this Agreement so long as all Required Company Information has been provided to the Purchaser in accordance with this Agreement.

12.5. Nothing in this clause 12 shall compel or be construed as compelling the Sellers or the Company to do anything or refrain from doing anything which the Sellers may be advised by external counsel constitutes any act or omission in contravention of any competition or anti-trust legislation (including the Competition Act) in any relevant jurisdiction and to the extent that same may be so construed as being in contravention of such legislation and/or any judicial decision thereon, such provision in this clause 12 shall to that extent be deemed to be *pro non scripto* .

12.6. The liability of the Sellers for any breach of the undertakings in this clause 12 shall be joint in the Sellers Proportions (and not joint and several).

12.7. During the Interim Period, the Sellers shall procure that the Company shall:

12.7.1. deliver to the Purchaser copies of the Final Management Accounts within 10 (ten) Business Days of each month end;

12.7.2. notify the Purchaser of any breach or reasonably suspected breach of any of the Interim Period undertakings given in terms of this clause 12 as soon as reasonably possible but in any event within 2 Business Days of becoming aware of such breach or suspected breach; and

12.7.3. use its reasonable endeavours to procure the written consent of all relevant counterparties of the Company to the change of control over the Company that will result from the implementation of this Agreement.

12.8. During the Interim Period, the Sellers shall procure that Samuel Edward Paddock and Robert James Paddock meet with nominated senior representatives of the Purchaser at the Company's premises in Cape Town or via teleconference at regular intervals (and, unless otherwise agreed, no more than once per week) so as to —

12.8.1. keep the Purchaser informed of all material matters relating to the business of the Company (other than sensitive information in breach of competition laws) and the Group and the assets and affairs of the Company and the Group insofar as such matters, assets and affairs impact upon the terms of this Agreement;

12.8.2. respond to questions and reasonable requests for information from the Company made by the Purchaser, or procure reasonable access by the Purchaser to information and/or employees of the Group, provided that the Purchaser does not unreasonably disrupt the operations of the Company and its Subsidiaries; and

12.8.3. discuss the progress and any issues relating to the fulfilment of the Conditions Precedent and any other matters that it may be appropriate to discuss in preparation for the Closing Date.

12.9. The Purchaser shall make its nominated senior representatives (and, at its discretion, its professional advisors) available for any meeting contemplated in clause 12.8. The Company shall be entitled to have its own nominated senior representatives and professional advisors present at such meetings.

12.10. Notwithstanding anything in this clause 12 above, any act or omission or conduct by the Sellers or any Group Company during the Interim Period:

12.10.1. as may be required to give effect to any provision of this Agreement or any other Transaction Agreement or otherwise provided or contemplated in this Agreement or any other Transaction Agreement;

12.10.2. in accordance with the 2017 Preliminary Budget;

12.10.3. taken or not taken to comply with any order or obligation of any Governmental Entity; and

12.10.4. in respect of which the Purchaser has given its prior written consent,

shall not be a breach of this clause 12.

12.11. Notwithstanding the undertakings given by the Sellers in this clause 12:

12.11.1. without limitation to any other remedies available to Purchaser, if the aggregate likely damages that would be suffered by the Group or the Purchaser resulting from a breach of this clause 12 exceeds an aggregate amount of R10,000,000 and the Sellers and/or the Company have not remedied the aforementioned breach prior to the Closing Date, then the Purchaser will be entitled to cancel this Agreement on written notice to the Sellers' Representative prior to the

Closing Date. If the aggregate likely damages that would be suffered by the Group or the Purchaser resulting from a breach of this clause 12 is less than R10,000,000, the Purchase Price shall be reduced by such amount, or if the Purchaser only becomes aware of such breach after the Closing Date, the Purchaser's remedy for such breach shall, however, be limited to a claim for specific performance and/or damages, provided that any such claim for damages may only be instituted after the Closing Date and any Indemnified Claims and/or proven damages shall be first settled out of the Escrow Amount in terms of the Escrow Agreement or set off against any amount payable to the Sellers after the Closing Date in terms of this Agreement;

12.11.2. no liability under this clause 12 shall attach to the Sellers in relation to claims, damages, costs, expenses, losses or liabilities:

12.11.2.1. for any indirect, special or consequential loss, except to the extent of any such losses payable to a third party; and

12.11.2.2. in excess of an amount equal to the total Purchase Price on the basis that the aggregate amount recoverable from the Sellers, inclusive of interest and costs, from a breach under this clause 12, shall be limited to an amount equal to the total Purchase Price; and

12.11.3. if any potential claim arises by reason of liability under this clause 12 which is contingent only, then the Sellers shall not be under any obligation to make any payment pursuant to such claim until such time as the contingent liability ceases to be contingent and becomes actual.

12.12. In this clause 12, references to the Company shall in each case include references to each member of the Group.

13. **ANTI-CORRUPTION**

If, at any time between the Signature Date and the Closing Date:

13.1. the Purchaser becomes aware of the fact that:

13.1.1. any Company Representative, directly or indirectly, is violating, attempting to violate or has at any time in the period of five years immediately prior to the Signature Date violated or attempted to violate any Anti-corruption Law or, directly or indirectly, offered, paid, promised to pay, or authorised the payment of any money, or offered, given, promised to give, or authorised the giving of anything of value, to any Government Official, commercial entity or to any

person to obtain an improper business advantage or to influence the acts or decisions of a Government Official acting in their official capacity; and/or

13.1.2. any officer, director, or employee of any Group Company is conducting or initiating or has conducted or initiated any internal investigation or made a voluntary, directed, or involuntary disclosure to any Government Entity or similar agency with respect to any alleged noncompliance with any Anti-corruption Law; and/or

13.1.3. any officer, director, or employee of any Group Company has received any notice, request, or citation for any actual or potential noncompliance with any of the foregoing; and/or

13.1.4. any of the Sellers, any of the previous shareholders or any of the officers, directors or employees of the Group is a Government Official; and/or

13.1.5. any Government Official or Governmental Entity owns an interest, whether direct or indirect, in any Group Company or has any legal or beneficial interest in any Group Company or is entitled to receive payments made to the Company by the Purchaser hereunder; and/or

13.1.6. any of the Sellers, any of the previous shareholders or any officer, director or employee of the Group is a Sanctions Target or is located, organised or resident in a country or territory that is a Sanctions Target; and/or

13.1.7. at any time during the five years immediately prior to the Signature Date, any Company Representative has violated applicable Sanctions Laws and Regulations;

13.1.8. at any time during the period of five years immediately prior to the Signature Date, any Company Representative knowingly engaged in any dealings or transactions with any person, or in any country or territory, that is a Sanctions Target,

each a " **Corruption Event** "; and

13.2. such Corruption Event has adversely affected, or will or is reasonably likely to adversely affect, the reputation, valuation, operations and/or regulated status (as applicable) of any Group Company, the Purchaser and/or the Purchaser's direct or indirect shareholders or affiliates (or would have such adverse effect if the Corruption Event were to become publicly known), then the Purchaser shall be entitled to terminate this Agreement by notice in writing to the Sellers' Representative and none of the Parties will have any claim (including any

claim for damages) against the others arising from the termination of the Agreement in terms of this clause.

