

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

FORM 10-K

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

For the fiscal year ended December 31, 2019

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 Number)

1612 Cape Coral Parkway East, Cape Coral, Florida 33904
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (239) 542-0643

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on which registered
Legacy Education Alliance, Inc. Common Stock, par value \$0.0001	LEAI	OTCQB

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, as of June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,718,713 based on the closing sale price of the registrant's common stock as traded on the NASDAQ Over the Counter Electronic Bulletin Board on such date of \$0.18 per share. As of March 30, 2020, there were 23,162,502 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of Legacy Education Alliance, Inc.'s proxy statement for the 2020 Annual Meeting of Stockholders are incorporated by reference in Part III.

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Year Ended December 31, 2019**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements and information in this Annual Report on Form 10-K under the headings “*Business*,” “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Financial Statements and Supplementary Data*” and elsewhere contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports on Forms 10-Q and 8-K, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as “outlook,” “believes,” “estimates,” “expects,” “projects,” “may,” “intends,” “plans,” “anticipates,” “foresees,” “future,” or by discussions of strategy, plans or intentions; including, but not limited to, our discussions regarding the results projected from the introduction of new brands, products and services, expansion into new geographic markets, combinations with third parties; the development of ecommerce capabilities; projections of international growth; projected increase in profitability from our forum-style course delivery model that should lead to increased margins; our ability to address or manage corruption concerns in certain locations in which we operate; our ability to address and manage cyber-security risks; our ability to protect our intellectual property, on which our business is substantially dependent; our expectations regarding future dividend payments; our ability to manage our relationships with credit card processors, and our expectations regarding the impact of general economic conditions on our business; and the estimates and matters described under the caption “*Item 7. Management’s Discussion and Analysis-Results of Operations-Outlook*.” 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, including but not limited to those under the heading “*Risk Factors*,” and in our other filings with the Securities and Exchange Commission. There may be other factors of which we are currently unaware or that we deem immaterial that may cause our actual results to differ materially from the expectations we express in our 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.

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.

PART I

ITEM 1. BUSINESS

Our Corporate History and Background

Legacy Education Alliance, Inc. (the “Company”) was incorporated on November 23, 2010 in Nevada under the name Streamline Resources, Inc. Our name was subsequently changed to Priced In Corp (“PRCD”) on April 24, 2012. Prior to the merger discussed below, we were a shell corporation with nominal operating activity.

On November 10, 2014, we entered into an Agreement and Plan of Merger dated as of such date the (“Merger Agreement”) by and among (i) PRCD, a Nevada corporation, (ii) Priced In Corp. Subsidiary, a Colorado corporation and a wholly-owned subsidiary of PRCD (“PRCD Sub”), (iii) Tigrent Inc., a Colorado corporation (“TIGE”), and (iv) Legacy Education Alliance Holdings, Inc., a Colorado corporation and a wholly-owned subsidiary of TIGE (“Legacy Holdings”). On November 10, 2014, pursuant to the Merger Agreement, PRCD Sub merged with and into Legacy Holdings (the “Merger”), with Legacy Holdings surviving the Merger and becoming our wholly owned subsidiary and we acquired the business of Legacy Holdings.

At the effective time of the Merger (the “Effective Time”):

- PRCD amended and restated its certificate of incorporation and bylaws, which included an increase in our authorized stock to 220 million shares (200 million shares of common stock and 20 million shares of preferred stock);
- PRCD changed its name from “Priced In Corp.” to “Legacy Education Alliance, Inc.”;
- All of the shares of common stock, par value \$0.01 per share, of Legacy Holdings outstanding at the Effective Time were converted and exchanged into 16,000,000 shares of our common stock, par value \$0.0001 per share (“Common Stock”), and were held by TIGE.

As a result of the Merger, TIGE owned approximately 80% of Legacy with the then remaining outstanding shares (3,997,500) held by the existing PRCD shareholders.

There was no cash consideration exchanged in the Merger. In accordance with the terms and conditions of the Merger Agreement, PRCD agreed to pay TIGE taxes and related liabilities and other specified costs and expenses, including certain administrative and related expenses that have been or will be from time to time incurred by TIGE that are related to TIGE’s investment in PRCD (including the cost of preparing and distributing reports regarding our business and financial condition to its shareholders), its administrative costs and expenses, and taxes, other than income taxes arising from dividends or distributions by us to TIGE. All shares of PRCD common stock issued in connection with the Merger are restricted securities, as defined in paragraph (a) of Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). Such shares were issued pursuant to an exemption from the registration requirements of the Securities Act, under Section 4(a)(2) of the Securities Act and the rules and regulations promulgated there under.

The Merger was accounted for as a “reverse merger” and recapitalization since, immediately following the completion of the transaction, the holders of TIGE’s stock had effective control of PRCD. In addition, TIGE controlled the surviving entity through control of Legacy’s Board of Directors as a result of the appointment of the existing directors of TIGE to the four board seats of Legacy. Additionally, all of TIGE’s officers and senior executive positions continued on as management of the surviving entity after consummation of the Merger. For accounting purposes, Legacy Holdings was deemed to be the accounting acquirer in the transaction and, consequently, the transaction was treated as a recapitalization of PRCD. Accordingly, Legacy Holdings’ assets, liabilities and results of operations became the historical financial statements of the registrant, and the Company’s assets, liabilities and results of operations were consolidated with PRCD effective as of the date of the closing of the Merger. Prior to the Merger, PRCD was a “shell” corporation with nominal assets, liabilities and operating activity. No step-up in basis or intangible assets or goodwill was recorded in this transaction.

On February 14, 2017, TIGE completed the distribution of 15,998,326 shares of Common Stock in Legacy approved by the Board of Directors of TIGE on October 4, 2016. Pursuant to the distribution, 1.00105 shares of Legacy Common Stock were distributed for each share of stock held in TIGE.

For a further discussion of the Merger and its effects on our business, please see the information contained in our Current Report on Form 8-K, filed on November 10, 2014 and the related amendments thereto.

We voluntarily filed a Form 10 Registration Statement with the Securities and Exchange Commission (“SEC”) on May 12, 2017, and Amendment No 1 to Form 10 on June 27, 2017, to register our common stock, par value \$0.0001 per share under the Securities Exchange Act of 1934. On July 11, 2017, we announced that the filed Form 10 Registration Statement was effective on that day. A copy of the Form 10 Registration Statement is available on the Company’s website at (<http://ir.legacyeducationalalliance.com/all-sec-filings>).

Presentation of Financial Statements

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

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

Our Strategy

Our objective is to be the leading provider of services and products that enable individuals from all walks of life, regardless of their current economic situation and educational background, to take control of their financial futures and enable them to achieve financial freedom.

