

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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

Commission File Number: 000-55790



LEGACY EDUCATION ALLIANCE, INC.  
(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

39-2079974

(I.R.S. Employer  
Identification No.)

1612 Cape Coral Parkway East, Cape Coral, FL 33904

(Address of principal executive offices, including zip code)

(239) 542-0643

(Registrant's telephone number, including area code)

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

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

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

Large Accelerated filer:   
Non-accelerated filer:   
Emerging growth company:

Accelerated filer:   
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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Number of shares of Legacy Education Alliance, Inc. Common Stock, \$0.0001 par value, outstanding as of May 13, 2019: 23,107,852.

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on Form 10-Q for  
Quarter Ended March 31, 2019**

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some of the statements in this Quarterly Report on Form 10-Q under the headings “Condensed Consolidated Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports on Forms 10-Q and 8-K, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as “outlook,” “believes,” “estimates,” “expects,” “projects,” “may,” “intends,” “plans,” “anticipates,” “foresees,” “future,” or by discussions of strategy, plans or intentions; including, but not limited to, our discussions regarding the results projected from the introduction of new brands, products and services, expansion into new geographic markets, combinations with third parties; the development of ecommerce capabilities; projections of international growth; projected increase in profitability from our symposium-style course delivery model that should lead to increased margins; our ability to address or manage corruption concerns in certain locations in which we operate; our ability to address and manage cyber-security risks; our ability to protect our intellectual property, on which our business is substantially dependent; our expectations regarding future dividend payments; our ability to manage our relationships with credit card processors, and our expectations regarding the impact of general economic conditions on our business; and the estimates and matters described under the caption “*Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.*” Our assumptions used for the purposes of the forward-looking statements represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances, including the development, acceptance and sales of our products and our ability to raise additional funding sufficient to implement our strategy. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this report, in our latest Annual Report on Form 10-K, including but not limited to “*Part I, Item 1A. Risk Factors*” and “*Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” therein, and in our other filings with the Securities and Exchange Commission (the “SEC”). There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. Although we believe the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions could themselves prove to be inaccurate. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior reports and other filings with the SEC, the information contained in this report updates and supersedes such information.

Forward-looking statements are based on current plans, estimates, assumptions and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them publicly in light of new information or future events.

### Presentation of Financial Statements

The terms “Legacy Education Alliance, Inc.,” the “Company,” “we,” “our,” “us” or “Legacy” as used in this report refer collectively to Legacy Education Alliance, Inc., a Nevada corporation (“Legacy”), the registrant, which was formerly known as Priced In Corp., and, unless the context otherwise requires, together with its wholly-owned subsidiary, Legacy Education Alliance Holdings, Inc., a Colorado corporation, other operating subsidiaries and any predecessor of Legacy Education Alliance Holdings, including Tigent Inc., a Colorado corporation (“TIGE”).

This Form 10-Q includes financial statements and related notes that present the condensed consolidated financial position, results of operations, comprehensive loss, and cash flows of Legacy and its subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)  
 (In thousands, except share data)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,979	\$ 1,557
Restricted cash	6,761	5,080
Deferred course expenses	8,972	8,547
Prepaid expenses and other current assets	3,514	3,132
Inventory	83	89
Total current assets	23,309	18,405
Property and equipment, net	1,734	1,880
Right-of-use assets	1,399	—
Deferred tax asset, net	182	97
Other assets	252	178
Total assets	<u>\$ 26,876</u>	<u>\$ 20,560</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 5,300	\$ 4,962
Royalties payable	395	210
Accrued course expenses	2,474	1,483
Accrued salaries, wages and benefits	516	748
Operating lease liability	802	—
Other accrued expenses	3,697	2,614
Long-term debt, current portion	891	512
Deferred revenue, current portion	60,003	57,353
Total current liabilities	74,078	67,882
Long-term debt, net of current portion	—	8
Operating lease liability, net of current portion	597	—
Other liabilities	1,331	1,331
Total liabilities	76,006	69,221
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value; 200,000,000 authorized; 23,107,852 and 23,120,852 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	2	2
Additional paid-in capital	11,498	11,470
Cumulative foreign currency translation adjustment	1,052	1,444
Accumulated deficit	(61,682)	(61,577)
Total stockholders' deficit	(49,130)	(48,661)
Total liabilities and stockholders' deficit	<u>\$ 26,876</u>	<u>\$ 20,560</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

**LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(In thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	\$ 24,576	\$ 25,755
Operating costs and expenses:		
Direct course expenses	13,081	14,614
Advertising and sales expenses	5,438	5,572
Royalty expenses	1,360	1,156
General and administrative expenses	4,695	4,848
Total operating costs and expenses	<u>24,574</u>	<u>26,190</u>
Income/(loss) from operations	<u>2</u>	<u>(435)</u>
Other income (expense):		
Interest expense	(41)	(4)
Other income (expense), net	(126)	(21)
Total other income (expense), net	<u>(167)</u>	<u>(25)</u>
Loss before income taxes	(165)	(460)
Income tax (expense) benefit	60	(397)
Net loss	<u>\$ (105)</u>	<u>\$ (857)</u>
Basic loss per common share	\$ (0.00)	\$ (0.04)
Diluted loss per common share	\$ (0.00)	\$ (0.04)
Basic weighted average common shares outstanding	23,117	23,008
Diluted weighted average common shares outstanding	23,117	23,008
Comprehensive loss:		
Net loss	\$ (105)	\$ (857)
Foreign currency translation adjustments, net of tax of \$0	(392)	(421)
Total comprehensive loss	<u>\$ (497)</u>	<u>\$ (1,278)</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

**LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
(Unaudited)  
(In thousands)

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2017	23,008	\$ 2	\$ 11,299	\$ (445)	\$ (51,621)	\$ (40,765)
Share-based compensation expense	—	—	57	—	—	57
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(421)	—	(421)
Net Loss	—	—	—	—	(857)	(857)
Balance at March 31, 2018	23,008	\$ 2	\$ 11,356	\$ (866)	\$ (52,478)	\$ (41,986)

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2018	23,121	\$ 2	\$ 11,470	\$ 1,444	\$ (61,577)	\$ (48,661)
Share-based compensation expense	—	—	28	—	—	28
Cancellation of common stock	(13)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(392)	—	(392)
Net Loss	—	—	—	—	(105)	(105)
Balance at March 31, 2019	23,108	\$ 2	\$ 11,498	\$ 1,052	\$ (61,682)	\$ (49,130)