13.3. Anti-Corruption and Regulatory Compliance

13.3.1. After the Signature Date, prior to the Closing Date and (only to the extent any of them might exist) to the extent required by the Purchaser, the Company shall (to the extent it is legally able to do so) terminate any existing agreement, transaction or dealing, with no continuing liability to the Company, and that the Company enters into no new agreement, transaction or dealing, (i) with, for the benefit of, or involving any property of, any Sanctioned Person (provided the Purchaser has furnished good reasons in writing as to why it is a Sanctioned Person), or (ii) emanating from a Sanctioned Territory (provided the Purchaser has furnished good reasons in writing as to why it is a Sanctioned Territory), in each case if such agreement, transaction or dealing would violate any Sanctions Laws or Regulations applicable to or which could be enforced against the Company from and after the Closing Date.

13.3.2. The Company shall (to the extent it is legally able to do so) cooperate with the Purchaser in connection with its continuing due diligence related to compliance by the Company with Anti-Corruption Laws, the FCPA, and the U.K. Bribery Act 2010 (c.23), provide the Purchaser with copies of or access to all information, documents, communications (electronic or otherwise), records, systems and personnel as reasonably requested by the Purchaser, and promptly notify the Purchaser of any communication between the Company and any Governmental Entity addressing concerns related to the Company's compliance with Anti-Corruption Laws, the FCPA, and the U.K. Bribery Act 2010 (c.23) or business practices that will negatively impact on Anti-Corruption Law, the FCPA, and U.K. Bribery Act 2010 (c.23) compliance, in each case subject only to legal restrictions on disclosure or access thereto.

13.3.3. With effect from the day not later than the day prior to the Closing Date, the Company shall (to the extent it is legally able to do so) (i) terminate, eliminate or rescind any existing agreement, transaction, dealing or relationship specified by the Purchaser by written notice to the Company that, in the reasonable opinion of the Purchaser (having taken advice from outside counsel), may result or has resulted in a violation of Anti-Corruption Laws, the FCPA, and the U.K. Bribery Act 2010 (c.23) by any person (each such termination, elimination or rescission, a " **Pre-Closing Termination** "); (ii) take all other measures and actions reasonably requested by the Purchaser to address any serious or systemic deficiencies in the compliance policies or procedures of the Company related to

Anti-Corruption Laws, the FCPA, and U.K. Bribery Act 2010 (c.23) compliance; and (iii) to the extent it is legally obliged to do so in terms of the law of the relevant jurisdiction of the Company in question, disclose to any applicable Governmental Entity, after notice to and reasonable direction from the Purchaser (after the Purchaser has taken advice from outside counsel), any facts or circumstances suggesting there is a reasonable likelihood that the Company has violated any applicable Anti-Corruption Laws, the FCPA, and the U.K. Bribery Act 2010 (c.23), provided that to the extent to which any liability arises or is created as a result of or from or out of such termination, elimination or rescission, same shall not constitute a breach of this agreement or of any warranty or representation contained in this agreement or in any Transaction Agreement and the Purchaser shall not have any claim against any member of the Group arising from or out of such termination, elimination or rescission. Any such termination, elimination or rescission shall be effected by that member of the Group which is a party to the existing agreement, transaction, dealing or relationship. This proviso shall not apply if the existing agreement, transaction, dealing or relationship which is so terminated, eliminated or rescinded is at that time contrary to the law applicable in the relevant jurisdiction.

14. **WARRANTIES**

14.1. Each of the Sellers jointly in the Sellers' Proportions (and not jointly and severally) (except for any warranty that is given separately and individually) give the Purchaser, in addition to the warranties set out in clauses 2.9, 14.2 and 14.3 and elsewhere in this Agreement, the warranties set out in Annexure B.

14.2. Each Party individually and separately warrants to each of the other Parties that, as at the Signature Date and the Closing Date:

14.2.1. it has the necessary power and legal capacity to enter into and perform its obligations under this Agreement and all transactions contemplated herein, to carry on the business which it conducts and to own its assets;

14.2.2. it has taken all necessary corporate and/or internal action to authorise the execution and performance of this Agreement;

14.2.3. the provisions of this Agreement are and shall remain legally binding on that party and the obligations imposed on it pursuant to this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their terms; and

14.2.4. the execution of this Agreement and performance of its obligations hereunder does not (subject to the fulfilment of the Conditions Precedent):

14.2.4.1. contravene any law or regulation to which it is subject; or

14.2.4.2. contravene any provision of its constitutional documents; or

14.2.4.3. conflict with, or result in a breach of any of the terms of, or constitute a default under any agreement or other instrument to which it is a party, or any licence or other authorisation to which it is subject, or by which it or any of its property or revenues are bound,

so as to prevent it from performing its obligations under this Agreement.

14.3. It is recorded and warranted by the Sellers (individually and separately) that, as at the Signature Date and the Closing Date, the issued shares of the Company comprise 714 000 (seven hundred and fourteen thousand) ordinary shares which are held and beneficially owned as set out in Annexure G.

14.4. Each of the warranties given by the Sellers in this Agreement and in Annexure B:

14.4.1. is a separate warranty and is in no way limited or restricted by reference to or inference from the terms of any other warranty;

14.4.2. save where expressly provided otherwise, is given as at the Signature Date and as at the Closing Date;

14.4.3. continues and remains in force notwithstanding the Closing of the Transaction; and

14.4.4. shall be deemed to be material.

14.5. The Purchaser has entered into the Agreement on the strength of the warranties given to the Purchaser by the Sellers in this Agreement and in Annexure B and on the basis that such warranties are or will be (as the case may be) correct on the various dates specified in Annexure B or elsewhere in this Agreement.

14.6. Notwithstanding anything to the contrary contained in this Agreement (save for clause 14.8), the warranties given by the Sellers in this Agreement and in Annexure B are qualified and limited:

14.6.1. by the express provisions of this Agreement;

14.6.2. by any matter that has been Fairly Disclosed in the Data Room.

14.7. No act which is required to be taken by the Sellers or any Group Company for the purpose of implementing the Transaction or the Transaction Agreements shall by itself be deemed to cause a breach of a warranty.

14.8. Any disclosures made to the Purchaser in the course of the due diligence conducted by the Purchaser shall not in any way limit the warranties given to the Purchaser hereunder, except if they fall within clause 14.6.1 or clause 14.6.2.

14.9. The remedies of the Purchaser in respect of a breach of any warranty shall not be affected or limited by any investigation made by or on behalf of the Purchaser concerning the Company or the Group or because the Purchaser may have or have had actual knowledge of facts that would constitute a breach of any particular warranty, as the intention of the parties is that the risk of all matters warranted (subject to clause 14.6) is to be borne by the Sellers, the Purchaser not being prepared to accept such risks.

14.10. The Sellers shall not be entitled to any claim against the Company or any member of the Group or any of their directors or prescribed officers or others who furnished information for the purposes of the warranties given by the Sellers (this constituting a *stipulatio alteri* in their favour capable of acceptance at any time), notwithstanding that same may have been prepared or provided negligently.

14.11. The Purchaser shall procure that three copies be made on USB flash drive, in read only format, of the information and documentation contained in the Data Room as at the Signature Date, certifying in writing to the Sellers that the contents of the three USB flash drives reflect the same information and documentation in the Data Room as at the Signature Date. Within 10 Business Days after the Signature Date, the Purchaser shall deliver one copy thereof to the Sellers' Representative, who shall verify the contents of the USB flash drive delivered to him and the USB flash drive shall be deemed to contain the same information and documentation in the Data Room as at the Signature Date unless same is disputed by the Sellers' Representative within seven days after the delivery of the USB flash drive to him. Should the Sellers' Representative notify the Purchaser within seven days after delivery of the USB flash drive to him that the contents of the USB flash drive do not reflect the same information and documentation in the Data Room as at the Signature Date, the Purchaser shall be obliged, as soon as possible after such date, to rectify the contents of all the USB flash drives to reflect the same information and documentation listed in the Data Room Index. ENS Africa shall hold such (updated, if relevant) USB flash drives in escrow until the expiry of the time period provided for in clause 14.12.2.

