

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 September 30, 2020

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	39-2079974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1490 N. E. Pine Island Rd., Suite 5D Cape Coral, FL 33909	(239) 542-0643
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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:	<input type="checkbox"/>	Accelerated filer:	<input type="checkbox"/>
Non-accelerated filer:	<input checked="" type="checkbox"/>	Smaller reporting company:	<input checked="" type="checkbox"/>
Emerging growth company:	<input type="checkbox"/>		

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
Legacy Education Alliance, Inc. Common Stock, par value \$0.0001	LEAI	OTCQB

Number of shares of Legacy Education Alliance, Inc. Common Stock, \$0.0001 par value, outstanding as of November 16, 2020: 23,342,502.

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on Form 10-Q for
Quarter Ended September 30, 2020**

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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, including, but not limited to our licensors; 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; the effects of the COVID-19 coronavirus pandemic on the global and national economies and on our business operations; 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”), including, but not limited to, the Cautionary Note Regarding Forward Looking Statements as set forth in our Current Report on Form 8-K filed with the SEC on April 16, 2020. 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, Inc., 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 income, 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)

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,794	\$ 3,839
Restricted cash	1,356	2,389
Deferred course expenses	2,895	6,805
Prepaid expenses and other current assets	1,260	2,074
Inventory	10	47
Total current assets	7,315	15,154
Property and equipment, net	355	1,382
Property held for sale	959	—
Right-of-use assets	—	122
Deferred tax asset, net	1,204	287
Other assets	35	413
Total assets	<u>\$ 9,868</u>	<u>\$ 17,358</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,502	\$ 2,311
Royalties payable	133	150
Accrued course expenses	253	576
Accrued salaries, wages and benefits	81	459
Operating lease liability, current portion	—	86
Other accrued expenses	5,399	1,660
Short-term borrowings and current portion of long-term debt	1,000	500
Deferred revenue	21,505	46,453
Discontinued operations-current liabilities	4,386	4,499
Total current liabilities	35,259	56,694
Long-term debt, net of current portion	1,900	—
Operating lease liability, net of current portion	—	27
Total liabilities	<u>37,159</u>	<u>56,721</u>
Commitments and contingencies (Note 12)		
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; 23,342,502 and 23,162,502 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	2	2
Additional paid-in capital	11,575	11,552
Cumulative foreign currency translation adjustment	1,234	710
Accumulated deficit	(40,102)	(51,627)
Total stockholders' deficit	<u>(27,291)</u>	<u>(39,363)</u>
Total liabilities and stockholders' deficit	<u>\$ 9,868</u>	<u>\$ 17,358</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 9,181	\$ 22,055	\$ 27,086	\$ 62,010
Operating costs and expenses:				
Direct course expenses	1,741	10,927	6,801	31,646
Advertising and sales expenses	64	4,555	1,863	13,876
Royalty expenses	9	1,295	58	3,205
General and administrative expenses	1,386	3,145	4,443	11,486
Total operating costs and expenses	<u>3,200</u>	<u>19,922</u>	<u>13,165</u>	<u>60,213</u>
Income from operations	<u>5,981</u>	<u>2,133</u>	<u>13,921</u>	<u>1,797</u>
Other income (expense):				
Interest expense, net	(105)	(31)	(208)	(84)
Other income (expense), net	(13)	(80)	(19)	373
Total other income (expense), net	<u>(118)</u>	<u>(111)</u>	<u>(227)</u>	<u>289</u>
Income from continuing operations before income taxes	5,863	2,022	13,694	2,086
Income tax (expense) benefit	<u>(1,174)</u>	<u>51</u>	<u>(2,169)</u>	<u>111</u>
Net income from continuing operations	4,689	2,073	11,525	2,197
Net loss from discontinued operations	—	(426)	—	(930)
Net income	<u>\$ 4,689</u>	<u>\$ 1,647</u>	<u>\$ 11,525</u>	<u>\$ 1,267</u>
Basic earnings per common share - continuing operations	\$ 0.20	\$ 0.09	\$ 0.50	\$ 0.09
Basic loss per common share - discontinued operations	—	(0.02)	—	(0.04)
Basic earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.50</u>	<u>\$ 0.05</u>
Diluted earnings per common share - continuing operations	\$ 0.20	\$ 0.09	\$ 0.49	\$ 0.09
Diluted loss per common share - discontinued operations	—	(0.02)	—	(0.04)
Diluted earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.49</u>	<u>\$ 0.05</u>
Basic weighted average common shares outstanding	23,138	22,799	23,046	22,641
Diluted weighted average common shares outstanding	23,252	23,163	23,192	23,134
Comprehensive income:				
Net income	\$ 4,689	\$ 1,647	\$ 11,525	\$ 1,267
Foreign currency translation adjustments, net of tax of \$0	(704)	825	524	774
Total comprehensive income	<u>\$ 3,985</u>	<u>\$ 2,472</u>	<u>\$ 12,049</u>	<u>\$ 2,041</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, 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)
Share-based compensation expense	—	—	29	—	—	29
Issuance of common stock	55	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	341	—	341
Net Loss	—	—	—	—	(275)	(275)
Balance at June 30, 2019	23,163	\$ 2	\$ 11,527	\$ 1,393	\$ (61,957)	\$ (49,035)
Share-based compensation expense	—	—	18	—	—	18
Foreign currency translation adjustment, net of tax of \$0	—	—	—	825	—	825
Net Income	—	—	—	—	1,647	1,647
Balance at September 30, 2019	23,163	\$ 2	\$ 11,545	\$ 2,218	\$ (60,310)	\$ (46,545)

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2019	23,163	\$ 2	\$ 11,552	\$ 710	\$ (51,627)	\$ (39,363)
Share-based compensation expense	—	—	6	—	—	6
Foreign currency translation adjustment, net of tax of \$0	—	—	—	1,910	—	1,910
Net Income	—	—	—	—	3,033	3,033
Balance at March 31, 2020	23,163	\$ 2	\$ 11,558	\$ 2,620	\$ (48,594)	\$ (34,414)
Share-based compensation expense	—	—	8	—	—	8
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(682)	—	(682)
Net Income	—	—	—	—	3,803	3,803
Balance at June 30, 2020	23,163	\$ 2	\$ 11,566	\$ 1,938	\$ (44,791)	\$ (31,285)
Share-based compensation expense	—	—	9	—	—	9
Issuance of common stock	180	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(704)	—	(704)
Net Income	—	—	—	—	4,689	4,689
Balance at September 30, 2020	23,343	\$ 2	\$ 11,575	\$ 1,234	\$ (40,102)	\$ (27,291)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 11,525	\$ 1,267
Less net loss from discontinued operations	—	(930)
Net income from continuing operations	\$ 11,525	\$ 2,197
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	55	118
Non-cash lease expense	43	26
Gain on the sale of fixed assets and investment property	(33)	(41)
Share-based compensation	23	75
Deferred income taxes	(923)	(189)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	3,855	(810)
Prepaid expenses and other receivables	798	691
Inventory	36	6
Other assets	36	(92)
Accounts payable-trade	206	(972)
Royalties payable	(15)	211
Accrued course expenses	(289)	1,182
Accrued salaries, wages and benefits	(379)	(205)
Operating lease liability	(35)	(26)
Other accrued expenses	4,497	(1,177)
Deferred revenue	(24,477)	5,247
Net cash (used in) provided by operating activities - continuing operations	(5,077)	6,241
Net cash provided by operating activities - discontinued operations	—	16
Net cash (used in) provided by operating activities	(5,077)	6,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	—	(104)
Proceeds from sales of investment property	370	—
Proceeds from sales of property and equipment	—	165
Net cash provided by investing activities - continuing operations	370	61
Net cash used in investing activities - discontinued operations	—	(88)
Net cash provided by (used in) investing activities	370	(27)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(500)	(7)
Proceeds from issuance of debt	2,900	—
Net cash provided by (used in) financing activities - continuing operations	2,400	(7)
Net cash provided by financing activities - discontinued operations	—	—
Net cash provided by (used in) financing activities	2,400	(7)
Effect of exchange rate differences on cash	(771)	269
Net (decrease) increase in cash and cash equivalents and restricted cash	(3,078)	6,492
Cash and cash equivalents and restricted cash, beginning of period	\$ 6,228	\$ 6,637
Cash and cash equivalents and restricted cash, end of period	\$ 3,150	\$ 13,129
Supplemental disclosures:		
Cash paid during the period for interest	\$ 212	\$ 25
Cash paid during the period for income taxes, net of refunds received	\$ —	\$ (66)

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.