See Notes to Unaudited Condensed Consolidated Financial Statements

**LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (105)	\$ (857)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	42	29
Gain on the sale of fixed assets	(10)	
Gain on change in fair value of derivatives	—	(22)
Share-based compensation	28	57
Deferred income taxes	(83)	(69)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	(364)	(121)
Prepaid expenses and other receivable	(375)	148
Inventory	7	(15)
Other assets	(84)	(3)
Accounts payable-trade	273	1,074
Royalties payable	184	167
Accrued course expenses	984	273
Accrued salaries, wages and benefits	(236)	468
Other accrued expenses	1,051	1,253
Deferred revenue	2,226	(937)
Net cash provided by operating activities	<u>3,538</u>	<u>1,445</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment, net	136	(29)
Net cash provided by (used in) investing activities	<u>136</u>	<u>(29)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on debt	(8)	(3)
Proceeds from issuance of debt	395	—
Net cash provided by (used in) financing activities	<u>387</u>	<u>(3)</u>
Effect of exchange rate differences on cash	42	(28)
Net increase in cash and cash equivalents and restricted cash	<u>4,103</u>	<u>1,385</u>
Cash and cash equivalents and restricted cash, beginning of period	\$ 6,637	\$ 8,904
Cash and cash equivalents and restricted cash, end of period	<u>\$ 10,740</u>	<u>\$ 10,289</u>
<b>Supplemental disclosures:</b>		
Cash paid during the period for interest	\$ 42	\$ 4
Cash paid during the period for income taxes, net of refunds received	\$ 12	\$ 40

See Notes to Unaudited Condensed Consolidated Financial Statements

**LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 - General**

*Business Description.*

We are a provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques. Our programs are offered through a variety of formats and channels, including free-preview workshops, basic training classes, symposiums, telephone mentoring, one-on-one mentoring, coaching and e-learning primarily under the Rich Dad® Education brand ("Rich Dad") which was created in 2006 under license from entities affiliated with Robert Kiyosaki, whose teachings and philosophies are detailed in the book titled, Rich Dad Poor Dad. In addition to Rich Dad, we market our products and services under a variety of brands, Making Money from Property with Martin Roberts™; Brick Buy Brick™; Building Wealth; Robbie Fowler Property Academy™; Women in Wealth™; Perform in Property™, Teach Me to Trade™, and Trade Up Investor Education™. Our products and services are offered in North America, the United Kingdom and Other Foreign Markets.

Our students pay for their courses in full up-front or through payment agreements with independent third parties. Under United States of America generally accepted accounting principles ("U.S. GAAP"), we recognize revenue upon the earlier of (i) when our students take their courses or (ii) the term for taking their course expires, both of which could be several quarters after the student purchases a program and pays the fee. We recognize revenue immediately when we sell our (i) proprietary products delivered at time of sale and (ii) third party products sales. Our symposiums combine multiple advanced training courses in one location, allowing us to achieve certain economies of scale that reduce costs and improve margins while also accelerating U.S. GAAP revenue recognition, while at the same time, enhancing our students' experience, particularly, for example, through the opportunity to network with other students.

We also provide a richer experience for our students through one-on-one mentoring (two to four days in length, on site or remotely) and telephone mentoring (10 to 16 weekly one-on-one or one-on-many telephone sessions). Mentoring involves a subject matter expert interacting with the student remotely or in person and guiding the student, for example, through his or her first real estate transaction, providing a real hands-on experience.

Our operations are managed through three operating segments: (i) North America, (ii) United Kingdom, and (iii) Other Foreign Markets.



*Basis of Presentation.*

The terms “Legacy Education Alliance, Inc.,” the “Company,” “we,” “our,” “us” or “Legacy” as used in this report refer collectively to Legacy Education Alliance, Inc., a Nevada corporation (“Legacy”), the registrant, which was formerly known as Priced In Corp., and, unless the context otherwise requires, together with its wholly-owned subsidiary, Legacy Education Alliance Holdings, Inc., a Colorado corporation, other operating subsidiaries and any predecessor of Legacy Education Alliance Holdings, including TIGE.

The accompanying unaudited Condensed Consolidated Financial Statements presented in this report are for us and our consolidated subsidiaries, each of which is a wholly-owned subsidiary. All significant intercompany transactions have been eliminated. These interim financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly our results of operations and financial position. Amounts reported in our Condensed Consolidated Statements of Operations and Comprehensive Loss are not necessarily indicative of amounts expected for the respective annual periods or any other interim period.

*Reclassification.*

We have reclassified certain amounts in our prior-period financial statements to conform to the current period’s presentation.

*Significant Accounting Policies.*

Our significant accounting policies have been disclosed in *Note 2 - Significant Accounting Policies* in our most recent Annual Report on Form 10-K. There have been no changes to our accounting policies disclosed therein, except for those discussed in *Note 2 - New Accounting Pronouncements, - “Accounting Standards Adopted in the Current Period.”*

*Going Concern.*

The accompanying unaudited condensed consolidated financial statements and notes have been prepared assuming we will continue as a going concern. For the quarter ended March 31, 2019, we incurred a net loss, had an accumulated deficit, a working capital deficit and generated positive cash flow from operations. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations globally as well as reducing our costs and increasing our operating margins, and to sustain adequate working capital to finance our operations. The failure to achieve the necessary levels of profitability and cash flows would be detrimental to us. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

*Use of Estimates.*

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Tax in Interim Periods.*

We conduct operations in separate legal entities in different jurisdictions. As a result, income tax amounts are reflected in these condensed consolidated financial statements for each of those jurisdictions. Tax laws and tax rates vary substantially in these jurisdictions and are subject to change based on the political and economic climate in those countries. We file our tax returns in accordance with our interpretations of each jurisdiction's tax laws. We record our tax provision or benefit on an interim basis using the estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period.

Losses from jurisdictions for which no benefit can be realized and the income tax effects of unusual and infrequent items are excluded from the estimated annual effective tax rate. Valuation allowances are provided against the future tax benefits that arise from the losses in jurisdictions for which no benefit can be realized. The effects of unusual and infrequent items are recognized in the impacted interim period as discrete items.

The estimated annual effective tax rate may be affected by nondeductible expenses and by our projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period during which such estimates are revised.

We have established valuation allowances against our deferred tax assets, including net operating loss carryforwards and income tax credits. Valuation allowances take into consideration our expected ability to realize these deferred tax assets and reduce the value of such assets to the amount that is deemed more likely than not to be realizable. Our ability to realize these deferred tax assets is dependent on achieving our forecast of future taxable operating income over an extended period of time. We review our forecast in relation to actual results and expected trends on a quarterly basis. A change in our valuation allowance would impact our income tax expense/benefit and our stockholders' deficit and could have a significant impact on our results of operations or financial condition in future periods.