Our strategy is focused primarily on the following areas:

- Continued development of our North American businesses. We will continue our focus on our service offerings in an attempt to improve our revenue and expand our offerings as appropriate, including e-learning and other electronic format offerings and the development of new brands. Our flagship brand, Homemade Investor by Tarek El Moussa, is based on Tarek El Moussa, successful real estate investor and co-star of the hit HGTV show Flip or Flop, currently filming its ninth season with over 19 million viewers and ranked #1 cable show in its time slot. In addition to successfully flipping hundreds of properties over the years, Tarek is a successful Entrepreneur, real estate expert and investor with a portfolio of over 100 properties, a wholesale real estate company and a production company. Tarek’s new solo HGTV show, “Flipping 101 w/ Tarek El Moussa” premiered in March 2020 and feature Tarek as he partners with real estate novices to help them learn the secrets of a successful flip. 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 webinars, free workshops, 3-day trainings, and large stage events with Tarek presenting as the keynote, all selling into our advanced training products.
- *Security and longevity of our brands.* We operate under two different brands. This allows us the flexibility to provide our services through different demographics, price points and sales channels. This strategy of going to market with multiple brands allows us to protect the individual brands, reduce brand fatigue and to provide brand diversification, while maintaining overall market share and meeting competition.
- *Fulfilling our customer obligations.* We intend to improve the cost efficiency with which we fulfill our customer commitments. We have:
 - Expanded the options for course fulfillment in order to reduce the number of expired contracts by increasing the number of courses offered through electronic media and via the internet;
 - Implemented an improved outreach program that involves contacting our customers to help them manage their course schedules;
 - During Q4 2019, we transitioned from Symposiums to Legacy Investor Forums (Forums). The Forums are live events that provide a learning and building experience for the novice to expert investor. Forums deliver business advancement to attendees through education and offer an arena for attendees to discover new relationships with companies, as well as their fellow investors.

In December 2019, we held our first virtual symposium where we presented various advanced classes, student networking opportunities, and third-party sales opportunities via livestream to create the look and feel of a live symposium through the use of digital delivery methods.

- *Enhanced eLearning .* We continue developing and promoting interactive and online distributed course content and enhanced technology platforms capable of streaming video, interactive e-learning, and distributed e-learning.
- *Consistent quality assurance .* We believe that to be an effective provider of training we need to ensure that our course offerings meet our strict quality assurance guidelines. We will continue to monitor and enforce standards for marketing, sales presentations, and training delivery throughout our organization.
- *Continued professional development.* We will continue to identify, recruit and retain a team of trainers, mentors and coaches who possess practical, hands-on experience in their areas of expertise.

Recent Developments

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC (“RDOC”), indicating that RDOC did not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the “License Agreement”) by and between the Company and RDOC. The term of the License Agreement 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.

On October 21, 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. It also represents a milestone in our going forward strategy of diversifying our sources of cash sales through the introduction of new brands and product lines. We offer coaching and mentoring services at a variety of price points that includes content ranging from mindset and motivation, continuing through coaching from subject matter experts in real estate investing techniques and strategies, and culminating in a personalized one-on-one onsite mentorship with one of the Company’s experienced mentors.

The Company will continue to attempt to reduce its operating expenses and increase the revenues derived from its other brands. However, the termination of the License Agreement will have a material adverse effect on the Company’s business, financial condition and results of operations. At end of the third quarter of 2019, we launched our core brand, Legacy Education, to continue providing our students with practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, financial markets, investing strategies and techniques.

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. We are considering our alternatives for future operations in the United Kingdom and is continuing to conduct business outside the United States through its other foreign subsidiaries in Canada, Hong Kong, Australia, and South Africa. The impact of this transaction is reflected as a discontinued operation in the consolidated financial statements.

On December 23, 2019, we entered into an agreement with T&B Seminars Inc. (T&B) to develop and operate a seminar style education business (subsequently branded *Homemade Investor by Tarek El Moussa*) that will use, among other things, the names, images, and likenesses of Tarek El Moussa to market and sell customers real estate investing oriented education products. T&B granted to the Company a sole and exclusive worldwide license to certain intellectual property, including, certain trademarks and copyrights and the name, image and likeness of Tarek El Moussa, in each case to the extent necessary for us to develop and create educational materials and promote and conduct a branded real estate seminar style education business. This is our first step in introducing new brands moving forward to diversify cash sales in our real estate education programs.

On February 20, 2020, Anthony C. Humpage notified the Board of Directors of Legacy Education Alliance, Inc. (the “Company”) of his resignation as a director of our Company and all Company subsidiaries, effective as of March 31, 2020. Mr. Humpage’s resignation was not the result of any dispute or disagreement with our Board of Directors or management on any matter relating to our operations, policies or practices.

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 coronavirus outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we have ceased conducting live sales and fulfillment events for an undetermined period of time, which we expect will have a materially adverse impact on results of our operations.

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 EducationTM, 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. Our products and services are offered in North America, UK and Other Foreign Markets. 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) and telephone mentoring (10 to 16 weekly one-on-one or one-on-many telephone sessions). Mentoring involves a subject matter expert interacting with the student remotely or in person and guiding the student, for example, through his or her first real estate transaction, providing a real hands-on experience.

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

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

As a percentage of total revenue	Years Ended December 31,	
	2019	2018
North America	72.1%	69.6%
U.K.	5.5%	4.2%
Other foreign markets	22.4%	26.2%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2019	2018
	(In thousands)	
North America	\$ 54,427	\$ 53,049
U.K.	4,128	3,229
Other foreign markets	16,941	19,891
Total consolidated revenue	\$ 75,496	\$ 76,169

See the caption Revenue, in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," for further information.

As of 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.

Marketing

Our various brands are the foundation for our marketing efforts. These brands provide credibility and sustainability within our media mix to promote live events and online trainings. Live onsite two-hour free preview workshops are offered weekly in multiple markets in North America. Marketing these events is primarily done online through social media posts, internet banner ads, text ads, and emails. Direct mail, radio, television, public relations, and print advertising may also be used to obtain event registrations. We enter into marketing and other agreements with third parties to advertise our products and services.

We offer people the opportunity to attend a free preview workshop or advance directly to one of our three-day basic training classes. People who enroll and attend the basic training class receive reference materials relevant to the subject matter to be taught at the class. The basic training course is usually held over a weekend within two to four weeks of the initial free preview workshop. Our experience is that offering the free preview workshop as a first step is an effective way to introduce to our students the methodology of investing, as well as to market and sell our three-day basic training courses.