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 workshops, basic trainings, symposiums, forums, telephone mentoring, one-on-one mentoring, coaching and e-learning. We market our products and services under two brands: Legacy Real Estate 101™ and Homemade Investor by Tarek El Moussa™. In October 2019, we launched our new proprietary line of coaching products to support our students through every phase of their journey with us, from beginner to experienced investor. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum, and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor* by *Tarek El Moussa* brand.

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 and forums 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.

Historically, our operations have relied heavily on our and our students' ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which we operate. As a result of the COVID-19 coronavirus pandemic, and the resulting worldwide restrictions on travel and social distancing, we have temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. We have simplified our product offerings and restructured our compensation program with respect to both employees and independent contractors to reduce costs and improve margins. Currently, our sales operations are limited to online sales events selling into our suite of online, on-demand, and over-the-phone products. Our product fulfillment operations similarly are limited to online, on-demand, and over-the-phone activities. The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers.

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, Inc., including Tigrent Inc., a Colorado corporation. All intercompany balances and transactions have been eliminated in consolidation. As discussed in Note 4 "Discontinued Operations", the sale of Legacy Education Alliance International Ltd (Legacy UK) assets and deferred revenue is reflected as a discontinued operation in the condensed consolidated financial statements.

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, 2019 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 income 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 consolidated financial statements and notes have been prepared assuming we will continue as a going concern. For the nine months ended September 30, 2020 we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. 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 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.

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to deferred revenues, reserve for breakage, deferred costs, revenue recognition, commitments and contingencies, fair value of financial instruments, useful lives of property and equipment, right-of-use assets, and income taxes. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

As a result of the COVID-19 coronavirus pandemic, and the resulting worldwide restrictions on travel and social distancing, we have temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers. We are not able to fully quantify the impact that these factors will have on our financial results during 2020 and beyond, but expect developments related to COVID-19 to materially affect the Company's financial performance in 2020.

Cash and Cash Equivalents.

We consider all highly liquid instruments with an original maturity of three months or less to be cash or cash equivalents. We continually monitor and evaluate our investment positions and the creditworthiness of the financial institutions with which we invest and maintain deposit accounts. 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 September 30, 2020 and December 31, 2019, we did not have a CDAR balance.

Restricted Cash.

Restricted cash balances consist primarily of funds on deposit with credit card and other payment processors. These balances do not have the benefit of federal deposit insurance and are subject to the financial risk of the parties holding these funds. Restricted cash balances held by credit card processors are unavailable to us unless, and for a period of time after, we discontinue the use of their services. Because a portion of these funds can be accessed and converted to unrestricted cash in less than one year in certain circumstances, that portion is considered a current asset. Restricted cash is included with cash and cash equivalents in our condensed consolidated statements of cash flows.

Deposits with Credit Card Processors.

The deposits with our credit card processors are held due to arrangements under which our credit card processors withhold credit card funds to cover charge backs in the event we are unable to honor our commitments. These deposits are included in restricted cash on our condensed consolidated balance sheet.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts in the condensed consolidated cash flow statements:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,794	\$ 3,839
Restricted cash	1,356	2,389
Total cash, cash equivalents, and restricted cash shown in the cash flow statement	<u>\$ 3,150</u>	<u>\$ 6,228</u>

Property Held for Sale

In determining whether to classify an asset as held for sale, we consider whether: (i) management has committed to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) we have initiated a program to locate a buyer; (iv) we believe that the sale of the asset is probable; (v) the due diligence period per the sales agreement has expired and a closing date has been set; (vi) we are actively marketing the asset for sale at a price that is reasonable in relation to its current value; and (vii) actions required for us to complete the plan indicate that it is unlikely that any significant changes will be made to the plan.

If all of the above criteria are met, we classify the asset as held for sale. The assets associated with those assets that are held for sale are classified separately on the condensed consolidated balance sheets for the most recent reporting period. We considered the carrying value of our headquarter property and its improvements to be the realizable value based on the projected net sales proceeds. For the nine months ended September 30, 2020 and 2019, respectively, there was \$959 thousand and \$0 property classified as property held for sale. See Note 14 "Subsequent Events".

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.

We record our interim provision for income taxes by applying our estimated annual effective tax rate to our year-to-date pre-tax income and adjusting for discrete tax items recorded in the period. Deferred income taxes result from temporary differences between the reporting of amounts for financial statement purposes and income tax purposes. These differences relate primarily to different methods used for income tax reporting purposes, including for depreciation and amortization, warranty and vacation accruals, and deductions related to allowances for doubtful accounts receivable and inventory reserves. Our provision for income taxes included current federal and state income tax expense, as well as deferred federal and state income tax expense.

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.

Discontinued Operations.

ASC 205-20-45, "Presentation of Financial Statements Discontinued Operations" requires discontinued operations to be reported if the disposal of a business component represents a strategic shift that has a major effect on an entity's operations and financial reports. We have determined that the sale of Legacy UK meets this criterion. Accordingly, the assets, deferred revenues, and income statement of Legacy UK were transferred to discontinued operations to close out the business. See Note 4 "Discontinued Operations", for additional disclosures regarding Legacy UK.

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.

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 \$9.0 thousand and \$18.0 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$23.0 thousand and \$75.0 thousand for the nine months ended September 30, 2020 and 2019, respectively, which are reported as a separate line item in the condensed consolidated statements of changes in stockholders' deficit.

During the quarter ended September 30, 2020, pursuant to the 2015 Incentive Plan, we awarded an aggregate of 80,000 shares of restricted stock to the independent members of the Board of Directors, which are subject to a two-year cliff vesting, with 50% tranche on each anniversary. The grant date price per share was \$0.10 for a total grant date fair value of \$8.0 thousand. We also granted 100,000 shares of restricted stock to a third party consultant as part of the agreement for his services, which were fully vested at the grant date. The grant date price per share was \$0.07 for a total grant date fair value of \$6.8 thousand.

Note 4 - Discontinued Operations

On October 28, 2019, four creditors of Legacy Education Alliance International Ltd. ("Legacy UK"), one of our UK subsidiaries, obtained an order from the High Court of Justice, Business and Property Courts of England and Wales (the "English Court") with respect to the business and affairs of Legacy UK. Pursuant to the Administration Order of November 15, 2019, from the English Court, the two individuals appointed as administrators engaged a third-party to market Legacy UK's business and assets for sale to one or more third parties. On November 26, 2019, Legacy UK's assets and deferred revenues sold for £300 thousand (British pounds) to Mayflower Alliance LTD. We will not receive any proceeds from the sale of Legacy UK. Further details, including the resolution of claims and liabilities, and other information regarding the administration may not be forthcoming for several months. The impact of this transaction is reflected as a discontinued operation in the condensed consolidated financial statements.