14.12. Restrictions

14.12.1. (i) The Indemnifying Sellers shall not be liable to Purchaser with respect to any Warranty Claim in respect of clause 15.1.1 (other than a Warranty Claim in

respect of a Tax Warranty or Title Warranty) unless and until the aggregate amount of an Indemnified Claim that may be recovered from such party for such breach and any other breach arising from substantially similar occurrences, events or sets of facts is greater than or equal to USD 100,000 (One Hundred Thousand USD) (or the Rand equivalent of such amount) (the " **De Minimis Amount** "), provided, that if the aggregate amount of an Indemnified Claim for such Warranty Claim is greater than or equal to the De Minimis Amount then the entire amount of such Indemnified Claim in respect of such Warranty Claim will be eligible for indemnity pursuant to and subject to the terms and conditions of this clause 14, and (ii) Indemnifying Sellers shall not be liable to Purchaser for any Warranty Claim in respect of clause 15.1.1 (other than any Warranty Claim in respect of a Tax Warranty or Title Warranty) unless and until the aggregate amount of Indemnified Claims that may be recovered from such party in respect of all such Warranty Claims, excluding any Indemnified Claims which did not meet the De Minimis Amount, is greater than or equal to USD 500,000 (Five Hundred Thousand USD) (or the Rand equivalent of such amount) (the " **Basket Amount** "), in which case Indemnifying Sellers shall be liable to the Purchaser for the Basket Amount plus any additional Indemnified Claims thereafter (excluding any such claims which do not meet the De Minimis Amount).

14.12.2. Notwithstanding any provision to the contrary in this Agreement, the maximum aggregate liability of the Indemnifying Sellers under or arising from this Agreement to the Purchaser, the Company, the Subsidiaries and 2U (and their respective directors, officers, employees, agents, attorneys, representatives, successors and permitted assigns) for all and any Warranty Claims shall be limited to and shall at no time exceed a maximum amount equal to —

14.12.2.1. 50% (fifty per cent) of the total Purchase Price, in the case of all Warranty Claims other than those relating to any Title Warranty;

14.12.2.2. the total Purchase Price, in the case of Warranty Claims relating to any Title Warranty,

and the maximum aggregate liability of any Indemnifying Seller to the Purchaser, the Company, the Subsidiaries and 2U (and their respective directors, officers, employees, agents, attorneys, representatives, successors and permitted assigns) in this regard shall be limited to and shall at no time exceed a maximum amount equal to (i) that Indemnifying Seller's Proportion of 50% (fifty per cent) of the total Purchase Price, in the case of all Warranty Claims other than those relating to any Title Warranty and (ii) that Indemnifying

Seller's Proportion of the total Purchase Price, in the case of Warranty Claims relating to any Title Warranty.

14.12.3. Any Warranty Claim (other than a Warranty Claim in respect of a Tax Warranty or a Title Warranty) will be wholly barred and unenforceable unless written notice (including by email) in respect thereof (containing reasonable particulars of such claim and its quantum or an estimate thereof) is delivered to the Sellers' Representative within a period of 2 (two) years after the Closing Date.

14.12.4. Any Warranty Claim in respect of a Tax Warranty will be wholly barred and unenforceable unless written notice in respect thereof (containing reasonable particulars of such claim and its quantum or an estimate thereof) is delivered to the Sellers' Representative within a period of 5 (five) years after the Closing Date.

14.12.5. Any Warranty Claim in respect of a Title Warranty will be wholly barred and unenforceable unless written notice in respect thereof (containing reasonable particulars of such claim and its quantum or an estimate thereof) is delivered to the Sellers' Representative within a period of 5 (five) years after the Closing Date.

14.12.6. The Indemnifying Sellers shall under no circumstances be liable for any indirect, special or consequential loss, except to the extent of any third party claim therefor.

14.13. Each Seller agrees that, effective as of the Closing Date, each Seller shall have released and discharged each member of the Group from any and all claims, demands and causes of action, whether known or unknown, liquidated or contingent, relating to, arising out of or in any way connected with the dealings of the members of the Group at any time prior to and through the Closing Date, it being understood, however, that such release shall not operate to release: (i) such members of the Group from any obligation under this Agreement (ii) rights to any accrued but unpaid compensation owed by the members of the Group to relevant Sellers who are employees of the Group as of the Closing, (iii) rights to any accrued but unpaid business expenses of the Sellers to the extent that such expenses are reimbursable under the Group's existing company policies, or (iv) rights under any employee benefit plan maintained, contributed to or sponsored by the Group as of the Closing.

15. INDEMNIFICATION

15.1. Without prejudice to any rights or remedies available to the Purchaser arising from any of the provisions of this Agreement (the Purchaser being entitled to select which of the rights or remedies it shall exercise) and without double counting (for the avoidance of doubt, the

Purchaser may elect to bring any claim as a claim for a breach of warranty or as a claim under this indemnity but may not duplicate recovery), the Indemnifying Sellers (subject to the restrictions and limitations of liability set out in clause 14.12), hereby jointly (and pro rata to their respective Indemnifying Sellers' Proportions) (and not jointly and severally) indemnify the Purchaser, the Company, the Subsidiaries and 2U and their respective directors, officers, employees, agents, attorneys, representatives, successors and permitted assigns and hold them harmless from and against all liability, claims, penalty, loss, damage, cost, fine and expense (including interest and penalties) of any nature whatsoever which any of the foregoing may suffer, incur or sustain (an " **Indemnified Claim** ") as a result of or which may be attributable to:

15.1.1. a breach or inaccuracy of any of the representations or warranties contained in this Agreement or any Transaction Agreement, including clause 2, clause 9, clause 13, clause 14 and/or Annexure B (subject to the qualifications set out in clause 14.6), without regard to any materiality qualifiers therein;

15.1.2. any breach of, or any failure to perform or comply with, any covenant or agreement of such Seller or of any Group Company (if to be performed prior to the Closing) contained in this Agreement or in any Transaction Agreement;

15.1.3. any Company Transaction Cost that is not included in the Estimated Closing Statement;

15.1.4. any third party Financial Indebtedness of any Group Company that remained outstanding as of the Closing Date (other than Financial Indebtedness (i) owed to The Standard Bank of South Africa by the Company and/or the Subsidiaries on credit card facilities, which shall not give rise to an Indemnified Claim to the extent such outstanding credit card Financial Indebtedness is in aggregate (including accrued interest) in the sum of R2,000,000 or less or (ii) owed by the Company and/or Subsidiaries on amounts drawn under the Interim Period Facility, which shall not give rise to an Indemnified Claim to the extent such outstanding Financial Indebtedness under the Interim Period Facility is in aggregate (including accrued interest) $2,000,000 USD or less);

15.1.5. any claim by any current or former Seller, or the Sellers' Representative arising out of (i) any payment, notice or determination made or failed to be made by the Sellers' Representative to such Seller and (ii) disputes amongst the Sellers;

15.1.6. any liability of any member of the Group the cause of action of which arose prior to the Closing Date, except to the extent such liability has been fully-disclosed and adequately reserved for in the 2016 Preliminary Unaudited Accounts;