Marketing efforts continue to those customers who choose to continue their education with a three-day basic training class. Welcome letters, product kits that include manuals, books and audio files, an online reference library, and reminder communication letters and emails are all branded for consistency and credibility. Customers at the three-day basic training may choose to continue on with their education through our elite training classes and mentorships offered during the basic training classes.

We utilize different preview brands to market into our advance training division, which we re-branded to Elite Legacy Education to expand our market reach. Elite training classes are fulfilled through various delivery methods to meet the needs of our customers.

We also market for new customers who prefer to learn online and provide people the opportunity to attend free ninety-minute live online webinars that are held weekly on six different topics. Webinars are marketed via online banner ads, affiliate marketing, email campaigns, social media and other media methods.

Training Programs

We have three significant categories for our programs:

- Basic training live and online courses,
- Elite level live and online training courses, and
- Individualized mentoring programs.

Basic Training Courses

- Homemade Investor by Tarek El Moussa™
- Legacy Education™

Elite Training Courses

Customers who attend our basic training courses may choose to continue with Elite training courses in real estate, financial markets investing and/or entrepreneurship skills. The Elite training courses of study include:

Elite Real Estate Courses

- Momentum
- Tax and Asset Protection
- Wholesale Buying
- Discount Notes & Mortgages
- Banking Relationships & Short Sale Systems
- Mobile Homes
- Foreclosure Strategies
- Fund, Fix and Flip
- Marketing Today
- Income Properties
- Tax Liens
- Lease Options
- Commercial Real Estate
- Business Financing & Factoring
- Domestic Land Development
- Creative Real Estate Financing
- Buy, Rent and Hold (North America)
- Buy, Fix and Sell (North America)
- Creative Financing (North America)

Elite Business Entrepreneurship Courses

- Business Tax and Asset Protection
- Top Branding and Marketing Strategies
- Strategies for Raising Capital
- Mind Over Money
- Legacy Business Training

Elite Financial Markets Courses

- Master Trader™
- Options 1
- FOREX
- Options 2
- Elite Options
- Asset Protection
- Elite FOREX
- FACT (Futures & Commodity Trading)

The goal of our fulfillment strategy is to provide maximum flexibility to the students to allow them take any of their classes in whatever format, and in any combination of formats, that works best for them. Students may access training content through multiple delivery channels, including:

- *Live Classroom:* In-person “one-on-many” intensive 3-day class with a live instructor and any number of students in the same room, at a symposium, a forum or as a stand-alone class.
- *Live Stream:* Interactive real-time streaming of a Live Classroom training that may be viewed by a student remotely via the internet. Live stream classes can be reviewed for 30-days post-class.
- *Live On-Line:* Live presentations of a class in modules presented over a period of weeks with a live instructor and any number of students in any number of locations who attend remotely via the internet. Student has access to recordings of the modules for 30 days after the last live session.
- *On-Demand:* Class that is presented in self-paced pre-recorded modules via internet link with 24/7 access for the life of the contract. Unlike the three “live” fulfillment options, which require the student to attend classes when LEAI schedules them, the On-Demand Options provides the student the flexibility to take the class whenever they want, and as many times as they want, during the life of the student’s contract.

Through strategic partners, customers can purchase a license to use supporting software for real estate or financial markets investing. With either software program, a subscription-based data service is available for purchase which allows customers to interactively determine investment options and make better informed decisions about potential investments.

Individualized Mentoring and Coaching Programs

We offer live, real time, one-on-one mentoring for Real Estate, Business and the Financial Markets that are tailored to meet students’ individual goals and needs. Real Estate mentoring is offered on site at the student’s chosen location, while Financial Market mentoring can be provided either on-site or remotely. Mentoring is intended to give the student a professional assessment of his or her individual goals and experience and to help the student build an investment plan that can be put into action. Mentoring sessions are generally 2 to 4 days in length.

Coaching and telephone mentoring programs are typically sold in a number of different subject areas and generally delivered in 10 to 16 weekly one-on-one telephone sessions. Some of the topics include Real Estate Coaching, Financial Markets Coaching and Business Coaching. A set curriculum approach is generally used. Each module comes with assignments, exercises and reading materials to be completed between sessions.

Geographic Diversification

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.

Competition

During our more than 20-year history, we have competed with several organizations within the U.S. and internationally. Our primary competitors are Fortune Builders, Armando Montelongo, and Mayflower Alliance Ltd. Some of these competitors have established brands through a media-based relationship, such as HGTV, and use television programs to promote their brands.

The main competitors to our financial markets strategies and techniques course offerings are large institutional brokerage houses, who have been offering education as a way to expand their client portfolio.

Generally, competitive factors within the proprietary training market include:

- The range and depth of course offerings;
- The quality of trainers;
- The quality of reference materials provided in connection with course studies; and
- Cost.

We believe that the range and depth of our course offerings, the quality of our trainers and reference materials are comparable or superior to those of our competitors. Typically, our trainers for our Elite courses have been active investors in their chosen field, have been trained by us and, to a large degree, are previous customers of our programs. Trainers for our Elite courses are chosen based on their knowledge and experience with the coursework covered and are further qualified by meeting knowledge standards developed internally.

Brand Development Agreement with the T&B Seminars, Inc.

Effective December 23, 2019, we entered into a Real Estate Education Training Program Development Agreement (the “Development Agreement”) with T&B Seminars, Inc. (“T&B”), an affiliate of Tarek El Moussa, pursuant to which Holdings and Tarek El Moussa agreed to develop and operate a seminar style education business that will use, among other things, the names, images, and likenesses of Tarek El Moussa to market and sell customers real estate investing oriented education products. Pursuant to the Development Agreement, T&B granted to the Company a sole and exclusive worldwide license to certain intellectual property, including, certain trademarks and copyrights and the name, image and likeness of Tarek El Moussa, in each case to the extent necessary for Holdings to develop and create educational materials and promote and conduct a branded real estate seminar style education business that uses the intellectual property.

As consideration for the licensed rights under the Development Agreement, Holdings agreed to pay T&B base royalty percentages on cash sales of products to persons responding to a branded marketing campaign that uses the licensed intellectual property. Also, as consideration for Tarek El Moussa providing certain marketing support, Holdings agreed to pay T&B marketing royalty percentages on cash sales of products at live events and at online webinars to persons responding to a branded marketing campaign that uses the licensed intellectual property. Furthermore, as consideration for the exclusivity of the rights under the Development Agreement, commencing on the seventh month of the term of the Development Agreement, Holdings agreed that the monthly royalties paid to T&B will not be less than an agreed to amount.