The major classes of assets and liabilities of Legacy UK were as follows:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019
Major classes of liabilities		
Accounts payable	3,322	3,408
Accrued course expenses	558	472
Other accrued expenses	506	619
Total major classes of liabilities - discontinued operations	<u>\$ 4,386</u>	<u>\$ 4,499</u>

The financial results of the discontinued operations are as follows:

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ —	\$ 3,881	\$ —	\$ 12,200
Total operating costs and expenses	—	4,336	—	12,870
Loss from discontinued operations	—	(455)	—	(670)
Interest income (expense)	—	60	—	(2)
Other expense, net	—	(31)	—	(258)
Net loss from discontinued operations	<u>\$ —</u>	<u>\$ (426)</u>	<u>\$ —</u>	<u>\$ (930)</u>

Note 5 - 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.

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 114,282 and 364,056 for the three months ended September 30, 2020 and 2019, respectively, and 146,109 and 493,495 for the nine months ended September 30, 2020 and 2019, respectively.

The calculations of basic and diluted EPS are as follows:

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Net Income	Weighted Average Shares Outstanding	Earnings Per Share	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ 4,689	23,252		\$ 1,647	23,163	
Amounts allocated to unvested restricted shares	(23)	(114)		(26)	(364)	
Amounts available to common stockholders	\$ 4,666	23,138	\$ 0.20	\$ 1,621	22,799	\$ 0.07
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	23	114		26	364	
Non participating share units		—			—	
Amounts reallocated to unvested restricted shares	(23)	—		(26)	—	
Amounts available to stockholders and assumed conversions	\$ 4,666	23,252	\$ 0.20	\$ 1,621	23,163	\$ 0.07
	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Net Income	Weighted Average Shares Outstanding	Earnings Per Share	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ 11,525	23,192		\$ 1,267	23,134	
Amounts allocated to unvested restricted shares	(73)	(146)		(27)	(493)	
Amounts available to common stockholders	\$ 11,452	23,046	\$ 0.50	\$ 1,240	22,641	\$ 0.05
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	73	146		27	493	
Non participating share units		—			—	
Amounts reallocated to unvested restricted shares	(73)	—		(28)	—	
Amounts available to stockholders and assumed conversions	\$ 11,452	23,192	\$ 0.49	\$ 1,239	23,134	\$ 0.05

Note 6 - 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 of 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 or financial assets measured and recorded at fair value on our condensed consolidated balance sheets on a recurring basis as of September 30, 2020 and December 31, 2019.

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 7 – Short-Term and Long-Term Debt

<i>(in thousands)</i>	As of September 30, 2020	As of December 31, 2019
Promissory notes	\$ 1,000	\$ 500
Paycheck Protection Program loan	1,900	—
Total debt	2,900	500
Less current portion of long-term debt	(1,000)	(500)
Total long-term debt, net of current portion	<u>\$ 1,900</u>	<u>\$ —</u>

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

2020	\$ 1,000
2021	—
2022	1,900
Total debt	<u>\$ 2,900</u>

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 bore 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 (“Corporate HQ”). On March 8, 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 bore interest at a fixed rate of 12% per annum and a fixed rate of 30% per annum thereafter until all amounts due thereunder are paid. On September 13, 2019, we executed a second extension of the maturity date to March 13, 2020. During the initial 120 days of the second 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. The extension matured on March 13, 2020, though the lender agreed to extend the maturity date until a new Promissory Note with a different lender was obtained on August 6, 2020, on which date the outstanding principal balance and interests were paid in full. The new Promissory Note was issued in the amount of \$1.0 million, net proceeds were \$396.7 thousand after closing costs and after paying off the outstanding principal in the amount of \$500 thousand, plus accrued interest, under a Promissory Note held by USA Regrowth Fund LLC, and bore interest at a fixed rate of 12% per annum and was initially due on August 6, 2021. The new Promissory Note was fully paid off on October 1, 2020. See Note 14 “Subsequent Events”.

On April 27, 2020, Elite Legacy Education, Inc., a subsidiary of the Company, entered into a Promissory Note in favor of Pacific Premier Bank, the lender, through the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) established pursuant to the CARES Act. The unsecured loan (the “PPP Loan”) proceeds were in the amount of \$1,899,832, matures on April 24, 2022, bears interest at a fixed rate of 1% per annum, and is payable in 17 equal monthly payments of interest only and a final payment of the full principal plus interest for one month. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. The Company intends to use a significant portion of the PPP Loan proceeds for qualifying expenses, but no assurance is provided that the Company will obtain forgiveness of the PPP Loan in whole or in part.

Note 8 - Income Taxes

In response to liquidity issues that businesses are facing as a result of the recent novel coronavirus (“COVID-19”) global pandemic, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law on March 27, 2020 by the U.S. government. The CARES Act allows for Net Operating Losses (NOLs) to offset 100% of taxable income retroactive to 2019. Under prior rules, only 80% of taxable income could be offset by NOLs. As a result of the application of the CARES Act, our tax liability was positively impacted by a net benefit of \$88.0 thousand. In addition, the CARES Act temporarily increases the deductible interest expense limitation for tax years beginning in 2019 and 2020.

We recorded income tax expense of \$1.17 million and income tax expense benefit of \$51 thousand for the three months ended September 30, 2020 and 2019, respectively. We recorded income tax expense of \$2.17 million and an income tax benefit of \$111 thousand for the nine months ended September 30, 2020 and 2019, respectively. Our effective tax rate was 25.0% and (3.2%) for the three months ended September 30, 2020 and 2019, and 18.9% and (9.6%) for the nine months ended September 30, 2020 and 2019, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of a reversal of a valuation allowance across several jurisdictions.

The Company assessed the weight of all available positive and negative evidence and determined it was more likely than not that future earnings will be sufficient to realize the associated deferred tax assets. As of September 30, 2020 and December 31, 2019, we retained a valuation allowance of \$3.8 million and \$4.7 million, respectively, for a certain number of our international subsidiaries.

During the nine months ended September 30, 2020 and 2019 there were no material changes in uncertain tax positions. We do not expect any significant changes to unrecognized tax benefits in the next year. We estimate \$0.3 million and \$0.3 million of the unrecognized tax benefits, which if recognized, would impact the effective tax rate at September 30, 2020 and December 31, 2019, respectively. 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.

We are not currently under examination in any jurisdiction. In the event of any future tax assessments, we have elected to record the income taxes and any related interest and penalties as income tax expense on our condensed consolidated statements of operations and comprehensive income.

Our federal income tax returns for the years subsequent to 2017 are subject to examination by the Internal Revenue Service. Our state tax returns for all years after 2017 or 2016, depending on each state’s jurisdiction, are subject to examination. In addition, our Canadian tax returns and United Kingdom tax returns for all years after 2013 are subject to examination.

Note 9 - Concentration 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 September 30, 2020 and December 31, 2019, including foreign subsidiaries, without FDIC coverage were \$1.1 million and \$2.5 million, respectively.

Revenue.

A significant portion of our revenue was derived from the Rich Dad brands. For the three months ended September 30, 2020 and 2019, Rich Dad brands provided 83.2% and 80.4% of our revenue. For the nine months ended September 30, 2020 and 2019, Rich Dad brands provided 80.3% and 82.7% of our revenue. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 10 — *Segment Information*).

The License Agreement with Rich Dad Operating Company, LLC pursuant to which we licensed the Rich Dad Education brand expired on September 30, 2019. Notwithstanding the expiration of the License Agreement, the Company may continue to use Licensed Intellectual Property, as defined in the License Agreement, including, but not limited to, the Rich Dad trademark and stylized logo, for the purpose of honoring and fulfilling orders by its customers in existence as of the date of the expiration of the Agreement.