15.1.7. any breach by any member of the Group or any of the Sellers of any laws, regulations, policies or practices relating to exchange control as administered by the Financial Surveillance Department of the South African Reserve Bank;

15.1.8. any claim against any member of the Group in respect of Intellectual Property Rights (as defined in Annexure B), including, without limitation, any claim arising out of or related to infringement, misappropriation, or other violation of Intellectual Property Rights;

15.1.9. any claim against any member of the Group arising from non-compliance or inadequate compliance, prior to Closing, with any law, regulation or practice;

(each, individually, a " **General Indemnity** " and collectively, the " **General Indemnity** "); and

15.1.10. any liability for Tax (excluding only STT arising from the implementation of the Transaction), including:

15.1.10.1. any Tax payable, or which would be payable, by any member of the Group or any Seller with respect to or attributable to any period prior to the Closing Date;

15.1.10.2. whether or not arising from or out of the terms of or the implementation of the Transaction or any part thereof;

15.1.10.3. as a result of or attributable to any amount (including interest and penalties) payable by any member/s of the Group as a result of incorrect transfer pricing at any time prior to the Closing Date; and/or

15.1.10.4. arising from or out of the reopening of any Tax assessment of the Group as a result of which additional tax is assessed and/or an assessed loss is reduced,

(collectively, the " **General Tax Indemnity** ").

15.1.11. any actual liability or contingent liability of any member of the Group which should have been disclosed as contemplated in IFRS arising prior to the Closing Date and not treated as an actual or contingent liability or in respect of which no or an inadequate disclosure has been made in the 2016 Preliminary Unaudited Accounts, the 2017 Preliminary Budget or the Preliminary Management Accounts;

15.1.12. any liabilities arising as a result of any breach of contract on the part of or delict committed by any member of the Group which occurs between December 31, 2016 and the Closing Date; or

15.1.13. any contingent liability arising before the Closing Date which becomes an actual liability after the Closing Date, whether or not it was noted in the 2016 Preliminary Unaudited Accounts, except to the extent that adequate provision was made therefor in the 2017 Preliminary Budget.

15.2. For the purposes hereof, the full amount of any liability, claim, penalty, loss, damage, cost, fine and expense (including interest and penalties), including the amount of any reduction in any assessed loss, shall be deemed to be the amount of the liability or claim, subject to the limitations set out in this Agreement.

15.3. The Purchaser shall notify the Sellers' Representative in writing of an Indemnified Claim within fifteen (15) Business Days after becoming aware thereof, to enable the Indemnifying Sellers to take steps to contest it; provided, however, that failure to give such notice shall in no way waive or restrict Purchaser's right to any such Indemnified Claim.

15.4. The Sellers' Representative shall be entitled within a reasonable time, having regard to the claim in question, of the receipt of written notice under clause 15.3 to elect in writing to contest (which shall include an appeal) an Indemnified Claim in the name of the relevant member of the Group and shall be entitled to control the proceedings in regard thereto, provided that the Indemnifying Sellers indemnify the Purchaser and the relevant member of the Group against all and any costs (including attorney and own client costs) which may be incurred by or awarded against the relevant member of the Group as a consequence of the defence of the Indemnified Claim. The Purchaser and the relevant member of the Group (in whose favour this constitutes a *stipulatio alteri* if the relevant member of the Group is not a party to this Agreement) shall be entitled to require the Indemnifying Sellers to give reasonable security for the payment of such costs prior to taking any steps to contest the Indemnified Claim. If the parties are unable to agree upon the nature or amount of such security, the amount shall be determined by the Registrar or Clerk, as the case may be, of any relevant court, or by any third party agreed upon by the parties or, failing agreement, by a third party appointed by the President (or if this title has changed, or if this office no longer exists, the equivalent office no matter what it may be titled) for the time being of the Law Society of the Cape of Good Hope (or instead the relevant Provincial Council once established under the Legal Practices Act, 2014 in the Western Cape or failing that the relevant Provincial Council once established under the Legal Practices Act, 2014).

15.5. The Sellers' Representative shall furnish the Purchaser with full details concerning the conduct of any proceedings referred to in clause 15.4.

15.6. The Purchaser shall procure that the Group renders reasonable assistance to the Sellers' Representative in contesting an Indemnified Claim and makes available to the Sellers' Representative, books and records relevant thereto and any employees of the Group who are relevant witnesses provided that that does not unduly interfere with their employment. Save as expressly provided in this clause 15 the Purchaser will not be obliged to procure that the Group contests an Indemnified Claim.

15.7. Subject to the limitations set out in this Agreement, the Indemnifying Sellers shall pay to the Purchaser the amount of an Indemnified Claim forthwith after receipt of the notification referred to in clause 15.3 unless the Sellers' Representative contests the Indemnified Claim in terms of clause 15.4 in which case the Indemnifying Sellers shall pay to the Purchaser the amount of the Indemnified Claim forthwith after any final judgment or order is granted against the relevant member of the Group; provided that in those circumstances where,

15.7.1. a claim is contested and despite such contest the claim is payable in law, the Indemnifying Sellers shall pay to the Purchaser the amount of the claim as soon as it is payable;

15.7.2. the Sellers' Representative does not proceed with the contest of the claim promptly, the Purchaser shall be entitled to require the Indemnifying Sellers either to pay the amount of the claim in question in trust to the outside legal counsel of the Company pending the outcome of the contest or the Purchaser shall be entitled to require the Indemnifying Sellers to give proper and adequate security therefor and in that event the provisions of clause 15.4 shall apply *mutatis mutandis* .

15.8. The Purchaser shall procure that if any member of the Group recovers any amounts paid on behalf of the Group by the Indemnifying Sellers, the same shall be refunded to the Indemnifying Sellers subject to any costs or expenses related to such recovery.

15.9. The benefits of this clause may be accepted at any time by 2U, the Subsidiaries and the respective directors, officers, employees, agents, attorneys, representatives, successors and permitted assigns of 2U, the Company, the Subsidiaries and the Purchaser, in whose favour this clause 15 constitutes a *stipulatio alteri* .

15.10. Without in any way limiting the rights of the Purchaser arising out of or in terms of this Agreement, the Escrow Amount and the Earn Out Amount, if any, shall be available, and Purchaser shall be entitled to use such amounts, (i) to satisfy any adjustment to the Purchase Price pursuant to clause 9 and (ii) to satisfy any indemnification or payment obligations of the Indemnifying Sellers under this Agreement.