The Development Agreement has an initial term of five years and will automatically renew thereafter for successive five-year terms unless either party provides prior written notice of termination no less than 90 days prior to the end of such five-year term.

Licensing Agreements with the Rich Dad and Other Parties

Through September 2019, our primary business relied on our license of the Rich Dad brand and related marks and intellectual property. The following transactions summarize our license to use the Rich Dad trademarks, trade names and other business information worldwide (the “Rich Dad Intellectual Property Rights”).

Effective September 1, 2013, we entered into licensing and related agreements with Rich Dad Operating Company, LLC (“RDOC”) (collectively, the “2013 License Agreement”) that replaced the 2010 License Agreement. Compared to the 2010 License Agreement, the 2013 License Agreement broadened the field of use to include real estate investing, business strategies, stock market investment techniques, stock/paper assets, cash management, asset protection, entrepreneurship and other financially-oriented subjects. The 2013 License Agreement also (i) reduced the royalty rate payable to RDOC compared to the 2010 Rich Dad License Agreement; (ii) broadened the Company’s exclusivity rights to include education seminars delivered in any medium; (iii) eliminated the cash collateral requirements and related financial covenants contained in the 2010 License Agreement; (iv) continues our right to pay royalties via a promissory note that is convertible to preferred shares upon the occurrence of a Change in Control (as defined in the 2013 License Agreement); (v) eliminated approximately \$1.6 million in debt from our consolidated balance sheet as a result of debt forgiveness provided for in the agreement terminating the 2010 License Agreement; and (vi) converted another approximately \$4.6 million in debt to 1,549,882 shares of our Common Stock. Either party may terminate the 2013 License Agreement upon certain circumstances, including and uncured breach by the non-terminating party.

On April 22, 2014, we entered into an agreement with RDOC (the “2014 Amendment”) to, among other things, amend the 2013 License Agreement to halve the royalty payable by us to RDOC to 2.5% for the whole of 2014, (ii) cancel approximately \$1.3 million in debt owed by us to RDOC, (iii) reimburse us for certain legal expenses, and (iv) cancel RDOC’s right to appoint one member of our Board of Directors.

The 2013 License Agreement and the 2014 Amendment were assigned to our wholly-owned subsidiary, Legacy Education Alliance Holdings, Inc. on September 10, 2014.

On January 25, 2018, we entered into a Second Amendment with RDOC (the “Second Amendment”) that amends certain terms of the 2013 License Agreement and extends the term of the 2013 License Agreement to September 1, 2019. In addition, the Company and two of its officers, and RDOC and certain individuals affiliated with RDOC, entered into a Mutual Waiver and Release of Claims. (See the Form 8-K filed on January 29, 2018 for further discussion.)

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC (“RDOC”), indicating that RDOC did not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the “License Agreement”) by and between the Company and RDOC. The term of the License Agreement 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.

Effective November 26, 2019, our licenses to operate under the Perform in Properties, Making Money with Martin RobertsTM and Robbie Fowler’s Property AcademyTM were transferred to Mayflower Alliance Ltd in conjunction with the sale of the business of Legacy UK.

Employees and Independent Contractors

As of December 31, 2019, we had approximately 120 full-time employees of whom 115, or 96% were located in our North America segment and the remaining 4% were located in South Africa and Hong Kong. In addition, we employ part-time employees in various capacities and independent contractors who are trainers, coaches or mentors. Our employees are not represented by a labor union, and we believe our relations with our employees are satisfactory. Our independent contractors are either paid commissions based upon the dollar value of the courses purchased by customers at our free preview workshops and basic training courses or are paid fixed fees for teaching and mentoring Elite courses. Independent contractors are required to execute agreements with us that set forth their commission structures and typically contain confidentiality and non-competition provisions.

Available Information

We electronically file reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Additionally, information about us, including our reports filed with the SEC, is available through our web site at <http://www.legacyeducationalliance.com>. Such reports are accessible at no charge through our web site and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this report.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

We anticipate that our *Homemade Investor by Tarek El Moussa*TM real estate and financial market course offerings will account for substantially all of our sales in 2020. The alteration or termination of our Brand Development Agreement with T&B Seminars Inc. would have a material adverse effect on our business, financial condition and results of operations.

The termination of our license agreement to Rich Dad Education brand has materially adversely impact our business, financial condition and results of operations, given the high concentration of sales from course offerings under Rich Dad Education brand.

Our *Rich Dad*[®] Education real estate and financial market course offerings accounted for approximately 84.6% of our total revenue in 2019. Our 2013 License Agreement with Rich Dad [®], as amended, expired on September 30, 2019. The termination of our 2013 License Agreement or termination of our relationship with the Rich Dad Parties has had a material adverse effect on our business, financial condition and results of operations.

If revenues from our Homemade Investor brand do not meet expectations, this could materially adversely impact our business, financial condition and results of operations.

We anticipate that our *Homemade Investor by Tarek El Moussa*TM real estate and financial market course offerings will account for substantially all of our sales in 2020. If revenue from the *Homemade Investor Brand* fails to meet expectations and is not offset by revenue increases in our other brands or from other sources it could have a material adverse effect on our business, financial condition and results of operations. Further, a decrease in popularity or public acceptance of Tarek El Moussa or the *Homemade Investor by Tarek El Moussa Brand* would have a significant impact on our business, financial condition and results of operations. Additionally, if Mr. Tarek El Moussa, does not spend as much time in the public eye, it could impact the popularity of the *Homemade Investor Brand* and consequently impact our sales of *Homemade Investor* products.

The termination of any of our merchant processor agreements and/or material changes to the terms and conditions of these agreements would materially adversely impact our business, financial condition and results of operations, given the high concentration of sales from course offerings procured by our customers using credit cards.

A significant percentage of our sales are processed through credit card transactions and we are dependent on our merchant processor relationships to facilitate these transactions under favorable terms. Although we generally have been able to renew or extend the terms of contractual arrangements with third parties merchant processors on acceptable terms, there can be no assurance that we will continue to be able to do so in the future. Interruptions in service, or the imposition of reserve accounts in amounts not acceptable to us, could have a material adverse impact on our liquidity. In addition, if any of these services providers were to stop providing services to us on acceptable terms, we may be unable to procure alternatives from other third parties in a timely and efficient manner and on acceptable terms, or at all. This could materially adversely impact our business, financial condition and results of operations.

Our management has identified internal control deficiencies, which our management believe constitute material weaknesses.

Our management has 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.

Our cash flows from operations decreased in 2019 versus our cash flows from operations in 2018. If this trend were to continue in the future, it could impair our ability to fund our working capital needs and adversely affect our financial condition.

