

Delek Logistics Partners, LP
Form 10-Q
August 07, 2017
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
June 30, 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 001-35721

DELEK LOGISTICS PARTNERS, LP

(Exact name of registrant as specified in its charter)

Delaware 45-5379027
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

7102 Commerce Way
Brentwood, Tennessee 37027
(Address of principal executive offices) (Zip Code)

(615) 771-6701
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

Edgar Filing: Delek Logistics Partners, LP - Form 10-Q

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

(Do not check if a smaller reporting 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

At August 3, 2017, there were 24,361,457 common limited partner units and 497,172 general partner units outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	<u>3</u>
Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016 (Unaudited)	<u>3</u>
Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2017 and 2016 (Unaudited)	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (Unaudited)	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>42</u>
<u>Item 4. Controls and Procedures</u>	<u>42</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 6. Exhibits</u>	<u>43</u>
<u>Signatures</u>	<u>45</u>
<u>Exhibit Index</u>	<u>46</u>
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
Exhibit 32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	

Part I.
FINANCIAL INFORMATION

Item 1. Financial Statements
Delek Logistics Partners, LP

Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except unit and per unit data)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,899	\$59
Accounts receivable	18,270	19,202
Accounts receivable from related parties	4,158	2,834
Inventory	6,522	8,875
Other current assets	1,388	1,071
Total current assets	35,237	32,041
Property, plant and equipment:		
Property, plant and equipment	347,303	342,407
Less: accumulated depreciation	(101,684)	(91,378)
Property, plant and equipment, net	245,619	251,029
Equity method investments	104,659	101,080
Goodwill	12,203	12,203
Intangible assets, net	13,888	14,420
Other non-current assets	3,926	4,774
Total assets	\$415,532	\$415,547
LIABILITIES AND DEFICIT		
Current liabilities:		
Accounts payable	\$10,176	\$10,853
Excise and other taxes payable	4,714	4,841
Tank inspection liabilities	939	1,013
Pipeline release liabilities	1,072	1,097
Accrued expenses and other current liabilities	4,350	2,925
Total current liabilities	21,251	20,729
Non-current liabilities:		
Long-term debt	396,897	392,600
Asset retirement obligations	3,918	3,772
Other non-current liabilities	14,545	11,730
Total non-current liabilities	415,360	408,102
Deficit:		
Common unitholders - public; 9,067,411 units issued and outstanding at June 30, 2017 (9,263,415 at December 31, 2016)	177,532	188,013
Common unitholders - Delek; 15,294,046 units issued and outstanding at June 30, 2017 (15,065,192 at December 31, 2016)	(192,348)	(195,076)
General partner - 497,172 units issued and outstanding at June 30, 2017 (496,502 at December 31, 2016)	(6,263)	(6,221)
Total deficit	(21,079)	(13,284)
Total liabilities and deficit	\$415,532	\$415,547

See accompanying notes to the condensed consolidated financial statements

3

Delek Logistics Partners, LP

Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)
(in thousands, except unit and per unit data)

Net sales:

Affiliate

Third party

Net sales

Operating costs and expenses:

Cost of goods sold

Operating expenses

9

Table of Contents

University of Chicago, Chairman of the Board of the Chicago Stock Exchange and was a director of the Federal Reserve Bank of Chicago. Ms. Jarrett holds a Ph.D. from the University of Michigan Law School. Our Board believes that Ms. Jarrett's broad experience in public policy enables her to make valuable contributions to the Board.

Class III Directors with Terms Expiring at the 2020 Annual Meeting of Stockholders

Mark J. Chernis. Mr. Chernis has served on our Board since January 2009. Mr. Chernis has served in various senior roles at Pearson since 2011, including President of Pearson Education Investments from January 2014 to present and President & Chief Operating Officer of the K-12 Technology Division from June 2011 to January 2014. Prior to 2011, Mr. Chernis was Chief Operating Officer of SchoolNet from March 2008 until its acquisition by Pearson in 2011. From 1984 to 2007, Mr. Chernis held various positions at The Princeton Review, including President from November 2007. Mr. Chernis also currently serves on the boards of several private companies. Mr. Chernis holds a B.A. from Vassar College. Our Board believes that Mr. Chernis's education industry and his long-term experience serving as a member of the Board enables him to make valuable contributions to the Board.

Sallie L. Krawcheck. Ms. Krawcheck was appointed to our Board as of the initial public offering of the Company's shares in April 2014. Ms. Krawcheck is the Managing Director of Ellevest Asset Management, an investment firm focused on companies where women make up a significant portion of officers and directors, since June 2014. Ms. Krawcheck is also the CEO of Ellevest (Ellevest Broads), a professional women's networking organization, since May 2013. Ms. Krawcheck is the CEO and co-founder of Ellevest, an investment platform for women, since 2011. Ms. Krawcheck is the President of Global Wealth & Investment Management for Bank of America from August 2009 to September 2011. Prior to joining Bank of America, Ms. Krawcheck worked at Citigroup from 2002 to 2008, including Chief Executive Officer of its Smith Barney division, Chief Financial Officer of Citigroup and Chief Executive Officer of Citigroup's Investment Management Group. She served as a director of BlackRock Inc. from 2009 to 2011 and Dell Inc. from 2006 to 2009. Ms. Krawcheck holds a B.A. from the University of North Carolina at Chapel Hill. Our Board believes that Ms. Krawcheck's financial acumen and broad experience serving in leadership roles with financial and investment firms enables her to make valuable contributions to the Board.

John M. Larson. Mr. Larson has served on our Board since June 2009. Mr. Larson has served as the Executive Chairman of Triumph Higher Education since 2009. He also has served as President of Triumph Group, Inc., a company that advises and invests in domestic and international education companies, since 2008. Mr. Larson was the Executive Officer and director of Career Education Corporation, or CEC, a publicly held post-secondary education company, from its inception in 1994 through 2006, and as Chairman of the Board from 2000 to 2006. He became Chairman Emeritus of CEC in 2006 and continues to serve in that position. He holds a B.S. in Business Administration from the University of California, Berkeley. Our Board believes that Mr. Larson's deep knowledge of the higher education industry and his experience founding and leading a publicly held education company enables him to make valuable contributions to the Board.

Edward S. Macias. Dr. Macias has served on our Board since November 2014. Dr. Macias is currently the Provost Emeritus and Barbara and David Distinguished Professor of Educational Sciences at Washington University in St. Louis. Previously, Dr. Macias was the chief academic officer of Washington University in St. Louis for 25 years, including Executive Vice Chancellor in June 2013. During his tenure as Provost, Dr. Macias provided leadership in curriculum, budget and capital project development.

Table of Contents

broad experience and knowledge in higher education administration and innovation in academic settings. Following his tenure as Provost, Dr. Macias was instrumental in the development of the University's online education and to leverage advances in education technology to enhance its reach and impact. Dr. Macias currently serves on the boards of the Shalom Institute and Saint Louis Country Day School, the St. Louis Immigration and Innovation Steering Committee and on the academic advisory board of the School of Business at the board of Colgate University. Dr. Macias holds a bachelor's degree in Chemistry from Colgate University and a doctorate in Chemistry from Massachusetts Institute of Technology. Dr. Macias's substantial knowledge of the higher education industry and his vast experience as Provost and Executive Vice Chancellor of Washington University have made significant contributions to the Board.

BOARD OF DIRECTORS AND COMMITTEES

Board Purpose and Structure

The mission of the Board is to provide strategic guidance to the Company's management, to monitor the performance and ethical behavior of the Company's management and to maximize financial return to the Company's stockholders, while considering and appropriately balancing the interests of other stakeholders and constituencies. The Board may change the number of directors only by resolution approved by a majority of our Board. Any additional directorships resulting from an increase in the number of classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our Board into three classes with staggered three-year terms is designed to ensure continuity of management or a change of control.

The Board has established standing committees in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee, a Corporate Governance Committee. The Board has adopted written charters for each of these committees. In connection with a follow-on offering of the Company's common stock, the Board established a Pricing Committee to work with management to determine the appropriate time, form and pricing of any such offering.

Board Leadership

Our Board currently has an independent Chair, Mr. Maeder, who has the authority, among other things, to call and preside over Board meetings, including setting meeting agendas. Accordingly, the Chair of the Board has substantial ability to shape the work of the Board. We believe that separation of the positions of Chair and CEO enhances the independence of the Board in its oversight of the business and affairs of the Company. In addition, we believe that having an independent Chair of the Board enhances the objective evaluation and oversight of management's performance, increasing management accountability and improving the ability of the Board to monitor and oversee the Company and its stockholders. As a result, we believe that having an independent Chair of the Board enhances the effectiveness of the Board as a whole.

Risk Oversight

The Board oversees a company-wide approach to risk management that is carried out by management. The Board determines the appropriate risk for the Company and reviews the steps taken by management to manage those risks. While the Board

Table of Contents

maintains the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas.

Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements, and administers. Our Audit Committee oversees management of enterprise risks, financial risks and legal and compliance risks, as well as potential conflicts of interest. Our Nominating and Corporate Governance Committee is responsible for overseeing the management of risks associated with the independence of our Board and the Company's corporate governance.

Director Independence

Our Nominating and Corporate Governance Committee and our Board have undertaken a review of the independence of our current directors and considered any relationships with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our Board determined that Messrs. Chernis, Haley, Larson, Maeder, Stavis, Lewis, Peters and Macias and Mses. Krawcheck, Rushing and Jarrett, representing independent directors," as defined under applicable Nasdaq listing standards and the rules of the United States Securities and Exchange Commission ("*SEC*").

The Nominating and Corporate Governance Committee and the Board apply standards in affirmatively determining whether a director is "independent" under applicable Nasdaq listing standards and SEC rules. As part of the process in making such determination, the Nominating and Corporate Governance Committee and the Board also determined whether Messrs. Chernis, Haley, Larson, Maeder, Stavis, Lewis, Peters, Chernis and Macias, and Mses. Krawcheck, Rushing and Jarrett have any other "material relationship" with the Company that could interfere with his or her independent judgment.

The Board includes one management director, Mr. Paucek, who is the Company's Chief Executive Officer. The Nominating and Corporate Governance Committee and the Board have determined that Mr. Paucek is not independent under applicable Nasdaq listing standards and SEC rules.

As part of its annual evaluation of director independence, the Nominating and Corporate Governance Committee and the Board examine (among other things) any relationships currently (or existed during the past three years) between each independent director and the Company, its subsidiaries, affiliates, equity investors, or independent contractors, and the applicable Nasdaq listing standards and SEC rules. The Nominating and Corporate Governance Committee and the Board also examine whether there are any relationships between each independent director and any executive officer of the Company or its affiliates. As a result of this evaluation, the Nominating and Corporate Governance Committee affirmatively determined that each independent director is independent under those criteria.

Board Meetings and Attendance

During 2017, including both regularly scheduled and special meetings, our Board met a total of six times, the Audit Committee met a total of seven times, the Nominating and Corporate Governance Committee met a total of two times and the Pricing Committee met a total of one time. During 2017, all of the directors attended all of the total number of meetings of the Board and the total number of meetings held by any of the committees of the Board on which such director served. During 2017, the Audit Committee met privately with the Company's independent registered public accounting firm.

Table of Contents

Audit Committee

Our Audit Committee consists of three directors, Messrs. Stavis, Lewis and Peters. Mr. Peters joined the Audit Committee and Mr. Chernis resigned from the Chair of the Audit Committee, and our Board has determined that he is an "audit committee financial expert," as defined by SEC rules and regulations. Our Audit Committee meets the criteria for independence under, and the functioning of our Audit Committee complies with, the applicable requirements of the SEC rules and regulations. The Board has determined that all members of the Audit Committee are financially literate and possess "financial sophistication." We intend to continue to evaluate the requirements applicable to us, and we intend to comply with the future requirements to the extent that they become applicable.