*Tax Cuts and Jobs Act*

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. As of March 31, 2019, we recognized income tax expense of \$0.16 million related to the remeasurement of our deferred tax balance.

**Note 2 - New Accounting Pronouncements**

*Accounting Standards Adopted in the Current Period*

We have implemented all new accounting pronouncements that are in effect and that management believes would materially affect our financial statements.

In June 2018, an accounting update was issued to simplify the accounting for nonemployee share-based payment transactions resulting from expanding the scope of *ASC Topic 718, Compensation—Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of *ASC Topic 718* to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that *ASC Topic 718* applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that *ASC Topic 718* does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under *ASC Topic 606, Revenue from Contracts with Customers*. The amendments in this accounting update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of *ASC Topic 606*. We adopted this accounting update effective January 1, 2019. Adoption of this accounting standard had no impact on our financial statements.

In February 2016, the FASB issued ASU No 2016-02 "Leases" to increase the transparency and comparability about leases among entities. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2016-02 and these additional ASUs are now codified as Accounting Standards Codification Standard 842 - "Leases" ("ASC 842"). ASC 842 supersedes the lease accounting guidance in Accounting Standards Codification 840 "Leases" ("ASC 840") and requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. We elected to utilize the "package" of three expedients, as defined in ASC 842, which retain the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. Our Condensed Consolidated Financial Statements for the periods prior to the adoption of ASC 842 are not adjusted and are reported in accordance with our historical accounting policy. As of the date of implementation on January 1, 2019, the impact of the adoption of ASC 842 resulted in the recognition of a right of use asset and lease payable obligation on our Condensed Consolidated Balance Sheets of approximately \$1.4 million. As the right of use asset and the lease payable obligation were the same upon adoption of ASC 842, there was no cumulative effect impact on our retained earnings. See Note 12 - *Leases*, to our condensed consolidated financial statements for further discussion.

In July 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2017-11, I "*Accounting for Certain Financial Instruments With Down Round Features*" and II "*Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests With a Scope Exception*". This standard is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. We adopted this standard effective January 1, 2019. Adoption of this accounting standard had no material impact on our financial statements.

### **Note 3 - Share-Based Compensation**

We account for share-based awards under the provisions of ASC 718, "*Compensation—Stock Compensation*." Accordingly, share-based compensation cost is measured at the grant date based on the fair value of the award and we expense these costs using the straight-line method over the requisite service period.

Share-based compensation expenses related to our restricted stock grants were \$28.0 thousand and \$57.0 thousand for the three months ended March 31, 2019 and March 31, 2018, respectively, which are reported as a separate line item in the condensed consolidated statements of changes in stockholders' deficit.

### **Note 4 - Earnings Per Share ("EPS")**

Basic EPS is computed by dividing net income (loss) by the basic weighted-average number of shares outstanding during the period.

Diluted EPS is computed by dividing net income by the diluted weighted-average number of shares outstanding during the period and, accordingly, reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, were exercised, settled or converted into common stock and were dilutive. The diluted weighted-average number of shares used in our diluted EPS calculation is determined using the treasury stock method. For periods in which we recognize losses, the calculation of diluted loss per share is the same as the calculation of basic loss per share.

We excluded unvested restricted stock awards from the diluted weighted-average number of shares used in our diluted EPS calculation of 547,335 for the three months ended March 31, 2019 and 1,146,342 for the three months ended and March 31, 2018 because we had a net loss in those periods.

Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock awards, are considered to be participating securities, and therefore, the two-class method is used for purposes of calculating EPS. Under the two-class method, a portion of net income is allocated to these participating securities and is excluded from the calculation of EPS allocated to common stock. Our restricted stock awards are subject to forfeiture and restrictions on transfer until vested and have identical voting, income and distribution rights to the unrestricted common shares outstanding.

Our weighted average unvested restricted stock awards outstanding were 547,335 and 1,146,342 for the three months ended March 31, 2019 and March 31, 2018, respectively.

**Note 5 - Fair Value Measurements**

ASC 820, "*Fair Value Measurements and Disclosures*" defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 requires entities to, among other things, maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions.

In accordance with ASC 820, these two types of inputs have created the following fair value hierarchy:

- Level 1-Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2-Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in markets that are not active
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- Level 3-Inputs that are unobservable and reflect our assumptions used in pricing the asset or liability based on the best information available under the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows).

We did not have any financial liabilities measured and recorded at fair value on our condensed consolidated balance sheets on a recurring basis as of March 31, 2019 and December 31, 2018.

*Financial Instruments.* Financial instruments consist primarily of cash and cash equivalents, accounts payable, deferred course expenses, accrued expenses, deferred revenue, and debt. U.S. GAAP requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the balance sheets. Management believes the carrying value of the other financial instruments recognized on the condensed consolidated balance sheet date, including receivables, payables and accrued liabilities approximate their fair value.

## Note 6 - Short-Term and Long-Term Debt

<i>(in thousands)</i>	As of March 31, 2019	As of December 31, 2018
Promissory notes	\$ 891	\$ 500
Current portion of long-term debt	—	12
Total short-term borrowings and current portion of long-term debt	\$ 891	\$ 512

Long-term debt consists of the following:

<i>(in thousands)</i>	As of March 31, 2019	As of December 31, 2018
Installment notes payable for equipment financing	\$ —	\$ 20
Less: current portion	—	(12)
Total long-term debt, net of current portion	—	\$ 8

The following is a summary of scheduled debt maturities by year (in thousands):

2019	\$ 891
Total debt	\$ 891

On September 13, 2018, we entered into a Promissory Note and Mortgage and Security Agreement pursuant to which we borrowed the principal amount of \$500 thousand from USA ReGrowth Fund LLC. At closing, we received \$459,269 in net proceeds after closing costs and other fees and costs. The Promissory Note, repayment of which was initially due on March 13, 2019, was issued in an aggregate principal amount of \$500 thousand and bears interest at a fixed rate of 12% per annum during the initial 120 days of the term of the Promissory Note, and a fixed rate of 30% per annum until all amounts due under the Promissory Note are paid in full. Pursuant to the Mortgage and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the property located at 1612 East Cape Coral Parkway, Cape Coral, FL. 33904. On March 8<sup>th</sup>, 2019, we executed an extension of the maturity date to September 13, 2019. During the initial 120 days of the extension period, the Promissory Note bears a fixed rate of 12% per annum and a fixed rate of 30% per annum thereafter until all amounts due thereunder are paid.