Management currently projects that our available cash balances will not be sufficient to maintain our operations during 2020. In addition, when considering all of the applicable operational and external risks and uncertainties, including, but not limited to cash generated from new and ongoing business initiatives, our ability to effectively execute our strategies, relationships with our credit card processors, and potential current and future litigation matters, we believe that we may not be adequately capitalized. We may seek to obtain additional capital through the issuance of equity or debt, which may dilute the equity holdings of our current investors. In addition, we may seek to borrow additional capital from institutional and commercial banks or other sources to fund future operations on terms that may include restrictive covenants, liens on assets, high effective interest rates, and repayment provisions that reduce our cash resources and limit future access to capital markets. We do not currently have any commitments for future external funding. Our ability to raise additional capital may be adversely impacted by the economic environment. If we cannot generate the required cash to sustain operations or obtain additional capital on acceptable terms, we will need to make further revisions to our business plan, sell or liquidate assets, or limit our operations.

Our operations outside the United States subject us to additional risks inherent in international operations.

We currently operate in the United Kingdom, Canada, Hong Kong, South Africa and other international markets in addition to our U.S. operations. As a result, we face risks that are inherent in international operations, including:

- Complexity of operations across borders;
- Currency exchange rate fluctuations;
- Restrictions on the movements of cash;
- Multiple and possibly overlapping or conflicting tax laws;
- Applicability of training concepts to foreign markets;
- Compliance with foreign regulatory requirements including anti-corruption, banking, cash repatriation, and data and privacy protection;
- Political instability; and
- Price controls or restrictions on exchange of foreign currencies.

If we are unable to successfully manage these and other factors, our business could be adversely affected, and our financial condition and results of operations could suffer.

Failure to comply with laws, regulations and policies, including the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, could result in fines, criminal penalties and an adverse effect on our business.

We are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies, including anti-corruption laws and export-import compliance and trade laws, and data protection due to our global operations. In particular, the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act of 2010 and similar anti-bribery laws in other jurisdictions generally prohibit companies, their agents, consultants and other business partners from making improper payments to government officials or other persons (i.e., commercial bribery) for the purpose of obtaining or retaining business or other improper advantage. They also impose recordkeeping and internal control provisions on companies such as ours. We operate and/or conduct business in some parts of the world, such as Hong Kong, that are recognized as having governmental and commercial corruption and in such countries, strict compliance with anti-bribery laws may conflict with local customs and practices. Under some circumstances, a parent company may be civilly and criminally liable for bribes paid by a subsidiary. We cannot assure you that our internal control policies and procedures have protected us, or will protect us, from unlawful conduct of our employees, agents, consultants and other business partners. In the event that we believe or have reason to believe that violations may have occurred, including without limitation violations of anti-corruption laws, we may be required to investigate and/or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violation may result in substantial civil and/or criminal fines, disgorgement of profits, sanctions and penalties, debarment from future work with governments, curtailment of operations in certain jurisdictions, and imprisonment of the individuals involved. As a result, any such violations may materially and adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of these impacts could have a material, adverse effect on our business, results of operations or financial condition.

Uncertain economic conditions and other changes experienced by our customers, including the willingness to trade or invest in securities or real estate, could influence their willingness to spend their discretionary income on our course offerings and products, and could materially adversely impact our business, financial condition and results of operations.

Uncertain economic conditions may affect our customers' discretionary income, access to credit and ability and willingness to purchase our courses offerings and products. Economic conditions and consumer spending are influenced by a wide range of factors that are beyond our control. These conditions include but are not limited to:

- Demand for our course offerings and related products;
- Conditions in the securities and investment markets;
- Conditions in the real estate market;
- Availability of mortgage financing and other forms of credit and consumer credit;
- General economic and business conditions;
- Adverse changes in consumer confidence levels;
- General political developments; and
- Adverse weather or natural or man-made disasters.

Any decreased interest in real estate and/or financial markets investing strategies and techniques in the future could impact our brands. Additionally, a prolonged economic downturn or uncertainty over future economic conditions, could increase these effects on our business. In addition, our ongoing business expansion efforts and related operational changes add to the difficulty and risk of forecasting the timing, magnitude and direction of operational and financial outcomes with respect to our business.

We have only a limited ability to protect our intellectual property rights, which are important to our success.

Our financial success depends, in part, upon our ability to protect our brand names, curriculums, and other proprietary and licensed intellectual property. The existing laws of some countries in which we conduct business might offer only limited protection of our intellectual property rights. To protect our intellectual property, we rely upon a combination of confidentiality policies, nondisclosure, and other contractual arrangements, as well as copyright and trademark laws. The steps we take in this regard may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights, especially in foreign jurisdictions. The loss of proprietary content or the unauthorized use of our intellectual property, including our brand names, may create significant market confusion and result in greater competition, loss of revenue, and adverse publicity.

We face significant competition in our markets.

Our success depends upon our ability to attract customers by providing high-quality courses and training materials, as well as to attract and retain quality trainers to provide those courses. The market for training courses for specific business issues, such as real estate or stock market investing, is intensely competitive. If we are unable to successfully compete, our business, financial condition and results of operations will be materially harmed. Certain competitors may have access to certain marketing channels or be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to course development than we can. In addition, it is possible that certain competitors, or potential competitors, could reduce their pricing to levels that would make it difficult for us to compete. Increased competition may result in reduced operating margins, as well as loss of market share and brand recognition. Our success is dependent on our ability to successfully attract customers to programs that they feel will enhance their knowledge and enhance their earning power. Their level of satisfaction with our course offerings affects our reputation as they tell others about their experience. Our business could suffer if we fail to deliver quality programs at acceptable price points.

In addition, in order to compete effectively in our markets, we may need to change our business in significant ways. For example, to respond to market competition we may change our pricing, product, or service offerings, make key decisions about technology changes or marketing strategies, or acquire additional businesses or technologies. Any of these actions could hurt our business, financial condition and results of operations. Competitors continually introduce new programs that may compete directly with our offerings that may make our offerings uncompetitive or obsolete. Larger competitors may have superior abilities to compete for customers and skilled professionals, reducing our ability to deliver our quality offerings to our customers.

Laws and regulations can affect the operation of our business and may limit our ability to operate in certain jurisdictions.