Our Audit Committee oversees the Company's corporate accounting and financial reporting processes. The principal duties and responsibilities of our Audit Committee include:

appointing and retaining an independent registered public accounting firm to serve as independent auditor to audit our consolidated financial statements; reviewing and supervising the independent auditor's work and determining the independent auditor's compensation;

approving in advance all audit services and non-audit services to be provided to us by our independent auditor;

establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

reviewing and discussing with management and our independent auditor the results of the annual audit and the independent auditor's report;

conferring with management and our independent auditor about the scope, adequacy and effectiveness of our internal accounting controls and accounting policies and practices.

The Audit Committee's charter can be obtained without charge on the Company's website at <http://investor.2u.com/>. As provided under the Audit Committee's charter and applicable law, the Audit Committee pre-approves all audit, review and attest services, as well as all permitted non-audit services (subject to a *de minimis* exception) from its independent public accounting firm. This pre-approval applies to audit services, audit-related services, tax services and other services. Under this policy, the Audit Committee may approve a specific task or scope of work, subject to a specific budget and for up to one year. The Audit Committee may also delegate pre-approval authority to one or more of its members. We have delegated to the Chair of the Audit Committee the authority to pre-approve services (other than the annual engagement) up to a maximum of \$50,000 per year. We reserve the right to reverse any pre-approval decisions at the next scheduled meeting of the Audit Committee. To avoid potential conflicts of interest, applicable securities laws prohibit the Audit Committee from obtaining certain non-audit services from its independent audit firm. We obtain these services from other service providers as needed.

Table of Contents

Compensation Committee

Our Compensation Committee consists of three directors, Messrs. Larson and Maeder and Ms. Rushing, each of whom is a non-employee member of the Board, and an "outside director," as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Larson is the Chair of the Compensation Committee. The composition of our Compensation Committee satisfies the applicable independence requirements under the listing standards and SEC rules and regulations. We intend to continue to evaluate and intend to comply with all future requirements applicable to our Compensation Committee. The Compensation Committee oversees the Company's compensation policies, plans and programs. The principal duties and responsibilities of our Compensation Committee include:

establishing and approving, and making recommendations to the Board regarding, performance goals and objectives relevant to the compensation of our chief executive officer in light of those goals and objectives and setting, or recommending to the full Board for approval, incentive-based and equity-based compensation, based on that evaluation;

setting the compensation of our other executive officers, based in part on recommendations of the Chief Executive Officer;

exercising administrative authority under our stock plans and employee benefit plans;

establishing policies and making recommendations to our Board regarding director compensation;

reviewing and discussing with management the compensation discussion and analysis that we may be required from time to time to include in our annual report;

preparing a Compensation Committee report on executive compensation as may be required from time to time to be included in our annual report and filing it with the SEC.

The scope of the Compensation Committee's authority and responsibilities is set forth in its written charter, a copy of which is available without charge to any stockholder upon request. Pursuant to the Compensation Committee's charter, the Compensation Committee may delegate its authority to subcommittees as the Compensation Committee may determine, subject to the listing standards and the Nasdaq listing standards. As part of its duties, the Compensation Committee establishes and approves (or refers to the full Board for approval) the compensation of the Chief Executive Officer in light of relevant corporate goals and objectives that are periodically established by the Compensation Committee or the Board. The Compensation Committee also reviews and approves (or refers to the full Board for review and approval) the compensation of other executive officers in light of relevant corporate goals and objectives that are periodically established by the Compensation Committee or the Board, and deliberations regarding his or her compensation. Under its charter, the Compensation Committee has the authority to retain, at the Company's expense, compensation consultants, as it deems necessary. For additional information regarding the role of executive officers and compensation consultants in setting director and executive compensation, see the Compensation Discussion and Analysis."

Table of Contents

Compensation Committee Interlocks and Insider Participation

During 2017, Messrs. Larson and Maeder and Ms. Rushing served on the Compensation Committee. None of the members of the Compensation Committee is an employee of the Company or any of its subsidiaries, nor did any of the members of the Compensation Committee have a relationship requiring disclosure under the rules of the SEC. In the last completed fiscal year, none of our executive officers has served as a member of the board of directors or compensation committee of any other entity that is serving as a member of our Board or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of four directors, Messrs. Haley and Macias and Meses. Krawcheck and Jarrett. Mr. Haley is the Chair of the Nominating and Corporate Governance Committee. Our Board has determined that the composition of our Nominating and Corporate Governance Committee satisfies the applicable requirements of the listing standards of our Nominating and Corporate Governance Committee complies with the applicable requirements of, Nasdaq listing standards and SEC rules and regulations. Our Nominating and Corporate Governance Committee will comply with all future requirements applicable to our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee will also comply with all future requirements applicable to our Nominating and Corporate Governance Committee. The principal duties and responsibilities of the Nominating and Corporate Governance Committee include:

- assessing the need for new directors and identifying individuals qualified to become directors;
- recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;
- assessing individual director performance, participation and qualifications;
- developing and recommending to the Board corporate governance principles;
- monitoring the effectiveness of the Board and the quality of the relationship between management and the Board; and
- overseeing a periodic evaluation of the Board's performance.

The Nominating and Corporate Governance Committee's charter can be obtained without charge on the Company's website at <http://investor.2u.com/>.

Executive Sessions of Non-Management Directors

In order to promote discussion among the non-management directors, the Board regularly holds executive sessions (*i.e.*, meetings of non-management directors) on topics as the non-management directors determine. Mr. Maeder presides as Chair during the executive sessions of the Board. The non-management directors were present at the executive sessions of the Board during 2017.

Nomination of Directors

The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. The Nominating and Corporate Governance Committee also considers advice and recommendations from others as it deems appropriate. The Nominating and Corporate Governance Committee will also assess the appropriate balance of criteria required of Board members.

Table of Contents

The Nominating and Corporate Governance Committee may apply several criteria in selecting nominees. At a minimum, it considers (a) whether each accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and (b) his or her personal and professional activities. Additional factors that the Nominating and Corporate Governance Committee may consider include a candidate's personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other factors in the context of the needs of the Board. Although the Company has no diversity policy, the Board believes that diversity is an important consideration in Board composition. A variety of opinions, perspectives, experiences and backgrounds, including gender, race and ethnicity differences, as well as other differentiating characteristics, are valued at that point in time.

The Nominating and Corporate Governance Committee considers candidates recommended by stockholders pursuant to the Nominating and Corporate Governance Committee's stockholder recommendations of director nominees. The Nominating and Corporate Governance Committee's policy is available free of charge on the Company's website. Pursuant to this policy, and at its next appropriate meeting following receipt of a recommendation, the Nominating and Corporate Governance Committee will consider all such recommendations from stockholders provided such recommendation is delivered timely and in the proper form, as specified in the policy. All director nominees so submitted by the stockholders will be considered in the same manner as recommendations received from management or members of the Board.

Communications with the Board of Directors

The Board has established a process to receive communications from stockholders and other interested parties. Stockholders and other interested parties may communicate with any Board committee or any chair of any such committee by mail. To communicate with the Board, the non-management directors, any individual director or committee of directors, communications should be addressed to the Board or any such individual directors or committee of directors by either name or title. All such correspondence should be sent to the Company, 20706, Attn: Corporate Secretary.

All communications received as set forth above will be opened by the Corporate Secretary who will determine whether the communication should be opened to the Board. To avoid providing the Board communications that are irrelevant or inappropriate (such as advertisements, solicitations and hostile communications). Following the review, the Corporate Secretary will distribute the communication to the Board, the non-management directors, an individual director or committee of directors, as appropriate.

Director Attendance at Annual Meeting

Although we do not have a formal policy with respect to directors' attendance at our annual meeting of the stockholders, all directors are encouraged to attend. All directors who were a director of the Company as of such date attended our last annual meeting.

Director Compensation

Non-employee directors are paid an annual retainer fee and equity awards for their service on the Board. Committee chairs are each paid additional retainer fees. Members of the Audit Committee are paid an additional equity award for service in this

Edgar Filing: Delek Logistics Partners, LP - Form 10-Q

Table of Contents

capacity. Christopher J. Paucek, our Chief Executive Officer, is also a director, but does not receive any additional compensation for his service as a director retained by the Company, conducts an annual review and assessment of our director compensation program relative to market compensation practices and practices of the Compensation Committee. The Compensation Committee then, based in part upon Compensia's report, provides a recommendation to the full Board with respect to our director compensation.

During 2017, our non-employee directors were entitled to receive the following annual compensation for their service on the Board:

Position	Cash or Equity Retainer \$(1)	Equity Grants \$(2)
Board Chair	5,000	15,000
Board Member	25,000	110,000
Audit Committee Chair	5,000	15,000
Compensation Committee Chair	5,000	5,000
Nominating and Corporate Governance Committee Chair	5,000	5,000
Non-Chair Audit Committee Members		5,000

(1) In 2017, our non-employee directors elected to receive their quarterly cash retainers of \$6,250 in the form of a restricted stock unit award. Each director on the Board, Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee elected to receive the additional quarterly cash award. These restricted stock unit awards vest in a single installment on April 1, 2018.

(2) In 2017, our non-employee directors received annual grants of restricted stock units and options, each with a grant date value of \$55,000. These grants were made on the anniversaries of the applicable vesting commencement date. The Chair of our Board and the Chair of our Audit Committee received an additional grant of restricted stock units with a grant date value of \$15,000, which vests on the first anniversary of the vesting commencement date. Each director who served as a member of our Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee received an additional grant of restricted stock units with a grant date value of \$25,000 on the first anniversary of the vesting commencement date. Ms. Jarrett, who was elected to the Board on December 3, 2017, received a one-time equity award of restricted stock units with a grant date value of \$25,000, as described in more detail below.

Table of Contents**2017 Director Compensation**

The following table provides information about the compensation paid to each of our non-employee directors during 2017.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Total (\$)
Mark J. Chernis	30,000	69,934	54,994	154,928
Timothy M. Haley	30,000	59,932	54,994	144,926
Sallie L. Krawcheck	25,000	54,971	54,994	134,965
John M. Larson	30,000	59,932	54,994	144,926
Earl Lewis	25,000	59,932	54,994	139,926
Edward S. Macias	25,000	54,971	54,994	134,965
Paul A. Maeder	30,000	69,934	54,994	154,928
Coretha M. Rushing	25,000	54,971	54,994	134,965
Robert M. Stavis	25,000	59,932	54,994	139,926
Valerie B. Jarrett	6,250(3)	(4)	(4)	6,250

- (1) In 2017, all directors elected to receive their cash retainers in restricted stock units. Each director received 629 restricted stock units, in lieu of the representing a grant date fair value of \$24,965. Messrs. Maeder, Chernis, Larson and Haley received an additional 125 restricted stock units, in lieu of the Board or Chair of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, respectively, having stock units vest in a single installment on April 1, 2018.
- (2) The amounts in these columns reflect the grant date fair value for option awards and stock awards, as applicable, in accordance with ASC Topic 718 using the Black-Scholes option pricing model. The fair value of each stock award is measured based on the closing price of our common stock on the date used to calculate the grant date fair values for options awards, see Note 11 to our audited consolidated financial statements included in our Annual Report.
- (3) Ms. Jarrett joined our Board on December 3, 2017 and elected to receive her cash retainer, pro-rated to reflect her partial year of service, in restricted stock units in January 2018, having a grant date fair value of \$6,193. These restricted stock units vest in a single installment on January 1, 2019.
- (4) In January 2018, Ms. Jarrett received a one-time grant of restricted stock units and options, each with a grant date fair value of \$25,000 in connection with her first, second and third anniversaries of the applicable vesting commencement date.

The following table provides information about outstanding stock awards and stock options held by each of our non-employee directors as of December 31, 2017.