On January 21, 2019, we entered into a six month Bridging Loan Agreement pursuant to which we borrowed the principal amount of £300 thousand from D.J. Fatica Asset Management Ltd. The loan bears interest at a fixed rate of 12% per annum. The loan is secured by property owned by LEAI Properties UK Ltd.

## Note 7 - Income Taxes

We recorded an income tax benefit of \$60.0 thousand and income tax expense of (\$397.0) thousand for the three months ended March 31, 2019 and 2018, respectively. Our effective tax rate was 36.1% and 86.1% for the three months ended March 31, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of March 31, 2019, and December 31, 2018, valuation allowances of \$7.2 million and \$6.9 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets. Our valuation allowance increased by \$.3 million and \$.2 million for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, and December 31, 2018, we had total unrecognized tax benefits of \$1.6 million, related to foreign and domestic tax positions. Of this amount, the Company estimates that \$0.09 million, of the unrecognized tax benefits, if recognized, would impact the effective tax rate. A substantial portion of our liability for uncertain tax benefits is recorded as a reduction of net operating losses and tax credit carryforwards.

During the three months ended March 31, 2019 and 2018, we had no material changes in uncertain tax positions. We record interest and penalties related to unrecognized tax benefits within the provision for income taxes. We believe that no current tax positions that have resulted in unrecognized tax benefits will significantly increase or decrease within one year. We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions.

The Internal Revenue Service completed its examination of the corporation's federal income tax returns for the years 2013-2015 resulting in no changes.

The Canadian Revenue Agency completed its examination of the corporation's 2014-2016 goods and services tax (GST) and harmonized sales tax (HST) returns. All issues have been settled.

The Tax Cuts and Jobs Act (The Act,) was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. As of March 31, 2019, we recognized income tax expense of \$0.163 million related to the remeasurement of our deferred tax balance.

#### **Note 8 - Concentration of Risk**

##### *Cash and cash equivalents.*

We maintain deposits in banks in amounts that might exceed the federal deposit insurance available. Management believes the potential risk of loss on these cash and cash equivalents to be minimal. All cash balances as of March 31, 2019 and December 31, 2018, including foreign subsidiaries, without FDIC coverage were \$3.3 million and \$1.1 million, respectively.

##### *Revenue*

A significant portion of our revenue is derived from the Rich Dad brands. For the three months ended March 31, 2019 and 2018, Rich Dad brands provided 72.2% and 73.4% of our revenue. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 9 — *Segment Information*).

## Note 9 - Segment Information

We manage our business in three segments based on geographic location for which operating managers are responsible to the Chief Executive Officer. These segments included: (i) North America, (ii) United Kingdom, (iii) Other Foreign Markets. Operating results, as reported below, are reviewed regularly by our Chief Executive Officer, or Chief Operating Decision Maker ("CODM") and other members of the executive team.

The proportion of our total revenue attributable to each segment is as follows:

	Three Months Ended March 31,	
	2019	2018
<b>As a percentage of total revenue</b>		
North America	61.0%	62.0%
U.K.	23.6%	20.4%
Other foreign markets	15.4%	17.6%
<b>Total consolidated revenue</b>	<b>100%</b>	<b>100%</b>

Operating results for the segments are as follows:

	Three Months Ended March 31,	
	2019	2018
<b>Segment revenue</b>	(In thousands)	
North America	\$ 14,987	\$ 15,949
U.K.	5,804	5,265
Other foreign markets	3,785	4,541
<b>Total consolidated revenue</b>	<b>\$ 24,576</b>	<b>\$ 25,755</b>

	Three Months Ended March 31,	
	2019	2018
<b>Segment gross profit contribution *</b>	(In thousands)	
North America	\$ 4,295	\$ 3,856
U.K.	890	1,127
Other foreign markets	(488)	(570)
<b>Total consolidated gross profit</b>	<b>\$ 4,697</b>	<b>\$ 4,413</b>

\* Segment gross profit is calculated as revenue less direct course expenses, advertising and sales expenses and royalty expense.



	Three Months Ended March 31,	
	2019	2018
<b>Depreciation and amortization expenses</b>	(In thousands)	
North America	\$ 31	\$ 25
U.K.	10	4
Other foreign markets	1	—
<b>Total consolidated depreciation and amortization expenses</b>	<b>\$ 42</b>	<b>\$ 29</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>Segment identifiable assets</b>	(In thousands)	
North America	\$ 13,258	\$ 11,566
U.K.	8,941	4,956
Other foreign markets	4,677	4,038
<b>Total consolidated identifiable assets</b>	<b>\$ 26,876</b>	<b>\$ 20,560</b>

#### Note 10 - Revenue Recognition

We recognize revenue when our customers obtain control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services, in accordance with implemented Topic 606 - an update to Topic 605.

We adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606. Revenue amounts presented in our condensed consolidated financial statements are recognized net of sales tax, value-added taxes, and other taxes.

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We have deferred revenue of \$60.0 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from one to two years as of March 31, 2019. The revenue associated with these performance obligations is recognized as the obligation is satisfied. We did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity.

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)							
Seminars	\$ 8,353	\$ 4,223	\$ 2,170	\$ 14,746	\$ 10,182	\$ 3,430	\$ 2,626	\$ 16,238
Products	2,782	1,251	380	4,413	3,274	1,353	926	5,553
Coaching and Mentoring	1,399	328	1,165	2,892	1,457	438	985	2,880
Online and Subscription	498	2	70	570	567	11	4	582
Other	1,955	-	-	1,955	469	33	0	502
<b>Total revenue</b>	<b>\$ 14,987</b>	<b>\$ 5,804</b>	<b>\$ 3,785</b>	<b>\$ 24,576</b>	<b>\$ 15,949</b>	<b>\$ 5,265</b>	<b>\$ 4,541</b>	<b>\$ 25,755</b>

## Note 11 - Commitments and Contingencies

### Licensing agreements.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including Rich Dad, Robbie Fowler, Martin Roberts and Kathy Ireland. Total royalty expenses included in our Condensed Consolidated Statements of Operations and Comprehensive Loss were \$1.4 million and \$1.6 million for the three months ended March 31, 2019 and March 31, 2018, respectively.

