ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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http://oversight.house.gov

December 12, 2011

Mr. Andrew S. Rosen
Chairman and Chief Executive Officer
Kaplan Higher Education, Inc.
395 Hudson Street
New York, NY 10014

Dear Mr. Rosen:

I am writing to request copies of compensation agreements for you and your senior executives as part of an effort to determine whether your salary, bonuses, and other compensation are appropriately tied to the performance of the students you educate, the vast majority of which pay for their education with federal tax dollars.

Over the past three Congresses, this Committee has held multiple hearings on executive compensation, particularly with respect to companies that receive significant amounts of taxpayer funds.[1] Most recently, on November 16, 2011, the Committee held a hearing with the Chief Executive Officers of Fannie Mae and Freddie Mac, who have received millions of dollars in compensation and bonuses from U.S. taxpayers. As Rep. Patrick McHenry stated during that hearing:

> The concern here today is the extraordinary taxpayer support ... and that is where your compensation becomes a question for the taxpayer.[2]

For-profit education companies like yours receive the majority of their funds from U.S. taxpayers in the form of Title IV loans and grants, Title X tuition assistance, and funds

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[1] *See, e.g.,* House Committee on Oversight and Government Reform, *Hearing on Executive Pay: The Role of Compensation Consultants*, 110th Cong. (Dec. 5, 2007); House Committee on Oversight and Government Reform, *Hearing on AIG Bonuses: Report of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)*, 111th Cong. (Oct. 14, 2009); House Committee on Oversight and Government Reform, *Hearing on Executive Compensation: How Much Is Too Much?*, 111th Cong. (Oct. 28, 2009).

[2] House Committee on Oversight and Government Reform, *Hearing on Pay for Performance: Should Fannie and Freddie Executives Be Receiving Millions in Bonuses?* (Nov. 16, 2011).

distributed pursuant to the Veterans Education Assistance Act. In 2010, your company reported receiving approximately 89% of your total revenues of $1.8 billion from Title IV payments alone.[3] Yet, your institution's three-year Cohort Default Rate (CDR) ending in 2010 was 30%, meaning that nearly one in three students defaulted on their student loan payments.[4]

Because Kaplan is a wholly owned subsidiary of the Washington Post Company, and is therefore not required to disclose the compensation of its top executives to the Securities and Exchange Commission, it is unknown how much you and the top executives earned during this period. It is also unclear how much of your company's operating expenses are dedicated to educational costs.

In order to investigate more thoroughly how the structure of your executive compensation packages affects the performance of students educated with taxpayer funds, I request that you produce full, unredacted copies of compensation agreements that are currently in effect for you and the other five most highly compensated executives at your company. This should include any agreements controlling salary, stock options, bonus awards, and any other types of compensation. I also request that you produce documents demonstrating how compensation for these officials was calculated and awarded pursuant to these agreements for work in 2010.

I request that you produce these documents by December 23, 2011. If you have any questions, please contact Leah Perry at (202) 225-5051. Thank you for your cooperation with this request.

Sincerely,

Elijah E. Cummings

Elijah E. Cummings
Ranking Member

cc: The Honorable Darrell E. Issa, Chairman
Committee on Oversight and Government Reform

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[3] The Washington Post Company, *Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934* (Fiscal Year Ended Jan. 2, 2011) (signed Mar. 2, 2011) (online at www.sec.gov/Archives/edgar/data/104889/000119312511053497/d10k.htm).

[4] Department of Education and Height Analytics, LLC, *For-Profit Company CDR Analysis Using Recalculated Three-Year 2008 Rates* (Apr. 2011).