Edgar Filing: Delek Logistics Partners, LP - Form 10-Q

Table of Contents

granted under our 2008 Stock Incentive Plan (the "2008 Plan") and, since 2014, have been granted under our 2014 Equity Incentive Plan (the "2014 Plan")

Name	Stock Awards	Option Awards
Mark J. Chernis	4,759	119,793
Timothy M. Haley	4,507	7,554
Valerie B. Jarrett		
Sallie L. Krawcheck	4,257	36,904
John M. Larson	4,507	19,293
Earl Lewis	4,382	36,904
Edward S. Macias	4,257	14,028
Paul A. Maeder	4,759	19,293
Coretha M. Rushing	3,510	7,591
Robert M. Stavis	4,382	19,293

No Material Proceedings

There are no material proceedings to which any of our directors, executive officers or affiliates, or any owner of record or of beneficially more than five percent of the Company or its subsidiaries or in which any of our directors, executive officers or affiliates, or any owner of record or of beneficially more than five percent of the Company or its subsidiaries has a material interest adverse to the Company or its subsidiaries.

Table of Contents**MANAGEMENT****Executive Officers**

The following table sets forth information concerning our current executive officers, including their ages as of April 30, 2018:

Name	Age	Position
<i>Executive Officers:</i>		
Christopher J. Paucek	47	Chief Executive Officer and Director
Catherine A. Graham	57	Chief Financial Officer
Harsha Mokkarala	38	Chief Revenue Officer
James Kenigsberg	42	Chief Technology Officer

Current Executive Officer Biographies***Christopher J. Paucek***

See biography of Christopher J. Paucek in "Class I Directors with Terms Expiring in 2018" above.

Catherine A. Graham

Ms. Graham has served as our Chief Financial Officer since April 2012. Prior to that, she served as Chief Financial Officer for Online Resources Corp. from April 2012. Prior to that, she served as Chief Financial Officer for VIA NET.WORKS, Inc., an Internet services and web hosting provider, from 1998 to 2004. She also worked for Yurie Systems, a telecommunications equipment manufacturer, and other public companies, as well as with several commercial banks. Ms. Graham holds a Bachelor's degree from Loyola University Maryland.

Harsha Mokkarala

Mr. Mokkarala was appointed as our Chief Revenue Officer in April 2018. From April 2016 until his appointment as Chief Revenue Officer, he served as Chief Marketing Officer of our Company in September 2013 to lead our data driven marketing function. From 2004 to 2013, Mr. Mokkarala held various roles at Capital One in digital marketing for Capital One's credit card acquisitions group. Mr. Mokkarala has over nine years of experience in data driven online marketing. He holds a Master's degree from the University of Wisconsin, Madison.

James Kenigsberg

Mr. Kenigsberg has served as our Chief Technology Officer since July 2010 and previously as Chief Information Officer from September 2008 to June 2010. He has held various leadership positions at The Princeton Review, including from 2004 to 2008 as vice president of application development and product development. Prior to that, he worked at Mathers in 2000 and as project engineer at Thomson Reuters from 1998 to 2000. Mr. Kenigsberg attended Hunter College.

CORPORATE GOVERNANCE

We are committed to conducting our business in a way that reflects best practices, as well as the highest standards of legal and ethical conduct. We want to be guided by everyone who comes in contact with us. To that end, the Board has approved a comprehensive system of corporate governance documents. These documents

Table of Contents

requirements established by the Nasdaq listing standards and by SEC rules and are reviewed periodically and updated as necessary to reflect changes in regulations. These policies embody the principles, policies, processes and practices followed by the Board, executive officers and employees in governing the Company's governance.

Code of Business Conduct and Ethics for Employees, Executive Officers and Directors

We have adopted a Code of Business Conduct and Ethics, or the Code of Conduct, applicable to all of our employees, executive officers and directors, and applicable SEC rules. The Code of Conduct is available on our website at <http://investor.2u.com/>. The Nominating and Corporate Governance Committee of the Board of Directors must approve any waivers of the Code of Conduct for employees, executive officers and directors. Any amendments to the Code of Conduct, must be made in accordance with Nasdaq listing standards and applicable SEC rules. We intend to satisfy the disclosure requirements under the Exchange Act regarding any amendments to the Code of Conduct by posting such information on our website.

Table of Contents

**PROPOSAL TWO
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit Committee appointed KPMG LLP, independent registered public accounting firm, to audit the consolidated financial statements of the Company. In the matter of good corporate governance, the Company's stockholders will be requested to ratify the Audit Committee's selection at the Meeting. KPMG LLP has been our independent registered public accounting firm since 2011.

Although there is no requirement that KPMG LLP's appointment be terminated if the ratification fails, the Audit Committee will consider the appointment of other independent registered public accounting firms if the stockholders choose not to ratify the appointment of KPMG LLP. The Audit Committee may terminate the appointment of KPMG LLP as our independent registered public accounting firm with the approval of the stockholders whenever the Audit Committee deems such termination appropriate.

KPMG LLP has affirmed that they are not aware of any relationships between KPMG LLP and the Company that may reasonably be thought to bear on its independence.

A representative of KPMG LLP is expected to be present at the Meeting. The representative will have the opportunity to make a statement if he or she wishes to answer appropriate stockholder questions at the Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING "FOR" THE RATIFICATION OF
THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM.**

Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee of our Board is responsible for the appointment, oversight and evaluation of our independent registered public accounting firm. The Audit Committee may engage, appoint and replace our independent auditors. In addition, the Audit Committee has established in its charter a policy that every engagement of our independent registered public accounting firm to perform audit or permissible non-audit services on behalf of the Company or any of its subsidiaries requires pre-approval from the Audit Committee or its authorized representative. Our independent registered public accounting firm is engaged to provide those services. Our independent registered public accounting firm may not be retained to perform the non-audit services unless the Audit Committee has approved such services. Pursuant to its charter, the Audit Committee reviews and, in its sole discretion, approves in advance our independent registered public accounting firm's annual fee schedule and the non-audit services contained therein, as well as all audit and, as provided in the Sarbanes-Oxley Act of 2002 and the SEC rules and regulations promulgated thereunder, all permitted non-audit services on behalf of the Company and such independent registered public accounting firm (which approval should be made after receiving input from the Company's management and the Audit Committee).

With respect to the audit for the years ended December 31, 2017 and 2016, the Audit Committee approved the audit services performed by KPMG LLP and the permitted non-audit services.

Table of Contents

Independent Registered Public Accounting Firm Fees

Aggregate fees for professional services rendered by KPMG LLP for the years ended December 31, 2017 and December 31, 2016, were:

Type of Fee	2017	2016
Audit Fees(1)	\$ 1,973,414	\$ 1,073,000
Audit-Related Fees(2)	304,793	25,000
Tax Fees(3)	58,262	
All Other Fees(4)	1,780	1,780
Total Fees	\$ 2,338,249	\$ 1,099,780

-
- (1) Audit fees consisted of work performed in connection with the audit of our consolidated financial statements included in our registration statement on Form 10-K, the reviews of the unaudited quarterly financial statements included in our Quarterly Reports on Form 10-Q and the audit of the GetSmarter financial information included in the unaudited pro forma financial information of the Company giving effect to the acquisition of GetSmarter included in our Form 8-K/A.
- (2) Audit-related fees consisted of services related to transaction advisory services.
- (3) Tax fees consisted of services related to tax planning and advisory services.
- (4) All other fees consisted of products and services related to an online accounting research tool.

Table of Contents

AUDIT COMMITTEE REPORT*

The Board has ultimate authority and responsibility for effective corporate governance, including the role of oversight of the management of 2U. The Board is fulfilling its responsibilities to the Company and its stockholders by overseeing the accounting and financial reporting processes of 2U, the audits of 2U's consolidated financial statements, and the selection and performance of the Company's independent registered public accounting firm.

The Audit Committee reviews our financial reporting process on behalf of the Board. The Audit Committee relies on the expertise and knowledge of our independent registered public accounting firm in performing its oversight responsibilities. Management has the primary responsibility for establishing and maintaining effective systems of internal and disclosure controls and the financial reporting process. KPMG LLP, 2U's independent registered public accounting firm, is responsible for expressing opinions on the conformity of the Company's financial statements with accounting principles and on our internal control over financial reporting.

With respect to the fiscal year ended December 31, 2017, the Audit Committee, among other things: oversaw the integrity of the Company's financial reporting, ensured compliance with legal and regulatory requirements, reviewed the external auditors' qualifications and independence (including auditor rotation), and evaluated the effectiveness of the external audit.

The Audit Committee has reviewed and discussed with management and KPMG LLP the audited consolidated financial statements for the year ended December 31, 2017, and the related disclosures with KPMG LLP all matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board. In addition, the Audit Committee has reviewed the disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communication with the Audit Committee. The Audit Committee has had discussions with KPMG LLP regarding its independence from the Company and its management.

Based on the reviews and discussions described above, the Audit Committee recommended to our Board, and the Board approved, inclusion of the audited consolidated financial statements for the year ended December 31, 2017 in our Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC. The Audit Committee and the independent registered public accounting firm for fiscal year 2018.

Submitted by the Audit Committee
Mark J. Chernis (Chair)
Earl Lewis
Robert M. Stavis

* The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing of 2U, whether or not such filing is amended, or the Securities Exchange Act of 1934, as amended, except to the extent that 2U specifically incorporates the Audit Committee Report.

Table of Contents

**PROPOSAL THREE ADVISORY VOTE TO APPROVE THE COMPANY'S
EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Exchange Act require a separate, nonbinding "say-on-pay" Executive Officers. The Board currently intends to hold this vote annually, and the next such vote is expected to occur at the 2019 annual meeting of stock Officers and the Company's overall executive compensation policies and procedures are described in the "Compensation Discussion and Analysis" and the narrative disclosure) in this Proxy Statement.

This proposal gives you, as a stockholder, the opportunity to endorse or not endorse the compensation paid to the Company's Named Executive Office

"RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in the tabular disclosure regarding Named Executive Officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement."

Because your vote is advisory, it will not be binding upon the Board and may not be construed as overruling any decision by the Board. However, the vote when evaluating the effectiveness of our compensation policies and procedures and in connection with its future executive compensation determination

**THE BOARD OF DIRECTORS RECOMMENDS VOTING "FOR" THE APPROVAL OF THE COMPENSATION PAID TO OUR NAMED
PROXY STATEMENT.**

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of the material components of our executive compensation program during fiscal year

Christopher J. Paucek, our Chief Executive Officer and Director;

Catherine A. Graham, our Chief Financial Officer;

Susan E. Cates, our former Chief Operating Officer;

Harsha Mokkarala, our Chief Revenue Officer; and

James Kenigsberg, our Chief Technology Officer.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the accompanying compensation tables as our Named Executive Officers for fiscal year 2017 is set forth in detail in the Summary Compensation Table and other tables that follow this section, as well as those tables. This section also discusses our executive compensation philosophy, objectives and design; how and why the Compensation Committee of our decisions involving our Named Executive Officers, during fiscal year 2017; the role of Compensia, our outside compensation consultant; and the peer group

Ms. Cates resigned as our Chief Operating Officer effective August 31, 2017 and we entered into a consulting and separation agreement with her pursuant to us until August 31, 2018. No other individuals served as executive officers in 2017.

Executive Summary

2017 Financial and Business Highlights

We are a leading education technology company that well-recognized nonprofit colleges and universities trust to bring them into the digital age. With anywhere, without quitting their jobs or moving; and our university clients can improve educational outcomes, skills attainment and career prospects for a

In 2017, we achieved significant financial and business results. Highlights include:

We increased our revenue from \$205.9 million in 2016 to \$286.8 million in 2017.

We grew full course equivalent enrollments in our university clients' graduate programs from 77,344 in 2016 to 98,904 in 2017.

We launched ten new graduate programs with university clients.

We acquired Get Educated International Proprietary Limited, or GetSmarter, in July 2017 and extended our offerings to include premium universities.