### Custodial and Counterparty Risk.

We are subject to custodial and other potential forms of counterparty risk in respect to a variety of contractual and operational matters. In the course of ongoing Company-wide risk assessment, management monitors our arrangements that involve potential counterparty risk, including the custodial risk associated with amounts prepaid to certain vendors and deposits with credit card and other payment processors. Deposits held by our credit card processors at March 31, 2019 and December 31, 2018, were \$6.7 million and \$5.0 million. These balances are included on the Condensed Consolidated Balance Sheets in restricted cash. While these balances reside in major financial institutions, they are only partially covered by federal deposit insurance and are subject to the financial risk of the parties holding these funds. When appropriate, we utilize Certificate of Deposit Account Registry Service (CDARS) to reduce banking risk for a portion of our cash in the United States. A CDAR consists of numerous individual investments, all below the FDIC limits, thus fully insuring that portion of our cash. At March 31, 2019 and December 31, 2018, we did not have a CDAR balance.

### Litigation.

We and certain of our subsidiaries, from time to time, are parties to various legal proceedings, claims and disputes that have arisen in the ordinary course of business. These claims may involve significant amounts, some of which would not be covered by insurance.

## Note 12 - Leases

### Right-of-Use Assets and Leases Obligations

The Company leases office space and office equipment under non-cancelable operating leases, with terms typically ranging from one to three years, subject to certain renewal options as applicable. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of lease liabilities and right-of-use assets. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

The Company does not separate lease and nonlease components of contracts. There are no material residual value guarantees associated with any of the Company's leases. There are no significant restrictions or covenants included in the Company's lease agreements other than those that are customary in such arrangements.

### Lease Position as of March 31, 2019

The table below presents the lease related assets and liabilities recorded on the Company's Condensed Consolidated Balance Sheets as of March 31, 2019:

<i>(in thousands)</i>	<b>Classification on the Balance Sheet</b>	<b>March 31, 2019</b>
<b>Assets</b>		
Operating lease assets	Operating lease right of use assets	\$ 1,399
	Total lease assets	<u>\$ 1,399</u>
<b>Liabilities</b>		
Current liabilities:		
Operating lease liabilities	Current operating lease liabilities	\$ 802
Noncurrent liabilities:		
Operating lease liabilities	Long-term operating lease liabilities	\$ 597
	Total lease liabilities	<u>\$ 1,399</u>

### Other Information

The table below presents supplemental cash flow information related to leases for the three months ended March 31, 2019:

	<b>Three Months Ended March 31, 2019</b>
<i>(in thousands)</i>	
<hr/>	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 231
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets	1,399

### Lease Terms and Discount Rates

The table below presents certain information related to the weighted average remaining lease terms and weighted average discount rates for the Company's operating leases as of March 31, 2019:

	<b>Three Months Ended March 31, 2019</b>
Weighted average remaining lease term - operating leases	1.46 years
Weighted average discount rate - operating leases	12.00%

### Undiscounted Cash Flows

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded on the Condensed Consolidated Balance Sheet as of March 31, 2019:

<b>Amounts due within twelve months of March 31,</b>	<b>Operating Leases</b>
	<b>(in thousands)</b>
2019	\$ 946
2020	754
2021	114
Total minimum lease payments	1,814
Less: effect of discounting	(415)
Present value of future minimum lease payments	1,399
Less: current obligations under leases	(802)
Long-term lease obligations	\$ 597

There are no lease arrangements where the Company is the lessor.

### Note 13 – Subsequent Event

*Litigation.* Elite Legacy Education, Inc. v. Netsuite, Inc., Oracle Corporation and Oracle America, Inc. On August 17, 2018, we submitted a demand for arbitration against Respondents NetSuite, Inc., Oracle Corporation, and Oracle America, Inc. (collectively, "Oracle/NetSuite") to JAMS in San Francisco, California for declaratory relief, breach of contract, breach of the covenant of good faith and fair dealing, conversion, and unjust enrichment to address the deficient performance and subsequent unwarranted and malicious threats to suspend performance altogether from Respondents Oracle/NetSuite arising out of the Company new ERP/CRM system. Respondents have submitted counter claims for breach of contract and declaratory relief. The hearing on the merits scheduled to have occurred May 8-10, 2019 was cancelled at the request of the parties. No new hearing date has been set.

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

### INTRODUCTION

*You should read the following discussion of our financial condition and results of operations with our audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. This discussion contains forward-looking statements and involves numerous risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Information."*

### Business Overview

We are a provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate and financial markets investing strategies and techniques. Our programs are offered through a variety of formats and channels, including free-preview workshops, basic training classes, symposiums, telephone mentoring, one-on-one mentoring, coaching and e-learning, primarily under the Rich Dad® Education brand ("Rich Dad") which was created in 2006 under license from entities affiliated with Robert Kiyosaki, whose teachings and philosophies are detailed in the book titled, *Rich Dad Poor Dad*. In addition to Rich Dad, we market our products and services under a variety of brands, Making Money from Property with Martin Roberts™; Brick Buy Brick™; Building Wealth; Robbie Fowler Property Academy™; Women in Wealth™; Perform in Property™, Teach Me to Trade™, and Trade Up Investor Education™. Our products and services are offered in North America, the United Kingdom and Other Foreign Markets.

Our students pay for their courses in full up-front or through payment agreements with independent third parties. Under United States of America generally accepted accounting principles ("U.S. GAAP"), we recognize revenue upon the earlier of (i) when our students take their courses or (ii) the term for taking their course expires, both of which could be several quarters after the student purchases a program and pays the fee. We recognize revenue immediately when we sell our (i) proprietary products delivered at time of sale and (ii) third party products sales. Our symposiums combine multiple advanced training courses in one location, allowing us to achieve certain economies of scale that reduce costs and improve margins while also accelerating U.S. GAAP revenue recognition, while at the same time, enhancing our students' experience, particularly, for example, through the opportunity to network with other students.

We also provide a richer experience for our students through one-on-one mentoring (two to four days in length, on site or remotely) and telephone mentoring (10 to 16 weekly one-on-one or one-on-many telephone sessions). Mentoring involves a subject matter expert interacting with the student remotely or in person and guiding the student, for example, through his or her first real estate transaction, providing a real hands-on experience.

Our operations are managed through three operating segments: (i) The North America, (ii) the United Kingdom, and (iii) Other Foreign Markets.

We were founded in 1996, and through a reverse merger, became a publicly-held company in November 2014. Today we are a global company with approximately 200 employees that has cumulatively served more than two million students from more than 150 countries and territories over the course of our operating history.