Federal, state, and international laws and regulations impact our operations and may limit our ability to obtain authorization to operate in some states or countries. Many federal, state, and international governmental agencies assert authority to regulate providers of investment training programs. Failure to comply with these regulations could result in legal action instituted by the jurisdictions, including cease and desist and injunctive actions. In the event we are subject to such legal action, our reputation could be harmed and the demand for our course offerings and products could be significantly reduced. We are involved from time to time in routine legal matters incidental to our business, including disputes with students and information requests from state regulatory agencies. Based upon available information, we believe that the resolution of such matters will not have a material adverse effect on our consolidated financial position or results of operations. Future regulatory changes with respect to the various topics of our courses or the investment techniques we teach, could also impact the content of our course offerings, which in turn, could negatively impact future sales.

Cyber-attacks as well as improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business and results of operations.

We are dependent on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our customers. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We are also required at times to manage, utilize and store sensitive or confidential customer or employee data. While we take measures to protect the security of, and unauthorized access to, our systems, as well as the privacy of personal and proprietary information, it is possible that our security controls over our systems, as well as other security practices we follow, may not prevent the improper access to or disclosure of personally identifiable or proprietary information. In addition, much of our financial, customer, and employee data resides on third party equipment not within our custody or control such that we cannot prevent the improper access to or disclosure of such data or might be prevented from accessing such data for our own purposes. Any such disclosures or inability to access our proprietary information could harm our reputation and subject us to liability under our contracts and laws that protect personal data, or negatively impact our ability to manage operations resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services.

The European Union's ("EU") General Data Protection Regulation ("GDPR") took effect in May 2018 and requires EU member states to meet new and more stringent requirements regarding the handling of personal data. Failure to meet the GDPR requirements could result in substantial penalties of up to the greater of €20 million or 4% of global annual revenue of the preceding financial year. Additionally, compliance with the GDPR has resulted in increased operational costs to implement new procedures corresponding to new legal rights granted under the law. Although the GDPR applies across the EU without a need for local implementing legislation, local data protection authorities still have the ability to interpret the GDPR through so-called opening clauses, which permit region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis.

Our efforts to comply with GDPR and other privacy and data protection laws may impose significant costs and challenges that are likely to increase over time. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in impairment to our reputation in the marketplace and we could incur substantial penalties or litigation related to violation of existing or future data privacy laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

We are highly dependent on our senior management, high performing sales speakers and course trainers, and if we are not able to retain them or to recruit and retain additional qualified personnel, our business could suffer.

We are highly dependent upon our senior management. The loss of services of any of the members of our senior management or high performing sales speakers or course trainers could have a material adverse effect on our business, financial condition and results of operations.

We may increase our management personnel to obtain certain additional functional capability, including regulatory, sales, business development, e-commerce, and quality assurance and control, either by hiring additional personnel or by outsourcing these functions to qualified third-parties. We may not be able to engage these third-parties on terms favorable to us. Also, we may not be able to attract and retain qualified personnel on acceptable terms given the competition for such personnel among companies that operate in our markets. If we fail to identify, attract, retain and motivate highly skilled personnel, or if we lose current employees or contractors, it could have a material adverse effect on our business, financial condition and results of operations. We currently do not maintain key man insurance on any member of our senior executive management team.

Our ability to sell and fulfill courses may be affected by adverse weather, natural disaster, strikes or other unpredictable events.

Adverse weather, natural disasters, external labor disruptions, pandemics, and other adverse events may affect our ability to conduct our business and could have a material adverse effect on our business, financial condition and results of operations. Public health risks, such as epidemics or pandemics, and severe weather or natural disasters, such as hurricanes, blizzards, floods and earthquakes, and other events beyond our control may reduce the ability or willingness of our students to travel to or otherwise attend our events. These events may also disrupt the printing and transportation of the materials used in our direct mail campaigns. Furthermore, postal strikes could occur in the countries where we operate which could delay and reduce delivery of our direct mail marketing materials. Transportation strikes could also occur in the countries where we operate, adversely affecting our ability to conduct business.

A relocation of any of our office locations could materially adversely impact our business, financial condition and results of operations.

If any of the leases for our leased offices are not renewed, or if any of our offices, whether owned or leased, are inadequate for our business operations, we may be compelled to relocate operations to new locations, which could result in disruption of the business, additional costs and expenses, and loss of key personnel, any of which could adversely affect our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

We may issue shares of preferred stock that subordinate your rights and dilute your equity interests.

We may need to raise investment capital for us to successfully execute our business strategy and it may be preferable or necessary to issue preferred stock to investors. Preferred stock may grant the holders certain preferential rights in voting, dividends, liquidation or other rights in preference over a company's common stock.

The issuance by us of preferred stock could dilute both the equity interests and the earnings per share of existing holders of our Common Stock. Such dilution may be substantial, depending upon the number of shares issued. The newly authorized shares of preferred stock could also have voting rights superior to our Common Stock, and in such event, would have a dilutive effect on the voting power of our existing stockholders.

Any issuance of preferred stock with voting rights could, under certain circumstances, have the effect of delaying or preventing a change in control of us by increasing the number of outstanding shares entitled to vote and by increasing the number of votes required to approve a change in control of us. Shares of voting or convertible preferred stock could be issued, or rights to purchase such shares could be issued, to render more difficult or discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise. Such issuances could therefore deprive our stockholders of benefits that could result from such an attempt, such as the realization of a premium over the market price that such an attempt could cause. Moreover, the issuance of such shares of preferred stock to persons friendly to our Board of Directors could make it more difficult to remove incumbent managers and directors from office even if such change were to be favorable to stockholders generally.

Our Common Stock has a limited trading market, which could affect your ability to sell shares of our Common Stock and the price you may receive for our Common Stock.

Our Common Stock is currently traded in the over-the-counter market and "bid" and "asked" quotations regularly appear on the OTCQB maintained by OTC Markets, Inc. under the symbol "LEAI". There is limited trading volume in our securities. We cannot predict the extent to which investors' interest in our Common Stock will provide an active and liquid trading market, which could depress the trading price of our Common Stock and could have a long-term adverse impact on our ability to raise capital in the future. We may be vulnerable to investors taking a "short position" in our Common Stock, which would likely have a depressing effect on the price of our Common Stock and add increased volatility to our trading market. The volatility of the market for our Common Stock could have a material adverse effect on our business, financial condition and results of operations. There cannot be any guarantee that an active trading market for our securities will develop or, if such a market does develop, will be sustained. Accordingly, investors must be able to bear the financial risk of losing their entire investment in our Common Stock.

Being an SEC reporting company imposes costs and compliance risks.

Compliance with the periodic reporting requirements required by the SEC consumes a considerable amount of both internal, as well external, resources and represents a significant cost for us. Our management will be required to administer appropriate programs and policies in responding to increased legal, regulatory compliance, and reporting requirements, and any failure to do so could lead to the imposition of fines and penalties and harm our business.