15.11. For purposes of clause 15.1.4, “Financial Indebtedness” means any indebtedness of whatsoever nature for or in respect of -

15.11.1. moneys borrowed and debit balances at banks;

15.11.2. any amount raised by acceptance under any acceptance credit facility;

15.11.3. any amount raised pursuant to any debentures or any similar instrument;

15.11.4. the amount of any liability in respect of any lease or hire purchase contract, credit sale agreement, conditional sale agreement or instalment sale and purchase agreement which would, in accordance with IFRS, be treated as a finance or capital lease other than, in respect of insignificant assets, in the ordinary course of business;

15.11.5. the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;

15.11.6. receivables sold or discounted (other than on a non-recourse basis);

15.11.7. the net mark to market value of any currency swaps, interest rate swaps, foreign exchange transactions, caps, floors or collar arrangements;

15.11.8. any put option, repurchase agreement, call option or other transaction of any kind which has the commercial effect of borrowing or obtaining credit or granting security;

15.11.9. any amount raised by the issue of preference shares or other shares with preferential rights to dividends or upon a winding up together with, on any date on which Indebtedness is determined, all amounts in excess of the amount raised by the issue of such preference shares which would, if the preference shares were to be redeemed on such date, be required to be paid in respect of or upon such redemption (and such amounts shall be included in such determination whether or not a legally enforceable obligation in respect of such payment exists at that time);

15.11.10. any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing other than, in respect of insignificant amounts, in the ordinary course of business; and

15.11.11. the amount of any liability in respect of any guarantee, suretyship or indemnity for any of the items referred to in clauses 15.11.1 to 15.11.10;

15.11.12. any indebtedness other than, in respect of insignificant amounts, in the ordinary course of business, for or in respect of -

15.11.12.1. any credit facility; and

15.11.12.2. any guarantee, indemnity or other instrument for any credit facility;

16. **INTENTIONALLY OMITTED**

17. **RELEASE FROM GUARANTEES, SURETYSHIPS AND INDEMNITIES**

17.1. The Purchaser shall procure that Robert James Paddock is released from those guarantees given by him in respect of the obligations of GetSmarter in respect of the Leases (as defined in clause 17.4) (together, the "Suretyships"), as soon as possible after the Closing Date.

17.2. If the Purchaser is not able to obtain Robert James Paddock's release from the Suretyships or has not done so at the time a claim is made against Robert James Paddock under any such Suretyship, other than as a result of Robert James Paddock's failure to meet all his obligations under the Suretyships up to the Closing Date, the Purchaser shall indemnify Robert James Paddock and hold him harmless against any claim arising after the Closing Date and made against Robert James Paddock under the Suretyship concerned and against all costs incurred by Robert James Paddock in obtaining his release from the Suretyship concerned.

17.3. In the event that such a claim is made, Robert James Paddock shall notify the Purchaser as soon as reasonably possible of the fact that the claim has been made and of full particulars thereof and the Purchaser shall take all action reasonably necessary to discharge Robert James Paddock's liability under the Suretyship concerned.

17.4. In clause 17.1, the "Leases" means -

17.4.1. the written lease between Vega Properties Proprietary Limited and GetSmarter signed during July 2016; and

17.4.2. the written lease between Seardel Group Trading Proprietary Limited and GetSmarter signed during December 2013.

18. **RESTRAINTS**

18.1. For the purposes of this clause the following terms shall have the meanings ascribed to them hereunder, namely :

18.1.1. the " **Prescribed Areas** " means :

18.1.1.1. each magisterial district in the Republic of South Africa;

18.1.1.2. the United Kingdom;

18.1.1.3. the United States of America; and

18.1.1.4. each other country in which a Group Company provides services to or on behalf of university clients;

18.1.2. a " **Prescribed Client** " means any person :

18.1.2.1. who was a client of any member of the Group at the Closing Date; or

18.1.2.2. who was a prospective client of any member of the Group at the Closing Date whom any member of the Group had approached to do business with any member of the Group within the period of 1 (one) year preceding the Closing Date; or

18.1.2.3. to whom Prescribed Services were rendered by any member of the Group within the period of 1 (one) year preceding the Closing Date;

18.1.3. the " **Prescribed Services** " means any online short courses and online degree programs provided by any member of the Group in the ordinary course of business at the Closing Date or within the period of 1 (one) year preceding the Closing Date;

18.1.4. " **Prescribed Supplier** " means any person :

18.1.4.1. who was a supplier to any member of the Group at the Closing Date;

18.1.4.2. who was a prospective supplier of any member of the Group at the Closing Date whom any member of the Group had approached to do business with any member of the Group within the period of 1 (one) year preceding the Closing Date;

18.2. The Sellers, except for DiGame and PFT, will not, for 3 (three) years from the Closing Date, whether as proprietor, partner, director, shareholder, employee, member, consultant, contractor, financier, agent, representative, assistant or otherwise or in any other capacity, and whether for reward or not, directly or indirectly —

18.2.1. carry on in the Prescribed Areas any undertaking; or

18.2.2. be interested or engaged in or concerned with any company, close corporation, firm, trust, undertaking or concern operating in any of the Prescribed Areas; or

18.2.3. be employed by any company, close corporation, firm, trust, undertaking or concern operating in any of the Prescribed Areas,

which renders services competitive with the Prescribed Services or in the course of the business of which such services are rendered; provided that the Sellers shall not be deemed to have breached their undertakings by reason of their :

18.2.4. holding shares in 2U; or

18.2.5. holding shares in any company the shares of which are listed on a recognised stock exchange if the shares owned (whether directly or indirectly) by them, their ascendants and descendants, or any company or close corporation effectively controlled by the Sellers or any one or more of them and/or one or more of such persons and/or trusts, do not in the aggregate constitute more than 5% (five per cent) of any class of the issued share capital of such company.

18.3. The Sellers undertake that neither they nor any company, close corporation, firm, trust, undertaking or concern in or by which they are directly or indirectly (and whether for reward or otherwise), interested or engaged or concerned or employed will within 3 (three) years after the Closing Date, directly or indirectly:

18.3.1. encourage or entice or incite or persuade or induce any employee of the Group to terminate his employment by the Group; or

18.3.2. furnish any information or advice to any employee then employed by the Group or to any prospective employer of such employee or use any other means which are directly or indirectly designed, or in the ordinary course of events calculated, to result in any such employee terminating his employment by the Group and/or becoming employed by or directly or indirectly in any way interested in or associated with any other company, close corporation, firm, undertaking or concern. It is agreed that if any employee of a Group Company, unsolicited by any Seller, approaches any Seller who is at that time a member of executive management of any Group Company for an employment reference letter, such employee having already resigned from or been retrenched by a Group Company, the furnishing of an employment reference letter by that Seller in those circumstances shall not constitute a breach of this clause 18.3.2; or

18.3.3. furnish any information or advice (whether oral or written) to any Prescribed Clients and generally that the Sellers or any of them intend to or will (whether as proprietor, partner, director, shareholder, member, employee, consultant, contractor, financier, agent, representative or otherwise or in any other capacity

and whether for reward or not) directly or indirectly, be interested or engaged in or concerned with or employed by any company, close corporation, firm, trust, undertaking or concern carried on in any of the Prescribed Areas which renders services competitive with the Prescribed Services or in the course of which services competitive with the Prescribed Services are rendered; or

18.3.4. furnish any information or advice (whether oral or written) to any Prescribed Clients or use any other means or take any other action which is directly or indirectly designed, or in the ordinary course of events calculated, to result in any such client terminating his association with the Group and/or transferring his business (or any portion thereof) from the Group; or

18.3.5. render services competitive to the Prescribed Services to any person whether inside or outside the Prescribed Area, knowing or suspecting that such person intends to compete with the Group in the Prescribed Area; or

18.3.6. supply any know-how and/or technology relating to the prescribed or similar services to any person whether inside or outside the Prescribed Area, knowing or suspecting that such person intends to use such technology and/or know-how to render services competitive with the Prescribed Services, in the Prescribed Area,

or attempt to do so, provided that in the event that either Robert James Paddock or Samuel Edward Paddock terminates their employment with the Company, either of them shall be entitled to employ their respective personal assistants (which personal assistants shall be entitled to terminate their employment with the Company) and for this purpose the provisions of this clause 18.3 shall not apply.