In addition to our international expansion efforts, we are diversifying our product offerings through the introduction of established brands into new markets and the development of new brands. Overall, we currently offer 9 brands, which include:

- **Brick Buy Brick™:** Initially launched in the UK, Brick Buy Brick is now also available in the North America segment and the other foreign markets in which we operate. The program introduces our students to the tools and strategies used by successful investors to make money work for them through real estate investing.
- **Building Wealth:** A program that offers students training on how to build and preserve wealth, start or manage a business, and benefit through investing in property regardless of market conditions.
- **Making Money from Property with Martin Roberts™:** A property-based curriculum focused on how and why to buy property at auction in the U.K. Based on the teachings of Martin Roberts, renowned U.K. TV personality, property expert, journalist, and author of *Making Money from Property*, our Making Money from Property program is designed to show investors tested strategies to buy at auction, as well as the difference between income and capital growth strategies, negotiating transactions, and buying properties overseas.
- **Perform in Property™** is the first British training program of its kind. Joining forces with gallant Olympians, Legacy sets out to empower students to take control of their financial future by providing three tiers of reality-based training and time-tested resources. The Perform in Property brand is designed to help students achieve the level of performance and financial independence they desire.
- **Rich Dad® Education:** Our flagship brand based on the teachings of Robert Kiyosaki, an entrepreneur, investor, educator, and author of the best-selling personal finance books of all time, *Rich Dad Poor Dad*. Mr. Kiyosaki has written more than 15 books with combined sales of more than 26 million copies.
- **Rich Dad® Stock Education:** In our Rich Dad Stock Education program, we teach students how to become savvy investors who can potentially create winning trades and profits in any market condition through the development of personal trading plans that are compatible with their current financial situation, the level of risk they are comfortable with, and their long-term financial goals.
- **Robbie Fowler Property Academy™:** Designed to teach investment strategies individuals can use to achieve a potential clear path towards long-term wealth, the goal of our Property Academy training program is to provide a comprehensive property investment education. We teach our students the investment strategies currently implemented throughout the UK, such as Social Housing, Buy-To-Let, Lease Options, and Land Development.
- **Teach Me to Trade™** is a brand designed for students who want to learn the core concepts of trading in the financial markets. Beginners and veteran traders alike can benefit from the Teach Me to Trade brand as it focuses on broad market concepts aimed at helping traders gain an understanding of the foundations for success in a new trading business. It teaches how to develop a game plan, develop a business-minded approach to trading and appreciate the vital skills needed to invest in the financial markets.
- **Women In Wealth™:** Created to inspire women of all ages and backgrounds to potentially achieve financial security, Women In Wealth seeks to empower women with a strong financial education and help them learn the potential benefits of real estate investing to create cash flow and build financial independence.

## Recent Developments

On January 21, 2019, we entered into a six month Bridging Loan Agreement pursuant to which we borrowed the principal amount of £300 thousand from D.J. Fatica Asset Management Ltd. The loan bears interest at a fixed rate of 12% per annum. The loan is secured by property owned by LEAI Properties UK Ltd.

## Results of Operations

Our financial results in Q1 2019 continued to be impacted by factors that we believe occurred outside the course of normal business operations, although at a significant reduction to the negative impact these items had on our fiscal year 2018 results. The primary drag on Q1 2019 results were from increases in labor, litigation, and software costs in connection with our new ERP system which was placed into production in January 2018. The aggregate increase in expense related to these items in was \$0.7 million, of which \$0.5 million was related to litigation primarily associated with the installation of our ERP/CRM system which first went into production in January 2018. We anticipate that expenses incurred in this matter will be reduced going forward.

Our Results of Operations in 2019 and 2018 were as follows:

(in thousands, except per share data)	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 24,576	\$ 25,755
Operating costs and expenses:		
Direct course expenses	13,081	14,614
Advertising and sales expenses	5,438	5,572
Royalty expenses	1,360	1,156
General and administrative expenses	4,695	4,848
Total operating costs and expenses	24,574	26,190
Income/(loss) from operations	2	(435)
Other income (expense):		
Interest expense	(41)	(4)
Other income (expense), net	(126)	(21)
Total other income (expense), net	(167)	(25)
Loss before income taxes	(165)	(460)
Income tax (expense) benefit	60	(397)
Net loss	\$ (105)	\$ (857)
Basic loss per common share	\$ (0.00)	\$ (0.04)
Diluted loss per common share	\$ (0.00)	\$ (0.04)
Basic weighted average common shares outstanding	23,117	23,008
Diluted weighted average common shares outstanding	23,117	23,008
Comprehensive loss:		
Net loss	\$ (105)	\$ (857)
Foreign currency translation adjustments, net of tax of \$0	(392)	(421)
Total comprehensive loss	\$ (497)	\$ (1,278)

Our operating results are expressed as a percentage of revenue in the table below:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	100%	100%
Operating costs and expenses:		
Direct course expenses	53.2	56.9
Advertising and sales expenses	22.1	21.6
Royalty expenses	5.5	4.4
General and administrative expenses	19.2	18.8
Total operating costs and expenses	100.0	101.7
Income/(loss) from operations	—	(1.7)
Other income (expense):		
Other income (expense), net	(0.7)	(0.1)
Total other income (expense), net	(0.7)	(0.1)
Loss before income taxes	(0.7)	(1.8)
Income tax (expense) benefit	0.3	(1.5)
Net loss	(0.4)%	(3.3)%

### **Outlook**

Cash sales were \$28.1 million for the three months ended March 31, 2019 compared to \$27.6 million for the three months ended March 31, 2018, an increase of \$0.5 million or 1.8%.

The increase was driven primarily by a \$0.7 million increase in our Other Foreign Markets segment, a \$0.5 million increase in our U.K. segment, partially offset by a \$0.7 million decrease in our North American segment.

We believe that cash sales remain an important metric when evaluating our operating performance. Pursuant to U.S. GAAP, we recognize revenue upon the earlier of (i) when our students take their courses or (ii) the term for taking their course expires, both of which could be several quarters after the student purchases a program. Our students pay for their courses in full up-front or through payment agreements with independent third parties.

We anticipate cash sales to increase throughout 2019, particularly as new brands gain greater traction in our more established markets, and as we continue to expand internationally and hone our selling and marketing strategy in new and existing markets.