In addition, if we are unable to continue to devote adequate funding and the resources needed to maintain such compliance, while continuing our operations, we may be in non-compliance with applicable SEC rules or the securities laws, and be delisted from the OTCQB or other market we may be listed on, which would result in a decrease in or absence of liquidity in our Common Stock, and potentially subject us and our officers and directors to civil, criminal and/or administrative proceedings and cause us to voluntarily file for deregistration of our Common Stock with the Commission.

Future sales of our Common Stock in the public market could lower the price of our Common Stock and impair our ability to raise funds in future securities offerings.

We may decide to raise additional capital through the sale of our securities. Future sales of a substantial number of shares of our Common Stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of our Common Stock and could make it more difficult for us to raise funds in the future through the sale of our securities.

In the event we raise capital through a private placement of our Common Stock and/or other securities convertible into shares of our Common Stock, such offering could dilute both the equity interests and the earnings per share of our stockholders. Such dilution may be substantial, depending upon the number of shares issued in any potential private placement.

The market price of our Common Stock may be volatile and may be affected by market conditions beyond our control.

The market for our Common Stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, our shares of Common Stock are sporadically and thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of shares of our Common Stock are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, we are a speculative or “risky” investment due to our limited operating history, and uncertainty of future market acceptance for our potential products. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our Common Stock, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our Common Stock will be at any time, including as to whether our Common Stock will sustain its current market price, or as to what effect the sale of shares or the availability of Common Stock for sale at any time will have on the prevailing market price.

The market price of our Common Stock is subject to significant fluctuations in response to, among other factors:

- changes in our financial performance or a change in financial estimates or recommendations by securities analysts;
- announcements of innovations or new products or services by us or our competitors;
- the emergence of new competitors or success of our existing competitors;
- operating and market price performance of other companies that investors deem comparable;
- changes in our Board of Directors or management;
- sales or purchases of our Common Stock by insiders;
- commencement of, or involvement in, litigation;
- changes in governmental regulations;
- general economic conditions and slow or negative growth of related markets and;
- other risks related to our business as set forth above.

In addition, if the market for stock in our industry, or the stock market in general, experience a loss of investor confidence, the market price of our Common Stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause the price of our Common Stock to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and distract our Board of Directors and management.

We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market prices of our Common Stock for returns on your investment.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our Common Stock. Accordingly, investors must be prepared to rely on sales of their Common Stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our Common Stock. Any determination to pay dividends in the future will be made at the discretion of our Board of Directors and will depend on our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors deems relevant.

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our Common Stock.

The Commission has adopted regulations which generally define so-called “penny stocks” as an equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. Our Common Stock is a “penny stock”, and we are subject to Rule 15g-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to sale. As a result, this rule affects the ability of broker-dealers to sell our securities and affects the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our shares of Common Stock will qualify for exemption from the Penny Stock Rule. In any event, even if our Common Stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the Commission the authority to restrict any person from participating in a distribution of penny stock if the Commission finds that such a restriction would be in the public interest.

In addition to the “penny stock” rules described above, the Financial Industry Regulatory Authority (“FINRA”) has adopted similar rules that may also limit a stockholder’s ability to buy and sell our Common Stock. FINRA rules require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for such customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Anti-takeover provisions could limit the ability of a third party to acquire us.

On February 15, 2017, we adopted a limited duration Shareholder Rights Plan (the “Plan”). Under the Plan, one preferred stock purchase right will be distributed for each share of common stock held by stockholders of record on March 2, 2017. The rights will trade with the common stock and will not be separable or exercisable until such time as the Plan is triggered. The Plan was scheduled to expire on February 15, 2019, subject to the Company’s right to extend such date, unless earlier redeemed or exchanged by the Company or terminated.

On November 12, 2018, the Board of Directors of Legacy Education Alliance, Inc. (the “Company”) approved an amendment (the “Amendment”) to the Rights Agreement dated as of February 16, 2017 by and between the Company and VStock Transfer LLC (VStock), as Rights Agent (the “Rights Agreement”), to (i) extend the Final Expiration Date, as defined in the Rights Agreement, to the close of business on February 15, 2021, and (ii) to provide for the construction of the Rights Agreement and all other related documents in a manner consistent with the extension of the Final Expiration Date.

The extension of the Final Expiration Date under the Rights Agreement was entered into to ensure that the Board of Directors would continue to have sufficient time to consider any proposal from a third party that might result in a change in control of the Company, to ensure that all stockholders receive fair and equal treatment in the event of any such a proposal, and to encourage any potential acquirer to negotiate with the Board of Directors. In addition, extending the Rights Agreement will guard against partial tender offers, open market accumulations and other coercive tactics aimed at gaining control of the Company without paying all stockholders a full control premium for their shares. The Rights Agreement was not amended in response to any specific takeover offer.

The Nevada Revised Statutes, which is the general corporate law applicable to us, contain provisions governing an acquisition of controlling interest of us. These provisions provide generally that any person or entity that acquires a certain percentage of our outstanding voting shares may be denied voting rights with respect to the acquired shares, unless the acquisition is approved by both (i) the holders of a majority of the voting shares of our stock, and (ii) if the acquisition would adversely alter or change any preference or other right given to any other class or series of outstanding shares, the holders of a majority of each class or series effected, excluding the shares held by any interested person (including, such acquiring person or entity, an officer or a director of the corporation, and an employee of the corporation). This provision of the Nevada Revised Statutes could impede an acquisition of us even if a premium would be paid to our stockholders for their shares.

On November 25, 2019, we entered into an assumption agreement with Broadridge Corporate Issuer Solutions, Inc. (Broadridge), whereby Broadridge assumes the role of Rights Agent under the Rights Agreement, effectively replacing VStock as Rights Agent.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth our office locations as of December 31, 2019:

Purpose	Location	Own/lease	Approximate square footage	Lease expiration
Executive offices	Cape Coral, FL	Own	40,734	—
Hong Kong corporate administration	Causeway Bay, Hong Kong	Lease	208	Jan. 2021
U.K. residential rental property	Birmingham, West Midlands, U.K.	Own		—
U.K. residential rental property	Birmingham, West Midlands, U.K.	Own		—
U.K. residential rental property	Birmingham, West Midlands, U.K.	Own		—
U.K. residential investment property	Birmingham, West Midlands, U.K.	Own		—
			<u>40,942</u>	

We are the sole beneficiary of a land trust that owns the land and building of our executive offices in Cape Coral, Florida. James E. May, our Chief Executive Officer, serves as the trustee. Our executive office building is approximately 37,492 square feet and is situated on approximately 4.3 acres.