18.4. Without derogating from the obligations imposed by this clause 18, the Sellers undertake that neither they nor any company, close corporation, firm, trust, undertaking or concern in or by which they are directly or indirectly interested, engaged, concerned or employed will in the Prescribed Areas for a period of 3 (three) years after the Closing Date, directly or indirectly, whether as proprietor, partner, director, shareholder, employee, consultant, contractor, member, financier, agent, representative, assistant or otherwise or in any other capacity (and whether for reward or not) :

18.4.1. solicit or tender for orders from Prescribed Clients for the rendering of services competitive with the Prescribed Services;

18.4.2. canvass business in respect of services competitive with the Prescribed Services from Prescribed Clients;

18.4.3. render any services competitive with the Prescribed Services to any Prescribed Client;

18.4.4. become a distributor, licensee or agent for any Prescribed Supplier.

18.5. Each of the undertakings set out in this clause 18 (including those appearing in a single clause) is severable *inter alia* as to :

18.5.1. nature of interest, act or activity;

18.5.2. the categories of persons falling within the definition of Prescribed Clients;

18.5.3. the categories of suppliers falling within the definition of the Prescribed Suppliers;

18.5.4. the categories of services falling within the definition of the Prescribed Services;

18.5.5. the individual areas which are defined as the Prescribed Areas;

18.5.6. each member of the Group.

18.6. The Sellers agree that the undertakings and restrictions in this clause 18 -

18.6.1. are given for the benefit of the Purchaser and each member of the Group and may be enforced by any or all of them;

18.6.2. are agreed to by the Sellers, each as an equal negotiating party;

18.6.3. are fair and reasonable as between the Sellers on the one hand and the Group and the Purchaser on the other;

18.6.4. are the only effective reasonable manner in which the Group's rights in respect of its business and trade secrets and clients can be protected, the Sellers being in possession of or having knowledge of or access to all the Group's trade secrets,

and that the Purchaser would not have entered into this Agreement and paid the Purchase Price but for such undertakings and restrictions.

18.7. Nothing contained herein shall preclude the Sellers from being employed by the Group.

18.8. The restraint imposed by this clause 18 shall, if any member of the Group becomes a subsidiary of any person other than the Purchaser within the meaning of the Companies Act, 2008 or would have become such if such other person were not a natural person or close corporation or other entity but a company, or if any member of the Group disposes of the

whole or any part of its business to any other person, be transferable insofar as concerns that member of the Group by the Purchaser or the Company, as the case may be, by cession to such person without the consent of the Sellers and in such event such undertakings and restraints shall bind the Sellers in favour of such person, without ceasing to bind the Sellers to the Purchaser.

18.9. The Sellers acknowledge that the Purchaser and the Group will suffer financial harm and loss if they breach any provisions of this restraint. Upon any such breach, either the Purchaser or any member of the Group shall be entitled to enforce the restraint in question.

18.10. The provisions of this clause 18 are stipulated for the benefit of each member of the Group, the benefits of which are capable of acceptance at any time.

18.11. The provisions of this clause 18 apply, separately and individually, to each of the Sellers on their own. In addition, such provisions apply also to any one or more Sellers acting together.

18.12. The provisions of this clause 18 apply to the Covenantors as fully and effectually as if they were Sellers for purposes of this clause 18 and as if all references in this clause 18 to the Sellers were references to the Covenantors.

19. INDEPENDENT ACCOUNTANT

Any dispute as to any matter arising from the determination of the Purchase Price (including the Estimated Closing Statement and/or the Closing Statement) and/or any components thereof and/or any calculation necessary to determine same, shall be resolved as follows:

19.1. the Purchaser and the Sellers' Representative (the " **Relevant Parties** ") shall use their reasonable endeavours to settle the disputed matter, in writing, within 5 Business Days of the notice of dispute being received; and

19.2. if the dispute is not resolved and settled in writing between the Relevant Parties within 5 (five) Business Days of the notice of dispute being received, the difference or dispute shall, at the request of any Relevant Party, be submitted for determination, and be decided on by the Independent Accountant on the following basis:

19.2.1. the Independent Accountant shall act as an expert and not as an arbitrator;

19.2.2. the cost of the Independent Accountant shall be borne and paid as the Independent Accountant shall direct on the basis that the Relevant Party whose position is furthest from the position as determined by the Independent Accountant shall be liable;

19.2.3. the Independent Accountant shall be entitled to determine such methods and processes as he may, in his sole discretion, deem appropriate in the circumstances;

19.2.4. the Independent Accountant shall consult with the Relevant Parties (provided that the extent of the Independent Accountant's consultation shall be in his sole discretion) prior to rendering a determination. The Independent Accountant shall afford the Relevant Parties the opportunity to make such written, or at its discretion, oral representations as the Relevant Parties wish, subject to such reasonable time and other limits as the Independent Accountant may prescribe and the Independent Accountant shall have regard to any such representations but not be bound by them;

19.2.5. the Relevant Parties shall fully co-operate with the Independent Accountant and do all such things as may be necessary to assist the Independent Accountant with his determination;

19.2.6. having regard to the sensitivity of any confidential information, the Independent Accountant shall be entitled to take advice from any person considered by him to have expert knowledge with reference to the matter in question;

19.2.7. having considered the Relevant Parties' respective representations as contemplated in clause 19.2.4, the Independent Accountant shall make his determination in as short a time as is reasonably possible in the circumstances, but in any event within 10 (ten) Business Days of the submission of the dispute for determination; and

19.2.8. in the absence of manifest error, the Independent Accountant's determination will be final and binding on the Parties (and to the extent necessary, the Sellers shall reimburse the Sellers' Representative accordingly, so that the Sellers bear the costs in the Sellers' Proportions as between them).

20. SELLERS' REPRESENTATIVE

20.1. The Sellers hereby irrevocably appoint the Sellers' Representative to act on their behalf for all and any purposes under this Agreement.

20.2. Without limiting the generality of the foregoing, the Sellers' Representative has full power and authority, on behalf of each Seller and such Seller's successors and assigns, to: (i) interpret the terms and provisions of this Agreement and the documents to be executed and delivered by the Sellers in connection herewith, including the Escrow Agreement, (ii) execute and deliver and receive deliveries of all agreements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments and other documents required

or permitted to be given in connection with the consummation of the transactions contemplated by this Agreement and the Escrow Agreement, (iii) receive service of process in connection with any claims under this Agreement or the Escrow Agreement, (iv) agree to, negotiate, enter into settlements and compromises of, assume the defense of claims, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims, and to take all actions necessary or appropriate in the judgment of the Sellers' Representative for the accomplishment of the foregoing, (v) give and receive notices and communications, (vi) authorize delivery to Purchaser of each Escrow Amount or any portion thereof in satisfaction of Indemnified Claims, Warranty Claims or other obligations hereunder, (vii) object to such deliveries, and (viii) take all actions necessary or appropriate in the judgment of the Sellers' Representative on behalf of the Seller in connection with this Agreement and the Escrow Agreement.

20.3. Save for fraud, each of the Sellers waive all claims against Sellers' Representative in relation to his duties under this clause. The Sellers agree to be bound by the acts and omissions of the Sellers' Representative.

20.4. Purchaser shall be entitled to deal exclusively with the Sellers' Representative on behalf of any and all Sellers with respect to all matters relating to this Agreement and the Transaction Agreements to which the Sellers' Representative is a party, and will be entitled to rely (without further evidence of any kind whatsoever) upon any actions taken by the Sellers' Representative or on any document executed or purported to be executed on behalf of any Seller by the Sellers' Representative as the duly authorized action of the Sellers' Representative on behalf of each Seller with respect to any matters set forth in this Agreement, the Escrow Agreement or any other Transaction Agreement to which it is a party.