## Operating Segments

Our operations are managed through three operating segments: (i) North America, (ii) the United Kingdom, (iii) Other Foreign Markets. The proportion of our total revenue attributable to each segment is as follows:

As a percentage of total revenue	Three Months Ended March 31,	
	2019	2018
North America	61.0%	62.0%
U.K.	23.6%	20.4%
Other foreign markets	15.4%	17.6%
<b>Total consolidated revenue</b>	<b>100%</b>	<b>100%</b>

Segment revenue	Three Months Ended March 31,	
	2019	2018
(In thousands)		
North America	\$ 14,987	\$ 15,949
U.K.	5,804	5,265
Other foreign markets	3,785	4,541
<b>Total consolidated revenue</b>	<b>\$ 24,576</b>	<b>\$ 25,755</b>



### **North America**

Over the past several years, our North America business shifted its focus to consist primarily of *Rich Dad™ Education* brand offerings. Revenue derived from the Rich Dad brands was \$12.1 million and \$13.1 million or as a percentage of total segment revenue was 80.8% and 82.1% for the three months ended March 31, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training.

The North America segment revenue was \$15.0 million and \$15.9 million or as a percentage of total revenue was 61.0% and 62.0% for the three months ended March 31, 2019 and 2018, respectively. The decrease in revenue of \$0.9 million or 5.7% during the three months ended March 31, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of \$1.5 million or 11.8%, partially offset by an increase in revenue from expired contracts of \$0.6 million or 22.6%.

### **U.K.**

In contrast to our North America segment, our U.K. segment is more diversified amongst several different brands. Revenue derived from the Rich Dad brands was \$1.9 million and \$1.9 million or as a percentage of total segment revenue was 32.46% and 37.0% for the three months ended March 31, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets education.

The U.K. segment revenue was \$5.8 million and \$5.3 million or as a percentage of total revenue was 23.6% and 20.4% for the three months ended March 31, 2019 and 2018, respectively. The increase in revenue of \$0.5 million or 9.4% for the three months ended March 31, 2019 compared to the same period in 2018, was due to an increase in recognition of revenue from expired contracts of \$0.7 million or 96.9%, partially offset by a decreased attendance (i.e. fulfillment) of \$0.2 million or 3.8%.

### **Other Foreign Markets**

We operate in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. Revenue derived from the Rich Dad brands was \$3.7 million and \$3.8 million or as a percentage of total segment revenue was 98.6% and 84.8% for the three months ended March 31, 2019 and 2018, respectively.

The Other Foreign Markets segment revenue was \$3.8 million and \$4.5 million or as a percentage of total revenue was 15.4% and 17.6% for the three months ended March 31, 2019 and 2018, respectively. The decrease in revenue of \$0.7 million or 15.6% for the three months ended March 31, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of \$1.3 million or 35.6%, partially offset by an increase in revenue from expired contracts of \$0.6 million or 77.0%.

### ***Three months ended March 31, 2019 Compared to Three months ended March 31, 2018***

#### *Revenue*

Revenue was \$24.6 million for the three months ended March 31, 2019 compared to \$25.8 million for the three months ended March 31, 2018. Revenue decreased \$1.2 million or 4.7% during the three months ended March 31, 2019 compared to the same period in 2018. The decrease in revenue was due to a decreased attendance (i.e. fulfillment) of \$3.1 million or 14.3%, partially offset by an increase in revenue from expired contracts of \$1.9 million or 45.8%.

Cash sales were \$28.1 million for the three months ended March 31, 2019 compared to \$27.6 million for the three months ended March 31, 2018, an increase of \$0.5 million or 1.0%. The increase was driven primarily by a \$0.7 million increase in our Other Foreign Markets segment, a \$0.5 million increase in our U.K. segment, partially offset by a \$0.7 million decrease in our North American segment.

#### *Operating Expenses*

Total operating costs and expenses were \$24.6 million for the three months ended March 31, 2019 compared to \$26.2 million for the three months ended March 31, 2018, a decrease of \$1.6 million or 6.1%. The decrease was primarily due to a \$1.5 million decrease in direct course expenses, a \$0.2 million decrease in advertising and sales expenses, a \$0.1 million decrease in general and administrative expenses, partially offset by a \$0.2 million increase in royalty expenses.

#### *Direct course expenses*

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$13.1 million for the three months ended March 31, 2019 compared to \$14.6 million for the three months ended March 31, 2018, a decrease of \$1.5 million or 10.3%, which was primarily related to decreases in preview product costs and sales and training compensation, mainly due to the adjustments to our sales compensation programs. We have adjusted our sales compensation programs to align them with sales forecasts for the year ended December 31, 2019.

#### *Advertising and sales expenses*

We generally obtain most of our potential customers through internet-based advertising. Advertising and sales expenses consist of purchased media to generate registrations to our free preview workshops and costs associated with supporting customer recruitment. We obtain the majority of our customers through free preview workshops. These preview workshops are offered in various metropolitan areas in North America, United Kingdom, and other international markets. Prior to the actual workshop, we spend a significant amount of money in the form of advertising through various media channels.

Advertising and sales expenses were \$5.4 million for the three months ended March 31, 2019 compared to \$5.6 million for the three months ended March 31, 2018, a decrease of \$0.2 million, or 3.6%. As a percentage of revenue, advertising and sales expenses were 22.1% and 21.6% of revenue for the three months ended March 31, 2019 and 2018, an increase of 0.5%. This increase is related to our efforts to diversify our product offerings through the introduction and the development of our proprietary brands as we incurred significant upfront costs to develop, test, and market these new brands and new product offerings.

#### *Royalty expenses*

We have licensing and related agreements with RDOC, whereby we have exclusive rights to develop, market, and sell Rich Dad Education-branded live seminars, training courses, and related products worldwide. In connection with these agreements and our other licensing agreements, we are required to pay royalties. Royalty expenses were \$1.4 million for the three months ended March 31, 2019 compared to \$1.2 million for the three months ended March 31, 2018, an increase of \$0.2 million or 16.7%.

*General and administrative expenses*

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were \$4.7 million for the three months ended March 31, 2019 compared to \$4.8 million for the three months ended March 31, 2018, a decrease of \$0.1 million, or 2.1 %.

*Income tax expense*

We recorded an income tax benefit of \$60.0 thousand and income tax expense of (\$397.0) thousand for the three months ended March 31, 2019 and 2018, respectively. Our effective tax rate was 36.1% and 86.1% for the three months ended March 31, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of March 31, 2019, and December 31, 2018, valuation allowances of \$7.2 million and \$6.9 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets. Our valuation allowance increased by \$.3 million and \$.2 million for the three months ended March 31, 2019 and 2018, respectively.

*Net Loss*

Net loss was \$0.1 million or (\$0.00) per basic and diluted common share for the three months ended March 31, 2019, compared to a net loss of \$0.9 million or (\$0.04) per basic and diluted common share for the three months ended March 31, 2018, a decrease in net loss of \$0.8 million or \$0.4 per basic and diluted common share.