We completed a public offering of common stock in September 2017 in which we sold 4,047,500 shares and received net proceeds of \$

Executive Compensation Highlights

Consistent with our general compensation philosophy, we strive to provide a compensation package to each executive officer, including our Named E

Table of Contents

achievement of our business objectives, drives the development of a successful and growing business, and aligns the interests of our Named Executive Officers with the interests of the Company. Our 2017 compensation actions and decisions reflect our financial results and business performance and our Named Executive Officers' accomplishments and performance.

The Compensation Committee took the following actions with regard to its review and analysis of 2017 compensation for our Named Executive Officers:

Reviewed, assessed and updated the prior peer group of comparable public companies, selected with the assistance of an independent compensation consultant, to ensure that our executive compensation process and assist in ensuring that our executive compensation program is positioned to be competitive and aligned with our business objectives;

As a result of its overall review, including comparisons against our peer group, increased the base salary and target cash incentive compensation for our Named Executive Officers; and

Approved equity awards to our Named Executive Officers, at levels consistent with our philosophy of more heavily weighting equity-based compensation to align individual performance and align the long-term interests of Named Executive Officers with those of our stockholders.

We endeavor to maintain good governance standards in our executive compensation policies and practices. The Compensation Committee evaluates our compensation program to ensure it is consistent with our short-term and long-term goals given the dynamic nature of our business and the market in which we compete for executive talent. For 2017:

Independent Compensation Committee. The Compensation Committee consists solely of independent directors and has primary responsibility for the design and oversight of our executive compensation program.

Annual Executive Compensation Review. The Compensation Committee conducts an annual review and approval of our compensation program for our Named Executive Officers and our peer group.

No "Single Trigger" Change in Control Payments for Executive Officers. We do not provide change in control payments to our Named Executive Officers since 2014 provide for vesting acceleration of unvested awards only on a "double trigger" basis that is, each Named Executive Officer's unvested awards will be accelerated only if there is a change in control of the Company and the Named Executive Officer's employment is terminated or for good reason on or within 12 months after the change in control.

Compensation At-Risk. Our executive compensation program is designed so that a significant portion of total compensation is "at-risk," based largely on corporate performance, and equity-based long-term incentives to align the interests of our Named Executive Officers with the interests of the Company. Executive Officers typically vest or are earned over four-year periods, consistent with current market practice and our retention objectives.

Limited Severance Benefits. Except in the case of our Chief Executive Officer, none of our current named executive officers are entitled to severance benefits in excess of those provided than as required by law.

Table of Contents

Restrictions on Transactions in Our Securities. Our insider trading policy prohibits our employees, including our Named Executive Officers, from hedging of stock ownership positions and transactions in derivative securities relating to our capital stock.

Executive Compensation Philosophy, Objectives and Design

We operate in a highly fragmented, rapidly evolving and competitive market, and we believe that our ability to compete and succeed in this environment depends on our ability to attract, hire, develop and retain skilled teams in technology, content development, marketing and other business areas. The market for skilled personnel in the technology industry is highly competitive. In the nature of each new university client relationship, our senior management team is heavily involved in the identification and sales process for each university client. The complex approval processes of large nonprofit colleges and universities. Our compensation philosophy is designed to establish and maintain a compensation program that attracts, hires, develops and retains the best talent to possess the skills necessary to create long-term value for our stockholders, grow our business while maintaining our dedicated focus on quality, and assist in the success of our clients.

The key elements of our total compensation philosophy include the following:

Company Ownership. We believe that equity ownership by employees, including our Named Executive Officers, is a critical retention tool and employee incentive. We encourage our employees, Named Executive Officers and stockholders to own shares of our common stock.

Focus on Results. Our executive compensation program is weighted towards at-risk, performance-based compensation. A significant portion of our compensation is dependent upon our performance.

Fair, Flexible and Results-Oriented. We design our compensation structure to reward results and to drive excellence and consistency across the Company's various functions. Our annual incentive bonus plan provides that employees who focus on a particular university client graduate program would have their bonus payment based on the applicable graduate program and corporate employees would have their bonus payout weighted more heavily toward overall corporate performance.

Our executive compensation program has been heavily weighted towards granting long-term equity incentive awards. Our Compensation Committee believes that aligning executives' interests with the long-term interests of our stockholders by driving achievement of our strategic and financial goals. Prior to our becoming a public company, our compensation program was largely in the form of stock option grants. Following our initial public offering, we shifted to a mix of restricted stock units, or RSUs, settled in equity vehicles for all equity-eligible employees, including our Named Executive Officers. Our Named Executive Officers typically receive 50% of their compensation in the form of stock options. We believe that options, which we grant with exercise prices equal to the fair market value of our common stock on the date of grant, provide a better alignment of the interests of recipients and stockholders, since the options reward recipients, including our Named Executive Officers, only to the extent that our stock price increases over the grant date. RSUs, while also providing an appropriate long-term incentive to recipients, due to their long-term vesting schedules, effectively manage dilution to the extent of the predictability to recipients in the value of their compensation.

Table of Contents

To maintain a competitive compensation program, we also provide cash compensation in the form of base salaries and performance-based annual cash. Executive Officers, participate in the same annual performance-based bonus plan. Our Named Executive Officers are eligible to receive a target cash bonus percentage of their base salary based on achievement of corporate financial goals. We typically consider the compensation practices of companies in our peer group of Executive Officers, and we may also consider unique skills sets, specialized industry knowledge and other factors in making those determinations.

In early 2017, our Compensation Committee, with the assistance of the Company's compensation consultant, reviewed our executive compensation, incentive programs, to ensure that our compensation program promotes stockholder interests and provides appropriate rewards and incentives for our Named Executive Officers.

Consideration of "Say-on-Pay" Voting Results

At the Company's 2017 annual meeting of the stockholders, the Company's advisory vote on say-on-pay garnered stockholder support of 84% of shares. The Compensation Committee reviewed stockholder and other stakeholder feedback along with the results of our stockholder "say-on-pay" vote from the 2017 annual meeting during 2017. Based on this feedback and the 84% say-on-pay approval by stockholders at the 2017 annual meeting of the stockholders, the Compensation Committee reviewed its compensation policies and practices. Therefore, the Compensation Committee continued to apply similar principles in determining 2017 compensation actions.

Process for Setting Compensation

Compensation decisions for our Named Executive Officers are determined by our Compensation Committee, with input from management (including compensation data retained by management, when appropriate). Our Compensation Committee reviews the compensation of our executive officers, including our Named Executive Officers in certain situations, to ensure the executives are properly incentivized, and makes adjustments as necessary.

In determining base salaries, bonus targets and equity incentive awards for our Named Executive Officers, our Compensation Committee considers the compensation of comparable positions in the market, individual performance as compared to our expectations and objectives, and our desire to drive short- and long-term results. We do not target a specific competitive position or a specific mix of compensation among base salary, bonus or long-term incentives, although we typically compare compensation targets for our Named Executive Officers, and we may also consider unique skills sets, specialized industry knowledge and other factors in making those determinations.

For 2017, we engaged a compensation consultant, Compensia, to advise in matters relating to the compensation of our executives. For additional information on our compensation, see the section entitled " Role of Compensation Consultant."

At the beginning of 2017, following discussions with management and a review of Compensia's findings, the Compensation Committee ultimately made adjustments to the compensation of our Named Executive Officers to promote executive retention and more closely align ourselves with our peer companies in a competitive technology employment market.

Table of Contents

Role of Compensation Committee

Pursuant to its charter, the Compensation Committee is primarily responsible for establishing, approving and adjusting compensation arrangements for Executive Officer, and for reviewing and approving corporate goals and objectives relevant to these compensation arrangements, evaluating executive performance of the Company, including accomplishment of our long-term business and financial goals. For additional information about our Compensation Committee, see "Compensation Committee."

Role of Management

In carrying out its responsibilities, our Compensation Committee works with members of our management, including our Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Legal Officer, and other resources, finance, and legal professionals. Typically, our management assists the Compensation Committee by providing information on corporate and industry trends, and making recommendations on compensation matters. Our Chief Executive Officer, Chief Financial Officer, Chief People Officer and members of our legal department provide information and answer questions. Our Chief Executive Officer may also make recommendations to the Compensation Committee regarding compensation decisions himself because of his daily involvement with our Named Executive Officers. Our Compensation Committee solicits and reviews our Chief Executive Officer's compensation decisions, along with recommendations and market data obtained by our compensation consultant, and the Compensation Committee's own information. The Chief Executive Officer participates directly in the final deliberations or determinations regarding his or her own compensation package.

At the request of the Compensation Committee, beginning in late 2014 management retained Compensia to assist it in providing the Compensation Committee with market compensation data and market compensation practices in assisting the Compensation Committee. Management has continued to retain Compensia from time to time to review and assess our executive compensation programs and market compensation practices and to provide market compensation data. For additional information on these engagements, see the section entitled "Role of Compensation Consultant."

Role of Compensation Consultant

We retained Compensia to advise on our executive compensation programs and practices and our executive compensation decisions for 2017 given its expertise in the energy sector and its knowledge of our peer companies. During late 2016 and early 2017, Compensia provided the following services as requested by management:

- evaluated the efficacy of our existing compensation strategy and practices in supporting and reinforcing our long-term strategic goals and objectives;

- reviewed and assessed our peer group of companies to understand competitive market compensation practices;

- reviewed and assessed our current Named Executive Officer compensation practices and equity profile relative to our peers; and

- reviewed and assessed whether our Board of Directors' compensation policy is appropriate for a publicly traded company.

Table of Contents

In late 2017, we again engaged Compensia to assist with our compensation planning for 2018, including providing data for our overall equity and income for our Named Executive Officers.

During 2017, Compensia did not perform work for the Company other than the services detailed above, and for the purposes of assisting with our compensation planning, the Compensation Committee has assessed the independence of Compensia and concluded that the engagement of Compensia does not raise any conflict of interest with the Company.

Compensation Peer Group

In March 2017, our Compensation Committee approved the use of the following peer group of companies that operate in the cloud based SaaS or adjacent markets, revenues, revenue growth, business stage and market capitalization, to inform its decisions related to 2017 executive compensation.

8x8	Ellie Mae	Paylocity Holding
Alarm.com	Financial Engines	Q2 Holdings
AppFolio	HubSpot	SPS Commerce
Benefitfocus	LivePerson	Twilio
ChannelAdvisor	LogMeIn	Zendesk
Cornerstone OnDemand	MINDBODY	
Coupa Software	New Relic	

This compensation peer group differed from our compensation peer group approved by the Compensation Committee in 2016 due to certain companies being added because they were deemed comparable in terms of revenue and market capitalization (based on our 2016 results) and other companies being added because they fell within the scope of our peer group as described above. We believe that peer group comparisons are useful guidelines to measure the competitiveness of our compensation practices. We have not adopted any formal benchmarking guidelines and maintains discretion to set levels of executive compensation above or below peer levels based upon distinct compensation budget, individual performance and contribution to the Company, an executive's level of experience and responsibilities, and comparability of compensation.

Elements of Compensation

The compensation program for our Named Executive Officers consists of:

- base salary;
- performance-based cash compensation;
- long-term equity compensation; and
- employee benefits and perquisites.

Each Named Executive Officer's compensation has been designed to provide a combination of compensation that is tied to achievement of our short-term goals. We will continue to evaluate our philosophy and compensation programs as circumstances require, and at a minimum, we expect to review our executive compensation program annually.

Table of Contents**Base Salaries**

We provide base salaries to our Named Executive Officers and other employees to compensate them for services rendered day-to-day during the year. A Named Executive Officer's initial base salary was established as the result of an arm's-length negotiation with the individual at the time of hiring, and later adjustments were made through the same processes. We generally do not apply specific formulas to determine changes in base salary. Rather, our Compensation Committee oversees the review of base salaries on an annual basis and makes adjustments as it determines to be reasonable and necessary to reflect the scope of a Named Executive Officer's responsibilities, experience and performance (including that of a promotion), market conditions and overall Company performance.