21. **BREACH**

21.1. Should the Purchaser (" **Defaulting Party** ") breach any provision of this Agreement and fail to remedy such breach within 5 (five) Business Days (or, where the breach cannot reasonably be remedied within 5 (five) Business Days, within a period not exceeding 10 (ten) Business Days) after receiving written notice requiring it to do so from the Sellers (the " **Innocent Party** "), then the Innocent Party shall be entitled, without prejudice to its other rights in law including any right to claim damages, to claim immediate specific performance of the obligations of which the Defaulting Party is in default, or in the case of a material breach of a provision going to the root of this Agreement, to cancel this Agreement by giving written notice to that effect to the Defaulting Party, provided that no Party shall be entitled to cancel this Agreement at any time after the Closing Date (subject to clause 7.9).

21.2. Should any Seller, the Company, any Covenantor and/or the Sellers' Representative (" **Defaulting Party** ") breach any provision of this Agreement and fail to remedy such breach

within 5 (five) Business Days (or, where the breach cannot reasonably be remedied within 5 (five) Business Days, within a period not exceeding 10 (ten) Business Days) after receiving written notice requiring it to do so from the Purchaser (the " **Innocent Party** "), then the Innocent Party shall be entitled, without prejudice to its other rights in law including any right to claim damages, to claim immediate specific performance of the obligations of which the Defaulting Party is in default, or in the case of a material breach of a provision going to the root of this Agreement, to cancel this Agreement by giving written notice to that effect to the Defaulting Party, provided that no Party shall be entitled to cancel this Agreement at any time after the Closing Date (subject to clause 7.9).

22. **NO LIABILITY TO PERFORM WHILST SELLER/S OR PURCHASER IN BREACH**

Notwithstanding anything to the contrary herein contained —

22.1. the Purchaser shall not be obliged to perform any obligation or pay any amount in terms of this Agreement at any time whilst any Seller is in breach of this Agreement and the date for performance of any obligation or payment of any such amount by the Purchaser shall be extended from the due date until the date upon which the relevant Seller remedies the breach in question; and

22.2. the Sellers shall not be obliged to perform any obligation or pay any amount in terms of this Agreement at any time whilst the Purchaser is in breach of this Agreement and the date for performance of any obligation or payment of any such amount by the Sellers shall be extended from the due date until the date upon which the Purchaser remedies the breach in question.

23. **ARBITRATION**

23.1. Save as set out in clause 19 or as specifically otherwise provided in this Agreement, any disputes arising from or in connection with this Agreement shall be finally resolved in accordance with the rules of the Arbitration Foundation of Southern Africa (" **AFSA** ") by an arbitrator or arbitrators agreed to in writing by the Relevant Parties or, failing such agreement within 5 (five) Business Days after it is requested by any Relevant Party, appointed by AFSA. There shall be a right of appeal as provided for in article 22 of the aforesaid rules.

23.2. Each Party to this Agreement -

23.2.1. expressly consents to any arbitration in terms of the aforesaid rules being conducted as a matter of urgency; and

23.2.2. irrevocably authorises the other Relevant Party to apply, on behalf of all Parties to the Agreement, in writing, to the secretariat of AFSA in terms of article 23(1)

of the aforesaid rules for any such arbitration to be conducted on an urgent basis.

23.3. If AFSA no longer exists then the arbitrator shall be appointed by the President for the time being of the Law Society of the Northern Provinces of South Africa and the arbitration shall be conducted in accordance with the Arbitration Act No. 42 of 1965.

23.4. Notwithstanding anything to the contrary in this clause 23, any Party shall be entitled to apply, on an urgent basis, for an interdict or for an order of specific performance from any court of competent jurisdiction.

23.5. For the purposes of clause 23.4 and for the purposes of having any award made by the arbitrator being made an order of court, each of the Parties hereby submits itself to the non-exclusive jurisdiction of the High Court of South Africa (Western Cape Division, Cape Town).

23.6. This clause 23 is severable from the rest of this Agreement and shall remain in full force and effect notwithstanding any termination or cancellation of this Agreement.

24. **CONFIDENTIALITY**

24.1. Any information obtained by any Party in terms of, or arising from the implementation of this Agreement or the Transaction shall be treated as confidential by the Parties and shall not be used, divulged or permitted to be divulged to any person not being a Party to this Agreement, without the prior written consent of the other Parties save that:

24.1.1. each Party shall be entitled to disclose such information to its employees, and to its directors, shareholders, professional advisors and funders who have a need to know and who have been directed by the disclosing Party to keep such information confidential and have undertaken to keep such information confidential;

24.1.2. each Party shall be entitled to disclose any information which is required to be furnished by law or regulation or by any recognised stock exchange;

24.1.3. no Party shall be precluded from using or divulging such information in order to pursue any legal remedy available to it;

24.1.4. each Party shall be entitled to disclose such information if such information is or becomes generally available to the public other than by the negligence or default of such Party or by the breach of this Agreement by such Party;

24.1.5. each Party shall be entitled to disclose such information if the Party which disclosed same confirms in writing that it is disclosed on a non-confidential basis; and

24.1.6. each Party shall be entitled to disclose such information if such information has lawfully become known by or come into the possession of such Party on a non-confidential basis from a source other than the Party having the legal right to disclose same.

24.2. If a Party is required to disclose information as contemplated in clause 24.1.2, such Party will:

24.2.1. advise any Party/ies in respect of whom such information relates (the " **Relevant Party/ies** ") in writing prior to disclosure, if possible;

24.2.2. take such steps to limit the disclosure to the minimum extent required to satisfy such requirement and to the extent that it lawfully and reasonably can;

24.2.3. afford the Relevant Party/ies a reasonable opportunity, if possible, to intervene in the proceedings;

24.2.4. comply with the Relevant Party/ies' reasonable requests as to the manner and terms of such disclosure; and

24.2.5. notify the Relevant Party/ies of the recipient of, and the form and extent of, any such disclosure or announcement immediately after it was made.

24.3. Notwithstanding anything to the contrary in this clause 24, the Purchaser shall be entitled to disclose information to its shareholders and to any entity within its shareholders' groups, and/or any fund advised by them, and to any of their professional advisers or any director, employee, officer, investor, limited partner or manager, provided in all cases that such information is supplied on a confidential basis and that the Purchaser shall procure that the relevant persons take all reasonable measures to ensure that such information disclosed in terms of this clause is maintained at all times and the information is used by the recipient only for the *bona fide* purposes for which it was disclosed and not in a manner that could reasonably be expected to be detrimental to the Group.

24.4. This clause 24 shall cease to be binding on the Purchaser after implementation of the Transaction on the Closing Date.

25. **PUBLICITY**

25.1. The Parties shall procure that no Party's name will appear in any announcement, communication, advertising literature or other publicity issued by any party relating to the Transaction, the Company or any Group Company without the prior written consent of that Party.

25.2. The Parties shall agree the content and form of all press announcements relating to the subject matter of this Agreement, provided that each Party undertakes to act reasonably and in good faith in this regard and provided further that, if any Party is required to make any announcement, such announcement shall only be made after consultation with the other Parties and after considering the other Parties' requests as to the timing, content and the manner of making such announcement and, in any event, no Party should be publicly identified without its prior written consent.