Note 10 - 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 include: (i) North America, (ii) United Kingdom, and (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:

As a percentage of total revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
North America	79.4%	65.6%	78.2%	70.0%
U.K.	0.5%	4.2%	1.7%	5.4%
Other foreign markets	20.1%	30.2%	20.1%	24.6%
Total consolidated revenue	100.0%	100.0%	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 7,285	\$ 14,452	\$ 21,188	\$ 43,419
U.K.	47	935	457	3,318
Other foreign markets	1,849	6,668	5,441	15,273
Total consolidated revenue	\$ 9,181	\$ 22,055	\$ 27,086	\$ 62,010

Segment gross profit contribution *	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 6,001	\$ 2,559	\$ 13,795	\$ 10,326
U.K.	13	108	459	383
Other foreign markets	1,353	2,611	4,110	2,574
Total consolidated gross profit	\$ 7,367	\$ 5,278	\$ 18,364	\$ 13,283

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

Depreciation and amortization expenses	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 8	\$ 24	\$ 36	\$ 96
U.K.	4	0	11	19
Other foreign markets	1	1	8	3
Total consolidated depreciation and amortization expenses	\$ 13	\$ 25	\$ 55	\$ 118

Segment identifiable assets	September 30,	December 31,
	2020	2019
	(In thousands)	
North America	\$ 5,857	\$ 16,433
U.K.	2,080	2,504
Other foreign markets	2,115	4,272
Total consolidated identifiable assets	\$ 10,052	\$ 23,209

Note 11 - 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. 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. As of September 30, 2020, we have deferred revenue of \$21.5 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from six to eighteen months. The revenue associated with these performance obligations is recognized as the obligation is satisfied. As of September 30, 2020, we maintain a reserve for breakage of \$2.2 million for the fulfillment of our obligation to students whose contracts expired during our COVID-19 60-day operational hiatus during Q2 (see Note 1 "General").

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	6,857	47	1,809	8,713	9,174	446	3,485	13,105
Products	70	—	—	70	2,753	371	1,457	4,581
Coaching and Mentoring	7	—	3	10	1,394	35	1,626	3,055
Online and Subscription	351	—	37	388	352	7	99	458
Other	—	—	—	—	779	76	1	856
Total revenue	7,285	47	1,849	9,181	14,452	935	6,668	22,055

Revenue Type:	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	17,921	457	5,073	23,451	26,059	2,125	7,645	35,829
Products	477	—	—	477	8,237	906	3,258	12,401
Coaching and Mentoring	1,066	—	230	1,296	4,193	163	4,121	8,477
Online and Subscription	1,301	—	138	1,439	1,280	8	248	1,536
Other	423	—	—	423	3,650	116	1	3,767
Total revenue	21,188	457	5,441	27,086	43,419	3,318	15,273	62,010

Note 12 - 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, and Homemade Investor. Total royalty expenses included in our Condensed Consolidated Statements of Operations and Comprehensive income were \$0.0 million and \$1.3 million for the three months ended September 30, 2020 and 2019, respectively, and \$0.1 million and \$3.2 million for the nine months ended September 30, 2020 and 2019, 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 September 30, 2020 and December 31, 2019, were \$1.4 million and \$2.3 million, respectively. 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 September 30, 2020 and December 31, 2019, 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.

Tranquility Bay of Pine Island, LLC v. Tigrent, Inc., et al. On March 16, 2017, suit was filed in the Twentieth Judicial Circuit In and For Lee County, Florida by Tranquility Bay of Pine Island, LLC (“TBPI”) against Tigrent Inc. and various of its present and former shareholders, officers and directors. By amendment dated May 24, 2019, the Company and its then General Counsel and now Chief Executive Officer were named as defendants to a civil conspiracy count. The suit primarily relates to the alleged obligation of Tigrent to indemnify the Plaintiff pursuant to an October 6, 2010 Forbearance Agreement entered into by Tigrent in connection with the transfer to TBPI of certain real property located in Lee County, Florida known as Tranquility Bay. The suit includes claims for Breach of Contract, Permanent and Temporary Injunction, Breach of Fiduciary Duty, Civil Conspiracy, Tortious Interference and Fraudulent Transfer. On March 20, 2019, the Court dismissed the complaint in its entirety with leave to amend. On April 11, 2019, TBPI filed its Second Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent Inc. (“Tigrent”), Legacy Education Alliance Holding, Inc. (“Holdings”), and certain shareholders of the Company. The suit includes claims for Breach of Contract, Breach of Fiduciary Duty against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of the Company. On May 24, 2019, with leave from the court, TBPI filed its Third Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent, Holdings, and certain shareholders of the Company. The suit includes claims for Breach of Contract against Tigrent, Breach of Fiduciary Duty against Tigrent, Damages for Violation of the Florida Deceptive and Unfair Trade Practices Act, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of Tigrent, including the Company’s CEO, James E. May. On June 23, 2020, the Court entered summary judgment in favor of Tigrent with respect to TBPI’s claims against Tigrent alleging (i) breach of fiduciary duty, (ii) violation of the Florida Deceptive and Unfair Trade Practices Act, and (iii) indemnification against certain attorney’s fees claimed to have been incurred by TBPI. On September 17, 2020, the Court (i) granted summary judgment in favor of Tigrent and Holdings on TBPI’s claim for conspiracy; (ii) denying TBPI’s motion for summary judgment against Tigrent in which TBPI sought a declaration by the Court that claims against TBPI in a lawsuit to which neither Tigrent nor Holdings is a party (“Third Party Lawsuit”) were within the scope of Tigrent’s indemnity obligations under the Forbearance Agreement; and (iii) denying TBPI’s motion for summary judgment in which TBPI sought a declaration by the Court that TBPI’s attorney’s fees incurred the Third Party Lawsuit were also within the scope of Tigrent’s indemnity obligations under the Forbearance Agreement. On August 18, 2020, TBPI voluntarily dismissed all shareholder defendants, other than Mr. May and Steven Barre, Tigrent’s former Chief Executive Officer. The Company believes the claims of the plaintiff are without merit and intends to defend this matter vigorously.

In the Matter of Legacy Education Alliance International, Ltd. On October 28, 2019, an Application for Administration was filed in the High Court of Justice, Business and Property Courts of England and Wales (the “English Court”), whereby four creditors of Legacy Education Alliance, International Ltd (“Legacy UK”), one of our UK subsidiaries, sought an administration order with respect to the business affairs of the subsidiary, the appointment of an administrator, and such other ancillary orders as the applicants may request or as the court deemed appropriate. On November 15, 2019, the creditors obtained an Administration Order from the English Court. Under the terms of the Administration Order, two individuals have been appointed as administrators of Legacy UK and will manage Legacy UK and operate its affairs, business and property under the jurisdiction of the English Court. The administrators engaged a third-party to market Legacy UK’s business and assets for sale to one or more third parties. On November 26, 2019, Legacy UK’s assets and deferred revenues sold for £300 thousand (British pounds) to Mayflower Alliance LTD. We will not receive any proceeds from the sale of Legacy UK. The Administrator has asserted claims against two of our other UK subsidiaries, LEAI Property Development UK Ltd. and LEAI Property Investment UK Ltd., in an aggregate amount totaling £622,166. We are currently negotiating a resolution of these claims, but there can be no assurances that an agreement will be reached or what the impact that any such agreement will have on our financial performance. Further details regarding the resolution of other claims and liabilities may not be known for several months. Because there are a number of intercompany relationships between the Company and Legacy UK, the financial impact of any future claims in relation to the administration and disposition of Legacy UK, outside of those included in the discontinued operations of Legacy UK (see Note 4 “Discontinued Operations”), is unknown to us at this time, as is the timing and other conditions and effects of the administrative process.