In April 2017, in connection with its review of our executive compensation program, our Compensation Committee approved adjustments to the base salaries set forth in the Summary Compensation Table below. Our Compensation Committee based its adjustments on various factors, including, peer group comparisons, distinguishing factors such as our performance and contribution to the Company, level of experience and responsibilities, and uniqueness of roles as compared to peer companies.

Named Executive Officer	2017 Base Salary (\$)(1)	2016 Base Salary (\$)(1)	Percentage Increase
Christopher J. Paucek	520,000	500,000	4%
Catherine A. Graham	375,000	350,000	7%
Susan E. Cates(2)	416,000	400,000	4%
Harsha Mokkarala	328,000	315,000	4%
James Kenigsberg	375,000	360,000	4%

(1) Salary changes are effective as of April 1st of the applicable year. For purposes of our executive compensation program, our year runs from April 1st through March 31st of the applicable year. Salaries set forth in the Summary Compensation Table below are less than the amounts stated in these columns because our Named Executive Officers were not employed from January 1st through March 31st of the applicable year.

(2) Ms. Cates resigned from the Company effective August 31, 2017; however, she continues to provide services to the Company as a consultant through the end of the year, and we will pay her 2017 base salary during this period.

Performance-Based Annual Bonuses

We use performance-based annual cash bonuses to motivate our employees, including our Named Executive Officers, to achieve our short-term financial and operational goals, and to contribute towards our longer-term growth and other goals. At the end of each year, our Board approves our operating plan for the next fiscal year, which includes our performance objectives. At the end of each year, the Compensation Committee uses these performance objectives to structure the annual cash bonus plan for the year.

2017 Bonus Plan

In March 2017, the Compensation Committee approved the 2017 Bonus Plan for our employees, including our Named Executive Officers, taking into account the recommendations of our Chief Executive Officer (except with respect to

Table of Contents

his own target annual cash bonus opportunity) and the other factors described above. The Compensation Committee determined not to make any change in making this determination, the Compensation Committee considered the fact that total target bonus payouts would still increase as a result of higher eligibility and the competitiveness of our Named Executive Officers' target total cash compensation opportunities. Under the 2017 Bonus Plan, the target annual cash bonus were as follows:

Named Executive Officer	2017 Eligible		
	Base Compensation (\$)	Target Bonus Percentage	Target Bonus Payout (\$)
Christopher J. Paucek	520,000	100%	520,000
Catherine A. Graham	375,000	70%	262,500
Susan E. Cates	416,000	75%	312,000
Harsha Mokkarala	328,000	60%	196,800
James Kenigsberg	375,000	70%	262,500

Payouts for our Named Executive Officers under our 2017 Bonus Plan were based on the achievement of the following three performance measures: graduate program segment profitability and number of new graduate programs signed with university clients, which is described in more detail below. Metrics related to the 2017 performance measures in the 2017 Bonus Plan because the acquisition of GetSmarter and our associated expansion of offerings to include the short course program had been approved.

Graduate program segment revenue was given a weighting of 55%, graduate program segment profitability was given a weighting of 35% and the number of new university clients was given a weighting of 10%. The graduate program segment revenue and graduate program segment profitability measures were based on stretch goals approved by the Board, and continue to be selected as performance measures under our annual bonus plan because the Compensation Committee believes they support our objective of enhancing performance. The number of new graduate programs signed with university clients was selected as a new performance measure for 2017 to focus our executives on supporting our objective of enhancing performance. Achievement levels for graduate program segment revenue and graduate program segment profitability were set slightly below the 2017 performance expectations. The threshold achievement level for new graduate programs signed was set at ten programs, consistent with 2017 performance expectations in this area. In addition, for the graduate program segment revenue and graduate program segment profitability measures, the incremental increase in performance was set at a multiple of the incremental decrease in performance that would result in a payout of under 100%. We believe these performance measures align our Named Executive Officers' interests with the interests of our stockholders through the creation of sustainable long-term value.

Payment of any portion of the bonus opportunity for fiscal year 2017 related to the corporate performance measures described above was contingent on the target level for such measure, and the payment level was capped at our achievement of a maximum percentage of the target level. The achievement level was the minimum, maximum or 100% bonus payout and the corresponding payout

Table of Contents

percentages were as follows (and performance between any of the following levels is interpolated on a straight-line basis):

	Graduate Segment Revenue		Graduate Segment Profitability		Achievement Percentage
	Achievement Percentage	Payout Percentage	Achievement Percentage	Payout Percentage	
Threshold	98%	50%	55%	50%	
Target	100%	100%	100%	100%	
Maximum	>103%	120%	>136%	120%	

Graduate program segment profitability is calculated as net income or net loss, as applicable, before net interest income (expense), taxes, depreciation and amortization, acquisition-related gains or losses and stock based compensation expense. In general, we consider our corporate performance targets for fiscal year 2017 to be 85%, 100% and 100%, for each measure respectively, under the 2017 Bonus Plan. In March 2018, the Board determined that we had achieved the graduate program segment revenue, graduate program segment profitability and new graduate program goals at an overall weighted level of 92%, and therefore, the Compensation Committee approved the following pay for Named Executive Officers:

Named Executive Officer	Bonus Payout \$(1)
Christopher J. Paucek	471,748
Catherine A. Graham	236,161
Susan E. Cates(2)	283,049
Harsha Mokkarala	178,477
James Kenigsberg	238,034

(1) For purposes of our executive compensation program, our year runs from April 1st through March 31st, and payouts under our 2017 Bonus Plan will be based on the applicable 2016 target bonus percentage for base compensation earned from January 1, 2017 through March 31, 2017, and the applicable 2017 target bonus percentage for the remainder of 2017.

(2) Ms. Cates resigned from the Company effective August 31, 2017; however, she has agreed to continue providing services to the Company as a consultant for the fiscal year 2017 consistent with other executives under the 2017 Bonus Plan pursuant to a separation and consulting agreement we entered into with her.

These bonus amounts for the Named Executive Officers' performance during 2017 are reflected in the "Non-Equity Incentive Plan Compensation" column of the table above.

Long-Term Incentive Compensation

We use long-term incentive compensation in the form of equity awards to align the interests of our employees, including the Named Executive Officers. When our employees own shares of our common stock in amounts that are significant to them, they will have a strong incentive to act to maximize long-term stock price. We use shares of our common stock and RSUs as the principal vehicles for delivering

Table of Contents

long-term incentive compensation opportunities to our Named Executive Officers. We believe that options, which we grant with exercise prices equal to the grant, provide an appropriate long-term incentive for recipients and align the interests of recipients and stockholders, since the options reward them only on a basis following their grant date. RSUs, while also providing an appropriate long-term incentive to recipients, due to their long-term vesting schedules, effect greater transparency and predictability to recipients in the value of their compensation.

In determining the size of the equity awards granted to our Named Executive Officers, the Compensation Committee takes into consideration the recipient's respect to his own equity award), the existing equity holdings of each Named Executive Officer (including the current economic value of his or her unvested equity). The Compensation Committee also considers the dilutive effect of our long-term incentive compensation practices, and the overall impact that these equity awards have on stockholder value. The Compensation Committee also applies its subjective judgment to determine the appropriate size of each Named Executive Officer's award.

In mid-2014, our Compensation Committee approved a framework for granting equity awards. Under this framework, we typically grant equity awards to equity-eligible employee, including our Named Executive Officers. Our framework for granting equity awards establishes dollar value for each type of award. The dollar value of stock options granted to each participant is calculated by dividing the appropriate dollar value by the Black-Scholes value of an option to purchase a share of our common stock. The dollar value of restricted stock units granted to each participant is calculated by dividing the appropriate dollar value by the value of a share of our common stock on the grant date.

The Compensation Committee approves individual equity awards for new hires and promoted employees on a quarterly basis, and the grant dates of awards are typically after the Compensation Committee has approved the grants. We typically set the exercise prices for stock options at the fair market value of a share of our common stock on the grant date. Option grants to our Named Executive Officers typically vest as follows: 25% on the first anniversary of the date of grant or, if earlier, the vesting commences on the date of grant and vests at the end of four years. These stock option grants generally have a term of 10 years from the grant date. Our restricted stock unit awards typically vest over a four-year period.

Annual Equity Awards

In April 2017, in accordance with the previously established equity award framework, the Compensation Committee granted equity awards to certain employees in the form of options to purchase shares of our common stock and restricted stock units.

In determining the amount of each Named Executive Officer's equity award, the Compensation Committee took into consideration the factors described above for each Named Executive Officer (except with respect to his own equity award).

Table of Contents

The annual equity awards granted to the Named Executive Officers in 2017 were as follows:

Named Executive Officer	Stock Options Granted (number of shares) (#)	Stock Options Granted (grant date fair value) (#) (\$)	RSUs Granted (number of shares) (#)	RSUs Granted (grant date fair value) (#) (\$)
Christopher J. Paucek	62,685	1,199,991	30,257	1,199,993
Catherine A. Graham	39,178	749,992	18,910	749,971
Susan E. Cates	39,178	749,992	18,910	749,971
Harsha Mokkarala	31,342	599,986	15,128	599,976
James Kenigsberg	31,342	599,986	15,128	599,976

Other Compensation

We offer a tuition reimbursement benefit for all of our employees, including our Named Executive Officers. Under this program, we pay 100% of the dependents enrolled in one of our university clients' eligible graduate programs.

The Company also makes contributions to the 401(k) plan and pays premiums for term life insurance policies on behalf of our Named Executive Officers.

Employment Arrangements

In connection with Ms. Cates' resignation as Chief Operating Officer on August 31, 2017, the Company entered into a separation agreement with Ms. Cates. Ms. Cates resigned from all positions with the Company, however, agreed to act as a consultant to the Company until August 31, 2018 (the "*Consulting Period*") in exchange for 2017 base salary paid in monthly installments over the Consulting Period and an amount equal to the 2017 annual bonus she would have received had she remained employed with the Company when the Company makes bonus payments under its 2017 Bonus Plan. In addition, under the terms of the separation agreement, (i) Ms. Cates' outstanding equity awards will vest on the terms during the Consulting Period, (ii) the Company agreed to pay a lump sum bonus of \$200,000 upon successful completion of the Consulting Period, and (iii) a payment of \$20,000 upon execution of the separation agreement. Ms. Cates' separation agreement included a customary release of claims and post-employment restrictions.

Please see "Potential Payments Upon Termination of Employment and in Connection with Change of Control Arrangements" for information regarding the separation agreement entered into with Ms. Cates in August 2017. Mr. Paucek is the only Named Executive Officer who is entitled to any post-termination payments.

Other Compensation Policies***Risk Assessment***

The Compensation Committee has reviewed the Company's compensation programs for employees, including Named Executive Officers, and has concluded that the design of the Company's compensation programs is not reasonably likely to have a material adverse effect on the Company. The Compensation Committee believes that the design of the Company's annual performance goals provide an effective and appropriate mix of incentives to help ensure that the Company's performance is focused on long-term stockholder value creation and the expense of long-term results.

Table of Contents

Derivatives Trading and Hedging Policy

Our Insider Trading and Window Period Policy prohibits the trading of derivatives or the hedging of our equity securities by our employees, including

Policy regarding 10b5-1 Plans for Directors and Executive Officers

We typically encourage our executive officers and members of our Board to adopt plans in accordance with Exchange Act Rule 10b5-1 for sales of securities. Our Insider Trading and Window Period Policy expressly provides that such individuals may not trade in our equity securities during "blackout" periods.

CEO Pay Ratio Disclosure

As required by Section 953(b) of the Dodd Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are providing the annual total compensation of our "median employee" and the annual total compensation of Christopher J. Paucek, our Chief Executive Officer, during 2017. The following table provides an estimate, calculated in a manner intended to be consistent with Item 402(u) of Regulation S-K.

For 2017, our last completed fiscal year:

The estimated median of the annual total compensation of all employees of the Company (excluding the CEO) was \$60,703;

The annual total compensation of our CEO, as reported in the Summary Compensation Table on page 40 of this proxy statement was \$3,036,000;

The ratio of the annual total compensation of our CEO to the median employee's annual total compensation is 56:1.