26. **DOMICILIA CITANDI ET EXECUTANDI**

26.1. The Parties choose as their *domicilia citandi et executandi* for all purposes under this Agreement, whether in respect of court process, notices or other documents or communications of whatsoever nature (including the exercise of any option), the following addresses:

26.1.1. the Sellers, the Company, the Sellers' Representative and the Covenantors:

Physical: 2 nd Floor
Deneb House
Cnr Main and Browning Roads
Observatory 7925, Western Cape

Email: sam@getsmarter.com

For the attention of: Samuel Edward Paddock

26.1.2. the Purchaser: c/o The Managing Director, KPMG

Physical: MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

Postal: P O Box 4609
Cape Town

8000
With a copy, in order for the notice to be valid, to:
Deputy General Counsel
2U, Inc.
7900 Harkins Road
Lanham, MD 20706, USA

Email: mnorden@2u.com

For the attention of Matthew Norden

26.2. Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing but it shall be competent to give notice by email, provided that no notice contemplated in clause 21 may be given by email.

26.3. Each Party may by notice to the other Parties change the physical address chosen as its *domicilium citandi et executandi vis-à-vis* that Party to another physical address in South Africa or its email address or postal address, provided that the change shall become effective *vis-à-vis* that addressee on the 10 th (tenth) Business Day from the receipt of the notice by the addressee.

26.4. Any notice to a Party:

26.4.1. sent by prepaid registered post (by airmail if appropriate) in a correctly addressed envelope to it at an address chosen as its *domicilium citandi et executandi* to which post is delivered shall be deemed to have been received on the 7th (seventh) Business Day after posting (unless the contrary is proved);

26.4.2. delivered by hand to a responsible person during ordinary business hours at the physical address chosen as its *domicilium citandi et executandi* shall be deemed to have been received on the day of delivery; or

26.4.3. sent by email to its chosen email address stipulated in clause 26.1, shall be deemed to have been received on the date of despatch (unless the contrary is proved).

26.5. Notwithstanding anything to the contrary herein contained a written notice or communication actually received by a Party shall be an adequate written notice or communication to it notwithstanding that it was not sent to or delivered at its chosen *domicilium citandi et executandi* .

27. **GOVERNING LAW**

27.1. This Agreement shall in all respects (including its existence, validity, interpretation, implementation, termination and enforcement) be governed by the law of South Africa.

27.2. For purposes of applying for urgent relief and in respect of any matters which cannot be resolved in accordance with clause 23, the Parties hereby consent and submit to the non-exclusive jurisdiction of the High Court of South Africa (Western Cape Division, Cape Town) in any dispute arising from or in connection with this Agreement.

28. **SUBMISSION TO JURISDICTION**

The parties agree that, for purposes of applying for urgent relief and in respect of any matters which cannot be resolved in accordance with clause 23, any legal action or proceedings arising out of or in connection with this agreement shall be brought in the High Court of South Africa (Western Cape Division, Cape Town) (or any successor to that court) and irrevocably submit to the exclusive jurisdiction of such court. Each appoints any person (at the address chosen as its *domicilium citandi et executandi*) to receive for and on its behalf service of process in such jurisdiction in any legal action or proceedings with respect to this agreement. The parties irrevocably waive any objection they may now or hereafter have that such action or proceeding has been brought in an inconvenient forum.

29. **COSTS**

Save as expressly provided to the contrary herein, each Party shall bear its own costs of and incidental to the negotiation, preparation and execution of this Agreement and/or the implementation of the Transaction.

30. **WHOLE AGREEMENT, NO AMENDMENT**

30.1. This Agreement constitutes the whole agreement between the Parties relating to the subject matter hereof and supersedes any other discussions, agreements and/or understandings regarding the subject matter hereof.

30.2. No addition to, novation, amendment or consensual cancellation of this Agreement or any provision or term hereof or of any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this Agreement and no settlement of any disputes arising under this Agreement and no extension of time, waiver, relaxation or suspension of or agreement not to enforce or to suspend or postpone the enforcement of any of the provisions or terms of this Agreement or of any agreement, bill of exchange or other document issued pursuant to or in terms of this Agreement shall be binding unless recorded in a written document signed by the Parties (or in the case of an extension of time, waiver, relaxation or suspension, signed by the Party granting such extension, waiver, relaxation or

suspension). Any such extension, waiver, relaxation or suspension which is so given or made shall be strictly construed as relating strictly to the matter in respect whereof it was made or given. The Parties record and agree that no addition to, novation, amendment or consensual cancellation of this Agreement may be given or concluded via email or any other form of electronic communication contemplated in the Electronic Communications and Transactions Act, 2002, and for purposes of this clause, "signed" shall mean a signature executed by hand on paper containing the document by the signatory.

30.3. No oral *pactum de non petendo* shall be of any force or effect.

30.4. No extension of time or waiver or relaxation of any of the provisions or terms of this Agreement or any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this Agreement, shall operate neither as an estoppel against any Party in respect of its rights under this Agreement, nor so as to preclude such Party (save as to any extension, waiver or relaxation actually given) thereafter from exercising its rights strictly in accordance with this Agreement.

31. NO CESSION OR ASSIGNMENT

Except as expressly provided to the contrary in this Agreement, no Party shall be entitled to cede, assign, transfer or delegate all or any of its rights, obligations and/or interest in, under or in terms of this Agreement to any third party without the prior written consent of the other Parties (which consent shall not be unreasonably withheld).

32. STIPULATIO ALTERI

No part of this Agreement shall constitute a *stipulatio alteri* (contract for the benefit of a third party) in favour of any person who is not a Party unless the provision in question expressly provides that it is for their benefit or that it does constitute a *stipulatio alteri* .

33. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument.

SIGNED by the Parties on the following dates and at the following places respectively:

For: **GET EDUCATED INTERNATIONAL PROPRIETARY LIMITED**

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

For: **K2017143886 SOUTH AFRICA PROPRIETARY LIMITED**

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

THE TRUSTEES FOR THE TIME BEING OF THE PADDOCK FAMILY TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE SAMUEL EDWARD PADDOCK FAMILY TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE ROBERT JAMES PADDOCK FAMILY TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE PRINCESS TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

35.

JOHN HILL

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE FIREBIRD TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

AMY JOHNSON

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

ROBYN COSTA

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE VELFLEX TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THELMA JANSE VAN RENSBURG

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

THE TRUSTEES FOR THE TIME BEING OF THE INFINITE AFFLUENCE TRUST

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

DIGAME AFRICA

Signature: _____

who warrants that he/she is duly authorized thereto

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

SAMUEL EDWARD PADDOCK

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

ROBERT JAMES PADDOCK

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

ANTHONY EDWARD GRAHAM SAUNDERS

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

CHRISTOPHER MURRAY VELLA

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

RYAN MICHAEL O'MAHONEY

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

DALE WILLIAMS

Signature: _____

Name: _____

Date: _____

Place: _____

Witness: _____

Witness: _____

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Paucek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 2U, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

By: /s/ Christopher J. Paucek
Name: Christopher J. Paucek
Title: Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Catherine A. Graham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 2U, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

By: /s/ Catherine A. Graham
Name: Catherine A. Graham
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the "Company") for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Paucek, as Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

By: /s/ Christopher J. Paucek
Name: Christopher J. Paucek
Title: Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of 2U, Inc. (the "Company") for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Catherine A. Graham, as Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

By: /s/ Catherine A. Graham
Name: Catherine A. Graham
Title: Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.