In the Matter of Elite Legacy Education UK Ltd. On March 18, 2020, a Winding-Up Petition, CR-2020-001958, was filed in the High Court of Justice, Business and Property Courts of England and Wales (the “Court”) against one of our UK subsidiaries, Elite Legacy Education UK Ltd. (“ELE UK”), by one of its creditors (“Petitioner”) pursuant to which the Petitioner was claiming a debt of £461,459.70 plus late payment interest and statutory compensation was due and owing. The Petitioner sought an order from the Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. ELE UK has disputed the claim of the Petitioner and on June 11, 2020, ELE UK obtained a court order vacating the hearing on the Petition originally set for June 24, 2020. On July 24, 2020, the Court entered an order finding that there was a genuine dispute on substantial grounds with respect to £392,761.70 of the Petitioner’s claim, and that only £68,698 plus late payment interest and statutory compensation was due and owing. The Court further restrained the Petitioner from advertising its Winding-Up Petition until August 14, 2020 and, provided ELE UK pays the Petitioner the sums awarded under the Court’s order, plus late payment interest and statutory compensation on or before August 14, 2020, the Petitioner’s Winding-Up Petition would be dismissed. On August 10, 2020, ELE UK filed its Notice of Appeal in which it sought permission to appeal the Court’s ruling. On October 23, 2020, the Court denied ELE UK permission to appeal whereupon ELE UK filed an application to renew its application for permission to appeal (“Renewal Application”), which Renewal Application would be heard at a subsequent Oral Hearing on a date not yet determined. On October 30, 2020, the Court entered a Consent Order restraining Petitioner from advertising its Winding Up Petition until ELE UK’s Renewal Application is determined at the Oral Hearing or until further order of the Court, whichever is earlier.

Note 13 - Leases

Right-of-Use Assets and Leases Obligations

We lease 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. We consider 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.

We determine 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, we use the rate implicit in the lease to discount lease payments to present value; however, most of our leases do not provide a readily determinable implicit rate. Therefore, we must discount lease payments based on an estimate of its incremental borrowing rate.

We do not separate lease and nonlease components of contracts. There are no material residual value guarantees associated with any of our leases. There are no significant restrictions or covenants included in our lease agreements other than those that are customary in such arrangements.

During the quarter ended September 30, 2020, we cancelled all of our outstanding lease arrangements for office space and equipment. As of October 1, 2020, we entered into a new lease for our headquarter office, see Note 14 "Subsequent Events".

Lease Position as of September 30, 2020 and December 31, 2019

The table below presents the lease related assets and liabilities recorded on the Company's Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019:

<i>(in thousands)</i>	Classification on the Balance Sheet	September 30, 2020	December 31, 2019
Assets			
Operating lease assets	Operating lease right of use assets	\$ —	\$ 122
	Total lease assets	\$ —	\$ 122
Liabilities			
Current liabilities:			
Operating lease liabilities	Current operating lease liabilities	\$ —	\$ 86
Noncurrent liabilities:			
Operating lease liabilities	Long-term operating lease liabilities	\$ —	\$ 27
	Total lease liabilities	\$ —	\$ 113

Lease cost for the three and nine months ended September 30, 2020 and 2019

The table below presents the lease related costs recorded on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019:

<i>(in thousands)</i>	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
Lease cost		2020	2019	2020	2019
Operating lease cost	General and administrative expenses	\$ 13	\$ 14	\$ 43	\$ 26
	Total lease cost	\$ 13	\$ 14	\$ 43	\$ 26

Other Information

The table below presents supplemental cash flow information related to leases for the nine months ended September 30, 2020 and 2019:

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 35	\$ 26
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	\$ (79)	\$ 75

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 September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Weighted average remaining lease term - operating leases	0.0 years	1.67 years
Weighted average discount rate - operating leases	12.00%	12.00%

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

Note 14 – Subsequent Events

Impact from COVID-19 Coronavirus.

Historically, our operations have relied heavily on our and our students' ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which we operate. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. We resumed sales operations in June 2020 with online sales events selling into our suite of online, on-demand, and over-the-phone products. We also resumed online, on-demand, and over-the-phone fulfillment activities in June 2020. These activities required the re-engagement by the Company of some furloughed employees and independent contractors. We have simplified our product offerings and restructured our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that the Company will be effective in selling its products and services, or what the impact such activities will have on our financial performance.

The Company conducted its first live in-person preview workshops in Miami, Ft. Lauderdale, Boca Raton and West Palm Beach, Florida over a four-day period commencing November 4, 2020. The workshops were a prelude to a three-day basic training event to be held in Ft. Lauderdale, Florida on November 20-22, 2020. The Company will be following strict safety protocols at the live events. The Company expects to conduct additional live events in other areas as lockdown restrictions continue to ease and hopes to return to a normal schedule over the coming months.

The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers. We are not able to fully quantify the impact that these factors will have on our financial results during 2020 and beyond, but expect developments related to COVID-19 to materially affect the Company's financial performance in 2020.

Sale of Property, Cancellation of Promissory Note and Entry Into Operating Lease

On October 1, 2020, 1612 E. Cape Coral Parkway Holding Co., LLC ("Seller"), a subsidiary of the Company, closed on the sale of the real property and improvements located at 1612 E. Cape Coral Parkway, Cape Coral, Florida (the "Property") for \$2.5 million to Daniel Thom, as Trustee of Torstonbo Trust, a Florida revocable trust ("Buyer"). A portion of the proceeds realized by the Seller from the sale of the Property were used to satisfy Seller's obligations under a Promissory Note ("Note") and Mortgage, Assignment of Rents, and Security Agreement (collectively, the "Loan Documents") entered into on August 6, 2020 with Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC pursuant to which Seller had borrowed the principal amount of \$1 million. The Seller's obligations under the Loan Documents were secured by a first mortgage on the Property. The net proceeds realized by the Seller from the sale of the Property were \$1.24 million after deductions for repayment of the Note, broker commissions, and other fees, and costs. See Note 7 "Short-Term and Long-Term Debt".

The Property served as the Company's headquarters until its sale date. On October 1, 2020, the Company relocated its headquarter to 1490 N.E. Pine Island Road, Suite 5D, Cape Coral, FL 33909 and entered into a two year operating lease for the new 1,600 square feet office and warehouse space. The new lease provides the Company an option to extend the term of the lease for a third year. The lease obligation is approximately \$32 thousand plus other costs for shared services, maintenance and sales tax over the course of its life.

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, 2019. 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 workshops, basic trainings, forums, telephone mentoring, one-on-one mentoring, coaching and e-learning. We market our products and services under two brands: Legacy Real Estate 101™, and Homemade Investor in conjunction with HGTV's star Tarek El Moussa. In October 2019, we launched our new proprietary line of coaching products to support our students through every phase of their journey with us, from beginner to experienced investor. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor by Tarek El Moussa* brand. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum, and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor by Tarek El Moussa* brand.

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 and forums 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, although we have suspended providing on-site mentorships as a result of the COVID-19 pandemic) 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.

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

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

Since December 31, 2019, we operate under two brands:

- *Homemade Investor by Tarek El Moussa*™ introduces people to the investor mindset, real estate investing strategies, and ways to generate cash flow that are designed to help build a foundation of knowledge for their financial goals. Currently, our *Homemade Investor* events are offered nationwide including free workshops, 3-day trainings and large stage events with Tarek presenting as the keynote speaker, all selling into our advanced training products.
- *Legacy Education*™: provides practical, high-quality and value-based educational training on the topics of personal finance, entrepreneurship, real estate, financial markets and investing strategies and techniques. This training program encompasses hands-on experience and the true spirit of investing from beginner to educated investor. In response to the limitations on travel and the social distancing protocols arising out of the Coronavirus pandemic, the Company began marketing its *Legacy Education*™ products through a suite of on-line workshops and seminars under the brand name *Legacy Real Estate 101*.