To determine the median of the annual total compensation of all employees of the Company (other than the CEO), the methodology and the material assumptions used are as follows:

We selected December 31, 2017 as the date upon which we would identify our employee population and median employee.

Using our tax and payroll records, we determined that, as of December 31, 2017, our employee population consisted of approximately 1,000 full-time, part-time, seasonal and temporary employees.

As permitted by SEC rules, we determined to exclude all of our employees located in Hong Kong, Germany and the United Kingdom, and their respective employee population.

We used taxable compensation, as determined in each applicable employing jurisdiction, during the 2017 fiscal year as a consistently applied measure of compensation for each employee. In making this determination, we annualized the compensation of all newly hired permanent employees during this period. For non-U.S. employees, we converted their compensation to U.S. dollars using the rand to dollar exchange rate in effect on December 31, 2017.

Once our median employee was identified in the manner described above, we calculated the annual total compensation of the median employee using

Table of Contents

determine the annual total compensation of the CEO, as reported in the Summary Compensation Table on page 40 of this proxy statement.

It should be noted that the SEC pay ratio disclosure rules allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make certain compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may use different methodologies and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Table of Contents

COMPENSATION COMMITTEE REPORT*

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, the Board approved that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee

John M. Larson (Chair)
Paul A. Maeder
Coretha M. Rushing

*
The Compensation Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into the Company's registration statement, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that 2U specifically incorporates the Compensation Committee Report.

Table of Contents

2017 Summary Compensation Table

The following table sets forth summary information regarding compensation earned during the years ended December 31, 2017, 2016, and 2015 by our Chief Operating Officer, Chief Revenue Officer and Chief Technology Officer, which we refer to as our Named Executive Officers. The following table includes compensation for Named Executive Officers for the respective periods, regardless of whether such amounts were actually paid during that period.

Name and Principal Position	Year	Salary (\$)	Stock Awards \$(1)	Option Awards \$(1)	Non-Equity Incentive	All Other Compensation (\$)
					Plan Compensation \$(2)	
Christopher J. Paucek Chief Executive Officer	2017	514,167	1,199,993	1,199,991	471,748	3,600(3)
	2016	479,583	999,996	999,991	500,535	18,874
	2015	421,250	999,976	999,996	375,966	20,799
Catherine A. Graham Chief Financial Officer	2017	367,644	749,971	749,992	236,160	3,313(3)
	2016	339,792	374,984	374,994	252,630	6,498
	2015	310,625	349,981	349,996	212,002	6,519
Susan E. Cates Former Chief Operating Officer	2017	273,333	749,971	749,992	283,049	164,567(4)
	2016	284,722	450,000	449,997	230,625	1,947
	2015					
Harsha Mokkarala Chief Revenue Officer	2017	324,208	599,976	599,986	178,477	5,400(3)
	2016	309,679	299,992	299,991	200,672	5,642
	2015					
James Kenigsberg Chief Technology Officer	2017	370,963	599,976	599,986	238,034	2,113(3)
	2016	342,708	499,964	499,983	254,835	6,498
	2015	310,625	349,981	349,996	212,002	6,529

- (1) The amounts shown in these columns reflect the grant date fair value for stock option and restricted stock unit awards, as applicable in accordance with ASC Topic 718. The fair value of each stock option grant is estimated based on the fair market value of our common stock on the date of grant. The fair value of each RSU is measured based on the closing price of our common stock on the date of grant. For more information on the assumptions we used, see Note 11 to our audited consolidated financial statements included in our Annual Report on Form 10-K filed on February 27, 2018.
- (2) Amounts shown in this column for 2017 represent the cash amounts paid in March 2018 under our 2017 Bonus Plan. Amounts shown in this column for 2016 and 2015 represent the cash amounts paid in March 2017 and 2016, respectively, under our 2016 and 2015 Bonus Plans, respectively. See "Compensation Discussion and Analysis Elements of Compensation Performance-Based Awards" in our Annual Report on Form 10-K filed on February 27, 2018, to determine these amounts for 2017.
- (3) Represents 401(k) matching contributions paid by us.
- (4) Represents (i) \$5,000 in 401(k) matching contributions, (ii) \$900 in reimbursement related to cell phone expenses, (iii) \$20,000 paid in connection with execution of Ms. Cates' severance agreement, and (iv) \$500 in reimbursement for consulting services under Ms. Cates' severance agreement.

Table of Contents

2017 Grants of Plan-Based Awards Table

The following table sets forth certain information with respect to all plan-based awards granted to our Named Executive Officers during the fiscal 2017

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise Price of Option Awards (\$/Sh)(3)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Christopher J. Paucek	N/A 04/01/2017	231,750	515,000	607,700	30,257	62,685	39.66
Catherine A. Graham	N/A 04/01/2017	116,156	258,125	304,588	18,910	39,178	39.66
Susan E. Cates	N/A 04/01/2017	139,050	309,000	364,620	18,910	39,178	39.66
Harsha Mokkarala	N/A 04/01/2017	87,683	194,850	229,923	15,128	31,342	39.66
James Kenigsberg	N/A 04/01/2017	116,944	259,875	306,653	15,128	31,342	39.66

- (1) Amounts shown represent the minimum (45%), target (100%) and maximum (118%) amounts that could be paid under our 2017 Bonus Plan, as defined in the "Analysis Elements of Compensation Performance-Based Annual Bonuses 2017 Bonus Plan." These amounts were calculated on a weighted average basis for base compensation earned from January 1, 2017 through March 31, 2017, and the applicable 2017 target bonus percentage for base compensation.
- (2) All restricted stock units and stock options were granted pursuant to our 2014 Equity Incentive Plan.
- (3) The exercise price of each option award is equal to the closing market price of our common stock on the date of grant.
- (4) The amounts reported reflect the grant date fair value for stock option and restricted stock unit awards, as applicable, calculated in accordance with the Black-Scholes option pricing model and restricted stock unit awards issued to each Named Executive Officer during 2017, all of which are subject to time-based vesting. The fair value of each RSU is measured based on the closing price of our common stock on the date of grant using the Black-Scholes option pricing model. The fair value of each RSU is measured based on the closing price of our common stock on the date of grant.

Table of Contents

Outstanding Equity Awards at 2017 Fiscal Year End

The following table provides information about outstanding stock options and stock awards held by each of our Named Executive Officers as of December 31, 2017 under our 2008 Plan and our 2014 Plan and these stock awards were granted under our 2014 Plan.

Name	Grant Date	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Number of Units That Have Not Vested(#)(1)
		Exercisable	Unexercisable(1)			
Christopher J. Paucek	01/23/2009	334,000		0.60	01/23/2019	
	02/23/2011	35,639		1.82	06/08/2020	
	02/15/2012	11,662		3.08	02/15/2022	
	05/08/2013	376,618		5.75	05/08/2023	
	11/26/2013	175,000		8.45	10/04/2023	
	12/19/2013	175,000		8.45	10/04/2023	
	03/06/2014	154,072	3,278	11.00	03/06/2024	20,682(5)
	04/01/2015	53,676	26,839	25.52	04/01/2025	19,592
	04/01/2016	37,859	53,003	22.67	04/01/2026	33,084
04/01/2017		62,685	39.66	04/01/2027	30,257	
Catherine A. Graham	04/30/2012	200,000		3.08	04/30/2022	
	03/06/2014	50,792	1,081	11.00	03/06/2024	6,819(5)
	04/01/2015	18,787	9,393	25.52	04/01/2025	6,858
	04/01/2016	14,197	19,876	22.67	04/01/2026	12,406
	04/01/2017		39,178	39.66	04/01/2027	18,910
Susan E. Cates(6)	04/01/2016	5,042	23,851	22.67	04/01/2026	14,888
	04/01/2017		39,178	39.66	04/01/2027	18,910
Harsha Mokkarala	11/26/2013	22,939		8.45	10/01/2023	
	03/06/2014	6,686	881	11.00	03/06/2024	1,620(5)
	04/01/2015	5,099	2,549	25.52	04/01/2025	1,862
	07/01/2015	5,801	3,801	30.83	07/01/2025	2,372
	04/01/2016	2,839	15,901	22.67	04/01/2026	9,925
	04/01/2017		31,342	39.66	04/01/2027	15,128
James Kenigsberg	01/23/2009	99,900		0.60	01/23/2019	
	02/23/2011	20,000		1.82	06/08/2020	
	07/14/2011	10,000		3.08	06/27/2021	
	02/13/2012	50,000		3.08	02/13/2022	
	02/28/2012	5,124		3.08	02/28/2022	
	02/25/2013	14,589		5.75	02/25/2023	
	03/06/2014	12,340	1,081	11.00	03/06/2024	6,819(5)
	04/01/2015	4,110	9,393	25.52	04/01/2025	6,858
	04/01/2016	14,197	19,876	22.67	04/01/2026	12,406
	04/01/2016	5,833	5,833(3)	22.67	04/01/2026	2,757(4)
04/01/2017		31,342	39.66	04/01/2027	15,128	

(1) Except as otherwise noted, all stock options shown vest 25% on the first anniversary of their grant date, and the remaining 75% vest thereafter in equal installments over the remaining term of the award. The vesting date is 10 years after the grant date. Except as otherwise noted, each restricted stock award vests 25% on the first anniversary of its grant date, and the remaining 75% vests thereafter in equal installments over the remaining term of the award. The vesting date is 10 years after the grant date.

Table of Contents

unit award vests in 25% installments on the first, second, third and fourth anniversaries of its grant date.

- (2) The amounts listed in this column are determined by multiplying the number of units that have not vested by \$64.51 (the closing price of our common stock on the date of the award).
- (3) This option award vests as follows: 50% of the shares underlying the option vested on April 1, 2017 and the remaining 50% of the shares underlying the option will vest in 36 equal monthly installments beginning on April 1, 2018.
- (4) This stock award vests as follows: 50% of the shares underlying the stock award vested on April 1, 2017 and the remaining 50% of the shares underlying the stock award will vest in 36 equal monthly installments beginning on April 1, 2018.
- (5) Each restricted stock unit award granted on March 6, 2014 has vested or will vest as to 25% of the underlying shares on each of January 31, 2015, March 31, 2015, May 31, 2015, July 31, 2015, September 30, 2015, November 30, 2015, and January 31, 2016. The remaining 75% of the underlying shares on March 6, 2014 vested as to 25% of the underlying shares on January 31, 2015, and the remaining 75% vest thereafter in 36 equal monthly installments beginning on February 1, 2015.
- (6) Pursuant to Ms. Cates' separation agreement, her equity awards remained outstanding following her resignation and continue to vest on their original terms in compliance with all obligations under the separation agreement.

2017 Option Exercises and Stock Vested

The following table provides information about the exercise of stock options and vesting of stock awards held by each of our Named Executive Officers for the year ended December 31, 2017.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Christopher J. Paucek	168,339	10,275,131	41,505	1,539,226
Catherine A. Graham			14,381	535,437
Susan E. Cates	11,995	554,649	4,962	206,221
Harsha Mokkarala	19,937	948,309	7,043	280,554
James Kenigsberg	26,807	693,172	17,137	645,980

- (1) Amounts shown reflect the value realized upon exercise of stock options calculated based on the difference between the closing price of our common stock on the date of exercise and the exercise price of the option award.
- (2) Amounts shown represent the value realized upon vesting of restricted stock unit awards calculated by multiplying the number of shares that vested by the closing price of our common stock on the date of vesting.

Pension Benefits

Our executive officers, including our Named Executive Officers, did not participate in, or otherwise receive any benefits under, any defined benefit pension plan as of December 31, 2017.

Nonqualified Deferred Compensation

Our executive officers, including our Named Executive Officers, did not earn any nonqualified deferred compensation benefits from us during the year ended December 31, 2017.