## Critical Accounting Policies

For a discussion of our critical accounting policies and estimates that require the use of significant estimates and judgments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### Known Trends and Uncertainties

In general, we believe we will experience increased demand for our products and services as global economic conditions continue to improve. We believe that our products and services appeal to those who seek increased financial freedom. If we experience a prolonged decline in demand for our products and services, it could have a material adverse effect on our future operating results.

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our relatively modest operating cash flows during the past two years combined, it has been necessary for us to manage our cash position to ensure the future viability of our business. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, favorable terms from our merchant processors, seasonality, and fluctuations in foreign currency exchange rates. Our unrestricted cash position has improved in Q1 2019 with the addition of three new merchant processors in the second half of 2018, who retain a significantly lower reserve than our main merchant processor had done for most of fiscal year 2018. As a result, our unrestricted cash in fiscal year 2018 was limited. With the addition of these three new merchant processors our unrestricted cash will significantly improve going forward. We have taken steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2019 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will be sufficient to fund our expected financial obligations and anticipated liquidity requirements for fiscal year 2019.

The following is a summary of our cash flow activities for the periods stated (in thousands):

	Three Months Ended	
	March 31,	
	2019	2018
Net cash provided by operating activities	3,538	1,445
Net cash provided by (used in) investing activities	136	(29)
Net cash provided by (used in) financing activities	387	(3)
Effect of exchange rate differences on cash	42	(28)
Net increase in cash and cash equivalents and restricted cash	4,103	1,385

### Operating Cash Flows and Liquidity

Net cash provided by operating activities was \$3.5 million in the three months ended March 31, 2019 compared to net cash provided by operating activities of \$1.4 million in the three months ended March 31, 2018, representing a period-over-period increase of \$2.1 million. This increase was primarily the result of increased earnings, and an increase in current liabilities for deferred revenue, partially offset by a decrease in accounts payable.

### Investing Cash Flows

Net cash provided by investing activities totaled \$136.0 thousand in the three months ended March 31, 2019 compared to net cash used in investing activities of \$29.0 thousand in the three months ended March 31, 2018, representing our net sale of property and equipment.

## Financing Cash Flows

Our consolidated capital structure as of March 31, 2019 and December 31, 2018 was 100.0% equity.

Net cash provided by financing activities totaled \$387.0 thousand during the three months ended March 31, 2019 compared to net cash used in financing activities of \$3.0 thousand in the three months ended March 31, 2018. Net cash provided by financing activities during the three months ended March 31, 2019, primarily represents the proceeds from issuance of the six month loan. The loan was issued in an aggregate principal amount of £300 thousand and bears interest at a fixed rate of 12% per annum.

We expect that our working capital deficit, which is primarily a result of our deferred revenue balance, will continue for the foreseeable future. As of March 31, 2019, and December 31, 2018, our consolidated current deferred revenue was \$60.0 million and \$57.4 million, respectively.

Our cash and cash equivalents were, and continue to be, invested in short-term, liquid, money market funds. Restricted cash balances consisted primarily of funds on deposit with credit card processors and cash collateral with our credit card vendors. Restricted cash balances held by credit card processors are unavailable to us unless we discontinue sale of our products or discontinue the usage of a vendor's credit card. As sales of the products and services related to our domestic business have decreased, our credit card vendors have not returned funds held as collateral, resulting in higher restricted cash balances.

## Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2019.

## Item 4. Controls and Procedures.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of our management, including our Interim Chief Executive Officer and Chief Financial Officer. As of March 31, 2019, based upon that evaluation, the Interim Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were not effective.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our management, including our Interim Chief Executive Officer and Chief Financial Officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of March 31, 2019 based upon criteria set forth in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, as of March 31, 2019, we have determined that we presently do not have an internal control system or procedures that are effective and may be relied upon in connection with our financial reporting. The weaknesses in our internal control system that were identified by our management generally include weakness that present a reasonable possibility that a material misstatement of our annual or interim financial statements will not be identified, prevented or detected on a timely basis, and specifically include:

- **Financial Reporting Systems:** We did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes. The weaknesses in our internal control system that were identified by our management generally relate to the implementation of our new ERP system, which went into production on January 1, 2018.

If we fail to effectively remediate any of these material weaknesses or other material weaknesses or deficiencies in our control environment that may be identified in the future, we may be unable to accurately report our financial results or report them within the time frames required by law or exchange regulations, to the extent applicable, which would have a negative impact on us and our share price.

This Quarterly Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Quarterly Report.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

We are subject to a number of contingencies, including litigation, from time to time. For further information regarding legal proceedings, see Note 11 *Commitments and Contingencies*, to our condensed consolidated financial statements.

### Item 1A. Risk Factors.

For information regarding risk factors, please refer to Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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

There were no sales or repurchases of the Company's equity securities during the three months ended March 31, 2019.

### Item 6. Exhibits

Exhibit Number	Description
3.1	<a href="#">Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 2.1 in the Company's Form 8-K filed with the SEC on November 10, 2014)</a>
3.2	<a href="#">Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on November 10, 2014)</a>
3.3	<a href="#">Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on February 17, 2017)</a>
3.4	<a href="#">Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on January 12, 2018)</a>
31.1*	<a href="#">Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of The Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>
101*	The following materials from Legacy Education Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2019 (Unaudited) and December 31, 2018, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2019 and 2018 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended March 31, 2019 and 2018 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 (Unaudited) and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

\* Filed herewith.

**SIGNATURES**

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

**LEGACY EDUCATION ALLIANCE, INC.**

Dated: May 15, 2019

By: /s/ JAMES E. MAY  
**James E. May**  
*Interim Chief Executive Officer and Director*

Dated: May 15, 2019

By: /s/ CHRISTIAN A. J. BAEZA  
**Christian A. J. Baeza**  
*Senior Vice President and Chief Financial Officer*

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James E. May, certify that:

1. I have reviewed this Form 10-Q of Legacy Education Alliance Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2019

/s/ JAMES E. MAY

**James E. May**

*Interim Chief Executive Officer*



**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christian A. J. Baeza, certify that:

1. I have reviewed this Form 10-Q of Legacy Education Alliance Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2019

/s/ CHRISTIAN A. J. BAEZA

**Christian A. J. Baeza**  
*Senior Vice President and  
Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, James E. May, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2019

/s/ JAMES E. MAY

**James E. May**  
*Interim Chief Executive Officer*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Christian A. J. Baeza, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2019

/s/ CHRISTIAN A. J. BAEZA

**Christian A. J. Baeza**  
*Senior Vice President and  
Chief Financial Officer*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.