Recent Developments

Impact from COVID-19 Coronavirus.

Historically, our operations have relied heavily on our and our students' ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which we operate. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. We resumed sales operations in June 2020 with online sales events selling into our suite of online, on-demand, and over-the-phone products. We also resumed online, on-demand, and over-the-phone fulfillment activities in June 2020. These activities required the re-engagement by the Company of some furloughed employees and independent contractors. We have simplified our product offerings and restructured our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that the Company will be effective in selling its products and services, or what the impact such activities will have on our financial performance.

The Company conducted its first live in-person preview workshops in Miami, Ft. Lauderdale, Boca Raton and West Palm Beach, Florida over a four-day period commencing November 4, 2020. The workshops were a prelude to a three-day basic training event to be held in Ft. Lauderdale, Florida on November 20-22, 2020. The Company will be following strict safety protocols at the live events. The Company expects to conduct additional live events in other areas as lockdown restrictions continue to ease and hopes to return to a normal schedule over the coming months.

The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers. We are not able to fully quantify the impact that these factors will have on our financial results during 2020 and beyond, but expect developments related to COVID-19 to materially affect the Company's financial performance in 2020.

Sale of Property, Cancellation of Promissory Note and Entry Into Operating Lease

On October 1, 2020, 1612 E. Cape Coral Parkway Holding Co., LLC ("Seller"), a subsidiary of the Company, closed on the sale of the real property and improvements located at 1612 E. Cape Coral Parkway, Cape Coral, Florida (the "Property") for \$2.5 million to Daniel Thom, as Trustee of Torstonbo Trust, a Florida revocable trust ("Buyer"). A portion of the proceeds realized by the Seller from the sale of the Property were used to satisfy Seller's obligations under a Promissory Note ("Note") and Mortgage, Assignment of Rents, and Security Agreement (collectively, the "Loan Documents") entered into on August 6, 2020 with Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC pursuant to which Seller had borrowed the principal amount of \$1 million. The Seller's obligations under the Loan Documents were secured by a first mortgage on the Property. The net proceeds realized by the Seller from the sale of the Property were \$1.24 million after deductions for repayment of the Note, broker commissions, and other fees, and costs. See Note 7 "*Short-Term and Long-Term Debt*".

The Property served as the Company's headquarters until its sale date. On October 1, 2020, the Company relocated its headquarter to 1490 N.E. Pine Island Road, Suite 5D, Cape Coral, FL 33909 and entered into a two year operating lease for the new 1,600 square feet office and warehouse space. The new lease provides the Company an option to extend the term of the lease for a third year. The lease obligation is approximately \$32 thousand plus other costs for shared services, maintenance and sales tax over the course of its life.

Results of Operations

Our financial results in Q3 2020 were negatively affected by the COVID-19 pandemic impact, slower than we anticipated establishment of our new Homemade Investor brand, as well as the effect of winding down our Rich Dad brand and other matters as disclosed in the litigation section of Note 12 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

Our Results of Operations in 2020 and 2019 were as follows:

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 9,181	\$ 22,055	\$ 27,086	\$ 62,010
Operating costs and expenses:				
Direct course expenses	1,741	10,927	6,801	31,646
Advertising and sales expenses	64	4,555	1,863	13,876
Royalty expenses	9	1,295	58	3,205
General and administrative expenses	1,386	3,145	4,443	11,486
Total operating costs and expenses	3,200	19,922	13,165	60,213
Income from operations	5,981	2,133	13,921	1,797
Other income (expense):				
Interest expense, net	(105)	(31)	(208)	(84)
Other income (expense), net	(13)	(80)	(19)	373
Total other income (expense), net	(118)	(111)	(227)	289
Income from continuing operations before income taxes	5,863	2,022	13,694	2,086
Income tax (expense) benefit	(1,174)	51	(2,169)	111
Net income from continuing operations	4,689	2,073	11,525	2,197
Net loss from discontinued operations	—	(426)	—	(930)
Net income	\$ 4,689	\$ 1,647	\$ 11,525	\$ 1,267
Basic earnings per common share - continuing operations	\$ 0.20	\$ 0.09	\$ 0.50	\$ 0.09
Basic loss per common share - discontinued operations	—	(0.02)	—	(0.04)
Basic earnings per common share	\$ 0.20	\$ 0.07	\$ 0.50	\$ 0.05
Diluted earnings per common share - continuing operations	\$ 0.20	\$ 0.09	\$ 0.49	\$ 0.09
Diluted loss per common share - discontinued operations	—	(0.02)	—	(0.04)
Diluted earnings per common share	\$ 0.20	\$ 0.07	\$ 0.49	\$ 0.05
Basic weighted average common shares outstanding	23,138	22,799	23,046	22,641
Diluted weighted average common shares outstanding	23,252	23,163	23,192	23,134
Comprehensive income:				
Net income	\$ 4,689	\$ 1,647	\$ 11,525	\$ 1,267
Foreign currency translation adjustments, net of tax of \$0	(704)	825	524	774
Total comprehensive income	\$ 3,985	\$ 2,472	\$ 12,049	\$ 2,041

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	100%	100%	100%	100%
Operating costs and expenses:				
Direct course expenses	19	49.5	25.1	51.0
Advertising and sales expenses	0.7	20.7	6.9	22.4
Royalty expenses	0.1	5.9	0.2	5.2
General and administrative expenses	15.1	14.2	16.4	18.5
Total operating costs and expenses	34.9	90.3	48.6	97.1
Income from operations	65.1	9.7	51.4	2.9
Other income (expense):				
Interest expense, net	(1.1)	(0.1)	(0.8)	(0.1)
Other income (expense), net	(0.1)	(0.4)	(0.1)	0.6
Total other income (expense), net	(1.2)	(0.5)	(0.9)	0.5
Income from continuing operations before income taxes	63.9	9.2	50.5	3.4
Income tax (expense) benefit	(12.8)	0.2	(8.0)	0.2
Net income from continuing operations	51.1	9.4	42.5	3.6
Net loss from discontinued operations	—	(1.9)	—	(1.5)
Net income	51.1%	7.5%	42.5%	2.1%

Outlook

Cash sales were \$3.7 million for the nine months ended September 30, 2020 compared to \$67.8 million for the nine months ended September 30, 2019, a decrease of \$64.1 million or 94.5%.

The decrease was driven by a \$43.3 million decrease in our North American segment, a \$16.0 million decrease in our Other Foreign Markets segment and a \$4.8 million decrease in our U.K. 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.

Operating Segments

Our operations are managed through three operating segments: (i) North America, (ii) the United Kingdom, and (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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
North America	79.4%	65.6%	78.2%	70.0%
U.K.	0.5%	4.2%	1.7%	5.4%
Other foreign markets	20.1%	30.2%	20.1%	24.6%
Total consolidated revenue	100.0%	100.0%	100.0%	100.0%

Segment revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 7,285	\$ 14,452	\$ 21,188	\$ 43,419
U.K.	47	935	457	3,318
Other foreign markets	1,849	6,668	5,441	15,273
Total consolidated revenue	\$ 9,181	\$ 22,055	\$ 27,086	\$ 62,010

North America

Revenue derived from the Rich Dad brands in our North America segment was \$5.8 million and \$11.7 million or as a percentage of total segment revenue was 79.5% and 81.3% for the three months ended September 30, 2020 and 2019, and \$16.3 million and \$34.9 million or as a percentage of total segment revenue was 76.9% and 80.2% for the nine months ended September 30, 2020 and 2019, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training. Revenue derived from our Homemade Investor brand was \$112.0 thousand and \$492.0 thousand or as a percentage of total segment revenue was 1.5% and 2.3% for the three and nine months ended September 30, 2020, respectively.