Table of Contents

Potential Payments Upon Termination of Employment and in Connection with Change of Control Arrangements

We have entered into agreements with our Named Executive Officers that may provide for benefits under the circumstances described below if the off in control (such as a change in the beneficial ownership of our Company by more than 50% or a sale of substantially all of our assets).

Severance

We have entered into a confidential information, invention assignment, work for hire, non-compete and no solicit/no hire agreement with Mr. Paucek, six-month period after his termination of employment with the Company, he may not engage, in any capacity, in the business of developing or administering services without the advance written consent of our Board. In exchange for these agreements not to compete, we have agreed to pay Mr. Paucek during the the Company, an amount equal to six months of the highest salary earned during his employment with us.

In connection with her resignation as our Chief Operating Officer effective August 31, 2017, Ms. Cates is entitled to certain payments and benefits as Arrangements."

Change in Control Equity Acceleration

The terms of option and RSU award agreements under our 2014 plan provide that options and RSUs, respectively, granted to our Named Executive O employment is terminated without cause or for good reason on or within 12 months after a change in control.

The table below provides an estimate of the value of the compensation due to each of our Named Executive Officers in the events described below, as employment was effective on December 31, 2017, under the conditions described above and assuming a per-share stock price of \$64.51, the price of our co can only be determined at the time of the termination of employment or change in control, as applicable.

Name (1)	Involuntary Termination	Change in Control Followed by Involuntary Termination		
	Cash (\$)	Cash (\$)	Equity (\$)(2)	Total (\$)
Christopher J. Paucek	257,083(3)		11,681,430	11,681,430
Catherine A. Graham			5,131,761	5,131,761
Harsha Mokkarala			3,712,503	3,712,503
James Kenigsberg			5,114,966	5,114,966

(1) In connection with Ms. Cates' resignation as Chief Operating Officer on August 31, 2017, the Company entered into a separation agreement with the Company until August 31, 2018 and receive certain payments and benefits as described above under "Employment Arrangements."

(2) The value of accelerated vesting of stock options and RSUs is based on the difference between the market price at December 31, 2017 of \$64.51 prices of the stock options outstanding.

Table of Contents

- (3) Under the terms of the confidential information, invention assignment, work for hire, non-compete and no solicit/no hire agreement with Mr. Paul [redacted] period after any termination of employment with the Company, an amount equal to six months of the highest salary earned during his employment

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information as of December 31, 2017, with respect to our equity compensation plans (after giving effect to shares

Plan Category	Equity Compensation Plan Information	
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights
Equity compensation plans approved by security holders (3)	4,559,176	\$ 15.10
Equity compensation plans not approved by security holders		

- (1) In addition to options, warrants and rights, our 2014 Plan allows awards to be made in the form of shares of restricted stock units or other forms of restricted stock. As of December 31, 2017, 1,413,423 shares of the Company's common stock were subject to outstanding restricted stock units issued under our 2014 Plan. Restricted stock units are valued at the weighted average exercise price in the table above.

- (2) This number reflects 4,415,593 shares available for future issuance under our 2014 Plan and 1,000,000 shares available for issuance under our 2008 Plan as of December 31, 2017. No shares remain available for future issuance under our 2008 Plan. As of December 31, 2017, no shares were subject to outstanding options, warrants and rights under our 2008 Plan.

- (3) Under the terms of our 2014 Plan, the number of shares of the Company's common stock that may be issued under the 2014 Plan will automatically decrease over time, from January 1, 2015 continuing through January 1, 2024, by 5% of the total number of shares of the Company's common stock outstanding as of the end of each year, to a lesser number of shares as may be determined by the Board.

Limitations on Liability and Indemnification

Our Bylaws and amended and restated certificate of incorporation (the "Charter") contain provisions that limit the liability of our current and former directors as permitted by the Delaware General Corporation Law, which provides that directors of a corporation will not be personally liable to us or to our stockholders as a director. However, these provisions do not eliminate or limit the liability of our directors for:

any breach of the director's duty of loyalty to the Company or its stockholders;

any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

Table of Contents

unlawful payments of dividends or unlawful stock repurchases or redemptions, as provided in Section 174 of the Delaware General Corporation Law.

any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as an injunction or a rescission of a transaction.

Our Bylaws and Charter provide that we are required to indemnify our directors to the fullest extent permitted by the Delaware General Corporation Law. In addition to the satisfaction of certain conditions, we are required to advance expenses incurred by a director in advance of the final disposition of any action or proceeding brought against that director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to do so by law. Our Bylaws and Charter also provide our Board with discretion to indemnify our officers and employees when determined appropriate by the Board. We have entered into agreements to indemnify our directors as determined by the Board. With certain exceptions, these agreements provide for indemnification for related expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these provisions and indemnification agreements benefit the persons as directors. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our Bylaws and Charter may discourage stockholders from bringing a lawsuit against our directors and officers, which may reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. We are not aware of any threatened litigation involving any of our directors, officers or employees for which indemnification is sought and we are not aware of any threatened litigation that may result in a claim against any of our directors, officers or employees.

Table of Contents

PROPOSAL FOUR
STOCKHOLDER PROPOSAL FOR A DIRECTOR ELECTION MAJORITY VOTE STANDARD

In accordance with SEC rules, we have set forth below a stockholder proposal, along with the supporting statement of the stockholder proponent, for which a stockholder proposal is required to be voted upon at our 2018 Annual Meeting of Stockholders only if properly presented at that Annual Meeting. As explained below, a vote "AGAINST" the stockholder proposal.

The Company has been notified that the California Public Employees' Retirement System, P.O. Box 942707, Sacramento, California 94229-2707, the largest holder of the Company's common stock on the date the proposal was submitted and for at least the preceding twelve months, intends to present the following proposal at the 2018 Annual Meeting of Stockholders:

RESOLVED, that the shareowners of 2U, Inc. (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company's Bylaws to provide that directors shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareowners in uncontested elections; that is, when the number of director nominees exceeds the number of board seats.

Supporting Statement

Is accountability by the Board of Directors important to you? As a long-term shareowner of the Company, CalPERS thinks accountability is of paramount importance. This proposal would remove a plurality vote standard for uncontested elections that effectively disenfranchises shareowners and eliminates a mechanism for holding directors accountable.

Under the Company's current voting system, a director may be elected with as little as one affirmative vote because "withheld" votes have no legal effect. This system does not hold directors accountable because it makes it impossible to defeat directors who run unopposed. Conversely, a majority voting standard allows shareowners to hold directors accountable through the reelection of a management nominee who is unsatisfactory to the majority of shareowners who cast votes.

A substantial number of companies have already adopted this form of majority voting. More than 90% of the companies in the S&P 500 have adopted majority voting standards. We believe the Company should join the growing number of companies that have adopted a majority voting standard requiring incumbent directors to submit a letter of resignation, and not continue to serve, unless the Board declines the resignation and publicly discloses its reasons for doing so.

Majority voting in director elections empowers shareowners to clearly say "no" to unopposed directors who are viewed as unsatisfactory by a majority of shareowners. Shareowners serving in a majority vote system are aware that shareowners have the ability to determine whether the director remains in office. The power of majority voting is not just the power to elect poor directors, but also the power to heighten director accountability through the threat of a loss of majority support. That is what accountability is all about.

CalPERS believes that corporate governance procedures and practices, and the level of accountability they impose, are closely related to financial performance. When shareowners hold directors accountable for their actions, they perform better. We therefore ask you to join us in requesting that the Board of Directors promptly adopt the majority voting standard.

Table of Contents

director elections. We believe the Company's shareowners will substantially benefit from the increased accountability of incumbent directors and the power of their best interests. Please vote FOR this proposal.

Company Opposing Statement

The Board has considered the stockholder proposal and, for the reasons described below, believes that the proposal is not in the best interests of the Company. This proposal is one of the items that has become part of the standard playbook by those who support the "one size fits all" method of corporate governance.

The Board does not believe that majority voting in the uncontested election of directors augments the role of stockholders in the election of directors and introduces unnecessary legal uncertainty into the Company's corporate governance. Further, the Company has had plurality voting in place since the Company's inception and this practice has served the Company well.

Plurality voting is the default standard under Delaware law for the election of directors. It assures that a corporation does not have "failed elections." The absence of a majority vote results in a board vacancy on the board results. If directors are not elected or are otherwise required to resign upon failing to receive a majority of votes cast, as set forth in the Company's Bylaws, as to satisfying certain Nasdaq listing requirements or other corporate governance regulations, such as those relating to the independence of directors, compensation and a committee financial expert.

Under the current plurality voting standard, stockholders have the ability to express disapproval of corporate policies, strategy or director candidates through the use of withhold votes. Investors successfully utilize withhold vote campaigns to influence corporate policies and director elections. The use of withhold votes, as opposed to plurality voting, provides flexibility to appropriately respond to stockholder dissatisfaction without concern for potential corporate governance complications arising from a failed election. Stockholders with director candidates have the ability to nominate alternative candidates and also may make recommendations for nominations directly to the Company's Board of Directors following the procedures set forth in the Company's Bylaws and related policies.

For the foregoing reasons, the Board unanimously believes that this proposal is not in the best interests of the Company or our stockholders, and recommends that the Company reject the stockholder proposal to adopt a director election majority vote standard.

THE BOARD OF DIRECTORS RECOMMENDS VOTING "AGAINST" THE STOCKHOLDER PROPOSAL TO ADOPT A DIRECTOR ELECTION MAJORITY VOTE STANDARD.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our common stock as of April 16, 2018 by:

each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock;

each of our Named Executive Officers;

each of our directors; and

all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to the person or entity that has investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants that are exercisable on or before June 15, 2018, which is 60 days after April 16, 2018. These shares are deemed to be outstanding and beneficially owned by the person or entity that is computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person or entity. Ownership assumes the exercise of options. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to the securities owned by them, subject to applicable community property laws.

Edgar Filing: Delek Logistics Partners, LP - Form 10-Q

Table of Contents

Except as otherwise noted below, the address for persons listed in the table is c/o 2U, Inc., 7900 Harkins Road, Lanham, Maryland 20706.

Name of Beneficial Owner	Shares	Percentage
<i>Principal Stockholders:</i>		
FMR LLC(1)	7,664,451	14.4%
The Vanguard Group(2)	4,178,759	7.9%
Blackrock, Inc.(3)	3,184,359	6.0%
Wellington Management Group LLP(4)	3,065,418	5.8%
Franklin Resources, Inc.(5)	2,943,076	5.5%
Gilder, Gagnon, Howe & Co. LLC(6)	2,849,417	5.4%
<i>Executive Officers and Directors</i>		
Christopher J. Paucek(7)	1,304,192	2.4%
Catherine A. Graham(8)	334,764	*
Susan E. Cates(9)	36,457	*
Harsha Mokkarala(10)	69,942	*
James Kenigsberg(11)	271,139	*
John M. Larson(12)	126,275	*
Mark J. Chernis(13)	119,813	*
Edward S. Macias(14)	27,485	*
Paul A. Maeder(15)	103,532	*
Robert M. Stavis(16)	128,035	*
Timothy M. Haley(17)	66,114	*
Sallie L. Krawcheck(18)	51,650	*
Earl Lewis(19)	48,794	*
Coretha M. Rushing(20)	5,001	*
Valerie B. Jarrett		*
Gregory K. Peters		*
All current directors and executive officers as a group (16 persons)	2,693,193	5.0%

*

Represents beneficial ownership of less than 1%.

(1)

Beneficial ownership information is based on a Schedule 13G/A filed with the SEC on February 13, 2018 by FMR LLC ("FMR"). According to its filing, FMR LLC has sole dispositive power with respect to 7,664,451 shares of our common stock and sole voting power with respect to 2,338,621 shares of our common stock. The principal business address of FMR LLC is 100 State Street, Boston, MA 02210.

(2)

Beneficial ownership information is based on a Schedule 13G/A filed with the SEC on February 9, 2018 by The Vanguard Group ("Vanguard"). According to its filing, Vanguard Group has sole dispositive power with respect to 4,079,026 shares of our common stock, shared dispositive power with respect to 99,733 shares of our common stock and shared voting power with respect to 9,200 shares of our common stock. The principal business address of Vanguard is 100 Vanguard Blvd, Alexandria, VA 22304.

(3)

Beneficial ownership information is based on a Schedule 13G filed with the SEC on February 1, 2018 by BlackRock, Inc. ("Blackrock"). According to its filing, BlackRock, Inc. has sole dispositive power with respect to 3,081,089 shares of our common stock and sole dispositive power with respect to 3,184,359 shares of our common stock. The principal business address of BlackRock, Inc. is 52nd Street New York, NY 10055.

(4)

Beneficial ownership information is based on a Schedule 13G filed with the SEC on February 8, 2018 by Wellington Management Group LLP ("Wellington Holdings"), Wellington Investment Advisors Holdings LLP ("Wellington Advisors") and Wellington Management Company LLP ("Wellington Management"). According to its filing, each of Wellington, Wellington Holdings and Wellington Advisors has shared voting power with respect to 1,786,278 shares of our common stock.

Edgar Filing: Delek Logistics Partners, LP - Form 10-Q

Table of Contents

3,065,418 shares of our common stock, and Wellington Company has shared voting power with respect to 1,781,229 shares of our common stock shares of our common stock. The principal business address of Wellington is 280 Congress Street, Boston, MA 02210.

- (5) Beneficial ownership information is based on a Schedule 13G/A filed with the SEC on February 5, 2018 by Franklin Resources, Inc. ("*Franklin Resources*") and Franklin Advisers, Inc. ("*Franklin Advisers*") to the effect that (a) each (directly or indirectly) has dispositive and voting power over these shares by investment companies or other managed accounts that are advised by subsidiaries of Franklin Resources pursuant to investment management agreements and voting power over these shares. The business address for Franklin Resources, Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisers, Inc. is 10000 North Central Expressway, Dallas, Texas 75264.
- (6) Beneficial ownership information is based on a Schedule 13G/A filed with the SEC on February 14, 2018 by Gilder, Gagnon, Howe & Co. LLC ("Gilder") to the effect that Gilder has sole dispositive power with respect to 29,895 shares of our common stock, sole voting power with respect to 29,895 shares of our common stock and exercisable within 60 days of April 16, 2018. The principal business address of Gilder is 475 10th Avenue, New York, NY 10018.
- (7) Shares beneficially owned consist of (a) 77,682 shares of common stock held by Mr. Paucek directly and (b) 1,226,510 shares of common stock held by Mr. Paucek exercisable within 60 days of April 16, 2018.
- (8) Shares beneficially owned consist of (a) 30,699 shares of common stock held by Ms. Graham directly and (b) 304,065 shares of common stock held by Ms. Graham exercisable within 60 days of April 16, 2018.
- (9) Shares beneficially owned consist of (a) 22,475 shares of common stock held by Ms. Cates directly and (b) 13,982 shares of common stock held by Ms. Cates exercisable within 60 days of April 16, 2018.
- (10) Shares beneficially owned consist of (a) 10,991 shares of common stock held by Mr. Mokkarala directly and (b) 58,951 shares of common stock held by Mr. Mokkarala exercisable within 60 days of April 16, 2018.
- (11) Shares beneficially owned consist of (a) 11,209 shares of common stock held by Mr. Kenigsberg directly and (b) 259,930 shares of common stock held by Mr. Kenigsberg exercisable within 60 days of April 16, 2018.
- (12) Shares beneficially owned consist of (a) 14,346 shares of common stock held by Mr. Larson directly, (b) 15,707 shares of common stock held by Mr. Larson exercisable within 60 days of April 16, 2018 and (c) 96,222 shares of common stock held by Triumph Capital, LLC ("*Triumph*"). Mr. Larson is the beneficial owner of the shares held by Triumph.
- (13) Shares beneficially owned consist of (a) 13,606 shares of common stock held by Mr. Chernis directly and (b) 106,207 shares of common stock held by Mr. Chernis exercisable within 60 days of April 16, 2018.
- (14) Shares beneficially owned consist of (a) 17,043 shares of common stock held by Mr. Macias directly and (b) 10,442 shares of common stock held by Mr. Macias exercisable within 60 days of April 16, 2018.
- (15) Shares beneficially owned consist of (a) 47,879 shares of common stock held by Mr. Maeder directly, (b) 15,707 shares of common stock held by Mr. Maeder exercisable within 60 days of April 16, 2018, (c) 39,766 shares of common stock held by Altaheide LLC ("*Altaheide*"), and (d) 180 shares of common stock held by Highland VII-C Limited Partnership ("*Highland VII-C*"). Mr. Maeder may be deemed to have

Table of Contents

beneficial ownership of the shares held by Altaheide. Highland Management Partners VII, Limited Partnership ("*HMP LP*") is the general partner of Highland VII, LLC ("*HMP LLC*") is the general partner of HMP LP. Mr. Maeder and Peter W. Bell, Sean M. Dalton, Robert J. Davis, Daniel J. Nova and C and share voting and investment power over the shares held by Highland VII-C. The principal business address for Highland VII-C is One Broad

- (16) Shares beneficially owned consist of (a) 40,881 shares of common stock held by Mr. Stavis directly, (b) 35,707 shares of common stock held by , shares of common stock held by Stavco Venture Holdings LLC ("*Stavco Venture Holdings*") and (d) 15,707 shares of common stock underlying within 60 days of April 16, 2018. Mr. Stavis may be deemed to have beneficial ownership of the shares held by Stavis Ventures and Stavco Vent
- (17) Shares beneficially owned consist of (a) 2,789 shares of common stock held by Mr. Haley directly, (b) 52,530 shares of common stock held by th "*Haley Trust*"), (c) 6,827 shares of common stock held by Haley-McGourty Partners ("*Haley Partners*"), and (d) 3,968 shares of common stock u exercisable within 60 days of April 16, 2018. Mr. Haley may be deemed to have beneficial ownership of the shares held by the Haley Trust and H
- (18) Shares beneficially owned consist of (a) 18,332 shares of common stock held by Ms. Krawcheck directly and (b) 33,318 shares of common stock exercisable within 60 days of April 16, 2018.
- (19) Shares beneficially owned consist of (a) 15,476 shares of common stock held by Mr. Lewis directly and (b) 33,318 shares of common stock unde exercisable within 60 days of April 16, 2018.
- (20) Shares beneficially owned consist of (a) 2,471 shares of common stock held by Ms. Rushing directly and (b) 2,530 shares of common stock unde exercisable within 60 days of April 16, 2018.

We know of no arrangements, the operation of which may at a subsequent date result in the change of control of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of ownership and changes in ownership of the Company's equity securities. Executive officers, and beneficial owners of greater than 10% of our outstanding s with copies of all Section 16(a) forms that they file. Based solely on review of the copies of such forms furnished to us and written representations from our required, we believe that through December 31, 2017, all of our executive officers, directors and greater than 10% beneficial owners complied with all Sect exception of three Forms 4 that were not filed on a timely basis by James Kenigsberg, Christopher J. Paucek and Harsha Mokkarala. The transactions invol Company in order to satisfy tax withholding obligations in connection with the settlement of RSUs on April 3, 2017. These transactions were each reported

Table of Contents

REVIEW AND APPROVAL OF TRANSACTIONS WITH RELATED PARTIES

All related party transactions are reviewed and, as appropriate, may be approved or ratified by the Audit Committee. If a director is involved in the transaction, the director must abstain from the ratification of such transaction. Related party transactions are approved by the Audit Committee only if, based on all of the facts and circumstances, they are in the best interests of the Company and the best interests of our stockholders, as the Audit Committee determines in good faith. The Audit Committee takes into account, among other things, the terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

TRANSACTIONS WITH RELATED PARTIES

Related Person Transaction Policy

The Company has adopted a written related person transaction policy that sets forth our procedures for the identification, review, consideration and approval of our policy only, a related person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we or our directors, executive officers or will be participants in which the amount involved exceeds \$120,000. Transactions involving compensation for services provided to us as an employee or director or any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members are excluded from the policy.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction but not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to the Audit Committee for approval. If the Audit Committee's approval would be inappropriate, to another independent body of our Board, for review, consideration and approval or ratification. The presentation must include information regarding the facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction and whether the transaction is on terms that are comparable to those available to an unrelated third party or to or from employees generally. Under the policy, we collect information that we deem reasonably necessary from each director, executive officer and stockholder to enable us to identify any existing or potential related person transactions and to effectuate the terms of the policy. In addition, under our Code of Ethics, directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest. The Audit Committee, or other independent body of our Board, will take into account the relevant available facts and circumstances, including, but not limited to:

the risks, costs and benefits to us;

the impact on a director's independence in the event that the related person is a director, immediate family member of a director or an executive officer;

the availability of other sources for comparable services or products; and

the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related person transaction, our Audit Committee, or other independent body of our Board, will take into account the relevant available facts and circumstances, including, but not limited to:

Table of Contents

known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our stockholders, as our Audit Committee, or good faith exercise of its discretion.

Certain Related Person Transactions

There have been no transactions since January 1, 2017 to which we have been a participant in which the amount involved exceeded or will exceed \$12 or holders of more than five percent of our capital stock, or any members of their immediate family, had or will have a direct or indirect material interest, or under "Executive Compensation." For a description of severance arrangements that we have entered into with some of our executive officers, please see "Part Connection with Change of Control Arrangements."

Table of Contents

INCORPORATION BY REFERENCE

In accordance with SEC rules, notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, we incorporate this proxy statement or future filings made by 2U into such filings, and those portions of the information included under the caption "Audit Committee Report" therein, shall not be deemed to be "soliciting material" or "filed" with the SEC and shall not be deemed incorporated by reference into any of those prior filings, except to the extent we specifically incorporate these items by reference.

We have not incorporated by reference into this proxy statement the information included on or linked from our website, and you should not consider

OTHER MATTERS

The Board knows of no other matters that have been submitted for consideration at the Meeting other than those referred to in this proxy statement. By the exercise of their discretion, persons named on the proxy to use their discretion in voting on any matter brought before the Meeting.

IMPORTANT NOTICE REGARDING DELIVERY OF STOCKHOLDER DOCUMENTS

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy proxy material delivery requirements with respect to two or more stockholders by delivering a single proxy statement addressed to those stockholders. This process, which is referred to as "householding," potentially provides extra convenience and cost savings for companies.

Some brokers utilize the householding process for proxy materials, in which case, only one copy of this proxy statement or our Annual Report to Stockholders will be delivered to the same address. Stockholders who participate in householding will continue to receive separate proxy cards. If you hold your 2U stock in "street name," a separate proxy card and materials should be forwarded to you by your broker.

If you wish to receive a separate copy of this proxy statement or our Annual Report to Stockholders, we will promptly deliver one to you upon request by mail to 7900 Harkins Road, Lanham, Maryland 20706, Attention: Corporate Secretary, or by calling the Corporate Secretary at (301) 892-4350. In addition, if you request a separate copy of our annual reports of 2U in the future, or if you are receiving multiple copies of annual reports and proxy statements at an address shared with another stockholder and you do not wish to be householded, your broker if your shares are held in a brokerage account or us at the above address and telephone number if you hold registered shares.

Table of Contents

ANNUAL REPORT

A copy of 2U's Annual Report to Stockholders, which includes its Annual Report on Form 10-K for the year ended December 31, 2017 is being mailed entitled to notice of and to vote at the Meeting. **A copy of our Annual Report on Form 10-K, including the financial statements included therein, is available on our website or upon written request to 2U, Inc., 7900 Harkins Road, Lanham, Maryland 20706, Attention: Corporate Secretary.**

By Order of the Board of Directors,

Christopher "Chip" Paucek
Chief Executive Officer
April 30, 2018

56