The North America segment revenue was \$7.3 million and \$14.5 million or as a percentage of total revenue was 79.4% and 65.6% for the three months ended September 30, 2020 and 2019, and \$21.2 million and \$43.4 million or as a percentage of total revenue was 78.2% and 70.0% for the nine months ended September 30, 2020 and 2019, respectively. The decrease in revenue of \$7.2 million or 49.7% during the three months ended September 30, 2020 compared to the same period in 2019, was due to a decrease in recognition of revenue from attendance (i.e. fulfillment) of \$11.1 million or 90.7%, which was partially offset by an increase in revenue from expired contracts of \$3.9 million or 175.2%. The decrease in revenue of \$22.2 million or 51.2% during the nine months ended September 30, 2020 compared to the same period in 2019, was due to a decrease in recognition of revenue from attendance (i.e. fulfillment) of \$28.4 million or 80.6%, which was partially offset by an increase in revenue from expired contracts of \$6.2 million or 75.0%.

U.K.

Revenue derived from the Rich Dad brands in our U.K. segment was \$0.0 million and \$0.7 million or as a percentage of total segment revenue was 100.0% and 77.8% for the three months ended September 30, 2020 and 2019, and \$0.3 million and \$2.6 million or as a percentage of total segment revenue was 75.0% and 78.8% for the nine months ended September 30, 2020 and 2019, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets education.

The U.K. segment revenue was \$47.0 thousand and \$935.0 thousand or as a percentage of total revenue was 0.5% and 4.2% for the three months ended September 30, 2020 and 2019, and \$457 thousand and \$3,318 thousand or as a percentage of total revenue was 1.7% and 5.4% for the nine months ended September 30, 2020 and 2019, respectively. The decrease in revenue of \$888.0 thousand or 95.0% for the three months ended September 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$863 thousand or 96.0% and a decrease in revenue from expired contracts of \$25 thousand or 69.4%. The decrease in revenue of \$2,861.0 thousand or 86.2% for the nine months ended September 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$2,766.0 thousand or 98.5% and a decrease in revenue from expired contracts of \$95 thousand or 18.6%.

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 \$1.8 million and \$5.3 million or as a percentage of total segment revenue was 94.7% and 79.1% for the three months ended September 30, 2020 and 2019, and \$5.1 million and \$13.8 million or as a percentage of total segment revenue was 94.4% and 90.2% for the nine months ended September 30, 2020 and 2019, respectively.

The Other Foreign Markets segment revenue was \$1.8 million and \$6.7 million or as a percentage of total revenue was 20.1% and 30.2% for the three months ended September 30, 2020 and 2019, and \$5.4 million and \$15.3 million or as a percentage of total revenue was 20.1% and 24.6% for the nine months ended September 30, 2020 and 2019, respectively. The decrease in revenue of \$4.9 million or 72.3% for the three months ended September 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$5.3 million or 100.0%, which was partially offset by an increase in revenue from expired contracts of \$0.4 million or 29.4%. The decrease in revenue of \$9.9 million or 64.4% for the nine months ended September 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$9.1 million or 86.3% and a decrease in revenue from expired contracts of \$0.8 million or 15.7%.

Three months ended September 30, 2020 Compared to Three months ended September 30, 2019

Revenue

Revenue was \$9.2 million for the three months ended September 30, 2020 compared to \$22.1 million for the three months ended September 30, 2019. Revenue decreased \$12.9 million or 58.4% during the three months ended September 30, 2020 compared to the same period in 2019. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of \$17.2 million or 93.6%, which was partially offset by an increase in recognition of revenue from expired contracts of \$4.3 million or 116.5%. The decrease in attendance was mainly due to governmental and private travel restrictions and students' concerns around public gatherings and social distancing as a result of the coronavirus pandemic.

Cash sales were \$0.3 million for the three months ended September 30, 2020 compared to \$22.9 million for the three months ended September 30, 2019, a decrease of \$22.6 million or 98.7%. The decrease was driven by a \$16.2 million decrease in our North American segment, a \$5.4 million decrease in our Other Foreign Markets segment and a \$1.0 million decrease in our U.K. segment.

Operating Expenses

Total operating costs and expenses were \$3.2 million for the three months ended September 30, 2020 compared to \$20.0 million for the three months ended September 30, 2019, a decrease of \$16.8 million or 84.0%. The decrease was primarily due to a \$9.2 million decrease in direct course expenses, a \$4.5 million decrease in advertising and sales expenses, a \$1.8 million decrease in general and administrative expenses and a \$1.3 million decrease in royalty expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$1.7 million for the three months ended September 30, 2020 compared to \$10.9 million for the three months ended September 30, 2019, a decrease of \$9.2 million or 84.4%, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers.

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 \$0.1 million and \$4.6 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of \$4.5 million, or 97.8%. As a percentage of revenue, advertising and sales expenses were 0.7% and 20.7% of revenue for the three months ended September 30, 2020 and 2019, a decrease of 20.0%.

Royalty expenses

We are required to pay royalties under the licensing and related agreements around the Homemade Investor brand, and during 2019 around the Rich Dad brand, whereby we have exclusive rights to develop, market, and sell Homemade Investor and Rich Dad, respectively, branded live seminars, training courses, and related products worldwide. In connection with these agreements, in their respective terms of 2020 and 2019, we are required to pay royalties. Royalty expenses were \$9.0 thousand for the three months ended September 30, 2020 compared to \$1,295.0 thousand for the three months ended September 30, 2019, a decrease of \$1,286.0 thousand or 99.3%.

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 \$1.4 million for the three months ended September 30, 2020 compared to \$3.2 million for the three months ended September 30, 2019, a decrease of \$1.8 million, or 56.3%. The decrease in general and administrative expenses was partially a result of a decrease in our personnel expenses due to the Q2 2020 furlough of substantially all our employees.

Income tax expense

We recorded income expense of \$1.17 million and income benefit of \$51 thousand for the three months ended September 30, 2020 and 2019, respectively. Our effective tax rate was 25.0% and (3.2%) for the three months ended September 30, 2020 and 2019, respectively.

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 September 30, 2020, and December 31, 2019, valuation allowances of \$3.8 million and \$4.7 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets.

Net income (loss) from continuing operations

Net income from continuing operations was \$4.7 million or \$0.20 per basic and diluted common share for the three months ended September 30, 2020 compared to net income from continuing operations of \$2.1 million or \$0.09 per basic and diluted common share for the three months ended September 30, 2019, an increase in net income from continuing operations of \$2.6 million or \$0.11 per basic and diluted common share.

Net income (loss) from discontinued operations

Net loss from discontinued operations was \$0.4 million or (\$0.02) per basic and diluted common share for the three months ended September 30, 2019. There was no net income (loss) from discontinued operations for the three months ended September 30, 2020.

Net Income/(Loss)

Net income was \$4.7 million or \$0.20 per basic and diluted common share for the three months ended September 30, 2020, compared to a net income of \$1.6 million or \$0.07 per basic and diluted common share for the three months ended September 30, 2019, an increase in net income of \$3.1 million or \$0.13 per basic and diluted common share.

Nine months ended September 30, 2020 Compared to Nine months ended September 30, 2019

Revenue

Revenue was \$27.1 million for the nine months ended September 30, 2020 compared to \$62.0 million for the nine months ended September 30, 2019. Revenue decreased \$34.9 million or 56.3% during the nine months ended September 30, 2020 compared to the same period in 2019. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of \$40.2 million or 82.9%, which was partially offset by an increase in recognition of revenue from expired contracts of \$5.3 million or 39.5%. The decrease in attendance was mainly due to governmental and private travel restrictions and students' concerns around public gatherings and social distancing resulting from the coronavirus pandemic.

Cash sales were \$3.7 million for the nine months ended September 30, 2020 compared to \$67.8 million for the nine months ended September 30, 2019, a decrease of \$64.1 million or 94.5%. The decrease was driven by a \$43.3 million decrease in our North American segment, a \$16.0 million decrease in our Other Foreign Markets segment and a \$4.8 million decrease in our U.K. segment.

Operating Expenses

Total operating costs and expenses were \$13.2 million for the nine months ended September 30, 2020 compared to \$60.2 million for the nine months ended September 30, 2019, a decrease of \$47.0 million or 78.1%. The decrease was primarily due to a \$24.8 million decrease in direct course expenses, a \$12.0 million decrease in advertising and sales expenses, a \$7.1 million decrease in general and administrative expenses and a \$3.1 million decrease in royalty expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$6.8 million for the nine months ended September 30, 2020 compared to \$31.6 million for the nine months ended September 30, 2019, a decrease of \$24.8 million or 78.5%, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers.

Advertising and sales expenses

We generally obtain most of our 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 \$1.9 million for the nine months ended September 30, 2020 compared to \$13.9 million for the nine months ended September 30, 2019, a decrease of \$12.0 million, or 86.3%. As a percentage of revenue, advertising and sales expenses were 6.9% and 22.4% of revenue for the nine months ended September 30, 2020 and 2019, a decrease of 15.5%.

Royalty expenses

We are required to pay royalties under the licensing and related agreements pursuant to which we develop, market, and sell Rich Dad and Homemade Investor branded live seminars, training courses, and related products worldwide. Royalty expenses were \$0.1 million for the nine months ended September 30, 2020 compared to \$3.2 million for the nine months ended September 30, 2019, a decrease of \$3.1 million or 96.9%.

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 \$4.4 million for the nine months ended September 30, 2020 compared to \$11.5 million for the nine months ended September 30, 2019, a decrease of \$7.1 million, or 61.7%. The decrease in general and administrative expenses was partially a result of a decrease in our personnel expenses due to the fact that we furloughed substantially all of our employees during Q2 2020, as described in the recent developments section under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Income tax expense

We recorded an income tax expense of \$2.17 million and income tax benefit of \$111 thousand for the nine months ended September 30, 2020 and 2019, respectively. Our effective tax rate was 18.9% and (9.6%) for the nine months ended September 30, 2020 and 2019, 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 September 30, 2020, and December 31, 2019, valuation allowances of \$3.8 million and \$4.7 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets.

Net income (loss) from continuing operations

Net income from continuing operations was \$11.5 million or \$0.50 per basic and diluted common share for the nine months ended September 30, 2020 compared to net income from continuing operations of \$2.2 million or \$0.09 per basic and diluted common share for the nine months ended September 30, 2019, an increase in net income from continuing operations of \$9.3 million or \$0.41 per basic common share and \$0.40 per diluted common share.

Net income (loss) from discontinued operations

Net loss from discontinued operations was \$0.9 million or (\$0.04) per basic and diluted common share for the nine months ended September 30, 2019. There was no net income (loss) from discontinued operations for the nine months ended September 30, 2020.

Net Income/(Loss)

Net income was \$11.5 million or \$0.50 per basic common share and \$0.49 per diluted common share for the nine months ended September 30, 2020, compared to a net income of \$1.3 million or \$0.05 per basic and diluted common share for the nine months ended September 30, 2019, an increase in net income of \$10.2 million or \$0.45 per basic common share and \$0.44 per 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, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

In general, 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 decreased 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.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2020 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will not be sufficient to fund our expected financial obligations and anticipated liquidity requirements for the fiscal year 2020. However, we are exploring alternative sources of capital, but there can be no assurances any such capital will be obtained. For the nine months ended September 30, 2020, we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. 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 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 following is a summary of our cash flow activities for the periods stated (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Net cash (used in) provided by operating activities	(5,077)	6,257
Net cash provided by (used in) investing activities	370	(27)
Net cash provided by (used in) financing activities	2,400	(7)
Effect of exchange rate differences on cash	(771)	269
Net (decrease) increase in cash and cash equivalents and restricted cash	(3,078)	6,492

Operating Cash Flows and Liquidity

Net cash used in operating activities was \$5.1 million in the nine month ended September 30, 2020 compared to net cash provided by operating activities of \$6.3 million in the nine month ended September 30, 2019, representing a period-over-period decrease of \$11.4 million. This decrease was primarily the result of a decrease in current liabilities for deferred revenue.

Investing Cash Flows

Net cash provided by investing activities totaled \$370.0 thousand in the nine month ended September 30, 2020 compared to net cash used in investing activities of \$27.0 thousand in the nine month ended September 30, 2019, representing our sale of property and equipment and investment property in the nine months ended September 30, 2020 and purchases of property and equipment in the nine months ended September 30, 2019.

Financing Cash Flows

Our consolidated capital structure as of September 30, 2020 was 18% debt and 82% equity. As of December 31, 2019 our consolidated capital structure was 4% debt and 96% equity.

Net cash provided by financing activities totaled \$2.4 million during the nine months ended September 30, 2020, representing our proceeds from issuance of the Paycheck Protection Program loan and the net proceeds of the new Promissory Note.

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 September 30, 2020, and December 31, 2019, our consolidated current deferred revenue was \$21.5 million and \$46.5 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 September 30, 2020.

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 Chief Executive Officer and Chief Financial Officer. As of September 30, 2020, based upon that evaluation, the 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 Chief Executive Officer and Chief Financial Officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of September 30, 2020 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 September 30, 2020, 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:** The weakness in our internal control system identified by our management relate to the implementation of our new ERP system, which went into production on January 1, 2018. Our ERP software is not able to produce complete and accurate information in regard to revenues and deferred revenues for consistent financial reporting purposes.

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, 2019, and the Cautionary Note Regarding Forward Looking Statements as set forth in our Current Report on Form 8-K filed with the SEC on April 16, 2020.

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 month ended September 30, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on November 10, 2014)
3.2	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)
3.3	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)
3.4	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)
10.1	Commercial Contract dated July 24, 2020, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust Incorporated by reference to Exhibit 10.1 in the Company's Form 10-Q filed with the SEC on August 14, 2020)
10.2	First Amendment to Commercial Contract dated August 20, 2020, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-k filed with the SEC on August 20, 2020)
10.3	Second Amendment to Commercial Contract dated September 24, 2020, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on September 29, 2020)
10.4	Promissory Note and Mortgage, Assignment of Rents and Security Agreement, dated August 6, 2020, by and between 1612 E. Cape Coral Parkway Holding Co., LLC and Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC (Incorporated by reference to Exhibit 10.2 in the Company's Form 10-K filed with the SEC on August 14, 2020)
31.1*	Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of The Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101*	The following materials from Legacy Education Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2020 (Unaudited) and December 31, 2019, (ii) Condensed Consolidated Statements of Operations and Comprehensive income for the three and nine months ended September 30, 2020 and 2019 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended September 30, 2020 and 2019 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019 (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.

Dated: November 16, 2020

LEGACY EDUCATION ALLIANCE, INC.

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

Dated: November 16, 2020

By: /s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark
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: November 16, 2020

/s/ JAMES E. MAY

James E. May

Chief Executive Officer

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

I, Vanessa Guzmán-Clark, 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: November 16, 2020

/s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark
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 September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, James E. May, 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: November 16, 2020

/s/ JAMES E. MAY

James E. May
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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Vanessa Guzmán-Clark, 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: November 16, 2020

/s/ VANESSA GUZMÁN-CLARK

Vanessa Guzmán-Clark
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.