We lease approximately 208 square feet of office space which is used corporate administration purposes in Causeway Bay, Hong Kong. The lease expires in January 2021 at which time we will lease the facility on a month to month basis. The total monthly rent is approximately \$5,861. Currently, we are in the process of canceling the lease early.

We own four residential properties in the United Kingdom as investment and rental properties. These properties were acquired as case studies for our course offerings. Three of the properties were acquired to be leased to individual tenants. The fourth property was acquired with the intention of renovating and selling for a profit. In January 2020, we sold this property and we recognized a gain of \$33.1 thousand.

We believe that our facilities are adequate for our current purposes.

ITEM 3. LEGAL PROCEEDINGS

See Note 15 “*Commitments and Contingencies*” in the Notes to Consolidated Financial Statements contained in *Part II, Item 8* of this Annual Report for information about legal proceedings in which we are involved.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our shares of Common Stock are quoted on the OTCQB Market under the symbol LEAI. Prior to our Merger, our shares were quoted on the OTCQB Market under the symbol PRCD commencing on April 7, 2014. The following table shows the high and low bid prices of our common stock for the periods indicated. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transactions.

	High		Low	
Year ended December 31, 2019				
Fourth Quarter	\$	0.1	\$	0.0
Third Quarter	\$	0.4	\$	0.1
Second Quarter	\$	0.2	\$	0.1
First Quarter	\$	0.2	\$	0.1
Year ended December 31, 2018				
Fourth Quarter	\$	0.3	\$	0.1
Third Quarter	\$	0.4	\$	0.2
Second Quarter	\$	0.6	\$	0.4
First Quarter	\$	0.5	\$	0.3

Holders

As of December 31, 2019, there were approximately 266 stockholders of record for our Common Stock. The number of stockholders does not include beneficial owners holding shares through nominee names.

Dividends

We have not paid out any cash dividends for the past two years and do not anticipate paying any cash dividends on our Common Stock for the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

The Company's 2015 Equity Plan (the "2015 Incentive Plan") was approved by the stockholders at our annual meeting of stockholders on July 16, 2015. The 2015 Incentive Plan reserves 5,000,000 shares of our Common Stock for stock options, restricted stock, and a variety of other types of equity awards. The text of the 2015 Incentive Plan is included in the attachment marked as Appendix B to the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 16, 2015. The financial activity pertaining to our employees and directors under the 2015 Incentive Plan is incorporated by reference to Note 7 "Share-Based Compensation" on page F-14 of our consolidated financial statements, presented herein.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Item 8. Financial Statements and Supplementary Data. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to those described in Item 1A. Risk Factors and below under the caption "Outlook." Actual results may differ materially from those contained in any forward-looking statements.

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 EducationTM, 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. Our products and services are offered in North America, UK and Other Foreign Markets. 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) 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.

As of December 31, 2019, we operate under two brands:

- Homemade Investor by Tarek El MoussaTM 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 EducationTM: 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.

Recent Developments

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC (“RDOC”), indicating that RDOC did not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the “License Agreement”) by and between the Company and RDOC. The term of the License Agreement 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.

On October 21, 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. It also represents a milestone in our going forward strategy of diversifying our sources of cash sales through the introduction of new brands and product lines. We offer coaching and mentoring services at a variety of price points that includes content ranging from mindset and motivation, continuing through coaching from subject matter experts in real estate investing techniques and strategies, and culminating in a personalized one-on-one onsite mentorship with one of the Company’s experienced mentors.

The Company will continue to attempt to reduce its operating expenses and increase the revenues derived from its other brands. However, the termination of the License Agreement may have a material adverse effect on the Company’s business, financial condition and results of operations. At end of the third quarter of 2019, we launched our core brand, Legacy Education, to continue providing our students with practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, financial markets, investing strategies and techniques.

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. We are considering our alternatives for future operations in the United Kingdom and is continuing to conduct business outside the United States through its other foreign subsidiaries in Canada, Hong Kong, Australia, and South Africa. The impact of this transaction is reflected as a discontinued operation in the consolidated financial statements.

On December 23, 2019, we entered into an agreement with T&B Seminars Inc. to develop and operate a seminar style education business (subsequently branded *Homemade Investor by Tarek El Moussa*) that will use, among other things, the names, images, and likenesses of Tarek El Moussa to market and sell customers real estate investing oriented education products. T&B granted to the Company a sole and exclusive worldwide license to certain intellectual property, including, certain trademarks and copyrights and the name, image and likeness of Tarek El Moussa, in each case to the extent necessary for us to develop and create educational materials and promote and conduct a branded real estate seminar style education business. This is our first step in introducing new brands moving forward to diversify cash sales in our real estate education programs.

On February 20, 2020, Anthony C. Humpage notified the Board of Directors of Legacy Education Alliance, Inc. (the “Company”) of his resignation as a director of our Company and all Company subsidiaries, effective as of March 31, 2020. Mr. Humpage’s resignation was not the result of any dispute or disagreement with our Board of Directors or management on any matter relating to our operations, policies or practices.

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 coronavirus outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we have ceased conducting live sales and fulfillment events for an undetermined period of time, which we expect will have a materially adverse impact on results of our operations.

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 against one of our UK subsidiaries, Elite Legacy Education UK Ltd. (“ELE UK”), by one its creditors. The Petition seeks an order from the Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. A hearing on the Petition has been set for June 24, 2020. Because there are a number of intercompany relationships between the Company and ELE UK, the economic effect of such an order, if granted, is unknown at this time.

Results of Operations

Our financial results in 2019 were impacted by the factors that affected our 2018 annual financial results. During the prior period, the primary factors were increases in labor, litigation, and software costs in connection with our new ERP system which was placed into production in January 2018. As of December 31, 2019 and 2018, the aggregate increase in expense related to these items was \$1.7 million, and \$1.2 million, of which \$1.5 million, and \$1.1 million was related to litigation primarily associated with the installation of our ERP/CRM system which first went into production in January 2018. We anticipate no further expenses in this matter.

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

(in thousands, except per share data)	Years Ended December 31,	
	2019	2018
Revenue	\$ 75,496	\$ 76,169
Operating costs and expenses:		
Direct course expenses	39,854	45,628
Advertising and sales expenses	16,670	19,303
Royalty expenses	3,458	3,350
General and administrative expenses	13,870	16,429
Total operating costs and expenses	73,852	84,710
Income/(loss) from operations	1,644	(8,541)
Other income (expense):		
Interest income/(expense)	(93)	(40)
Other income (expense), net	533	34
Total other income (expense), net	440	(6)
Income/(loss) from continuing operations before income taxes	2,084	(8,547)
Income tax (expense) benefit	1,257	(469)
Net income/(loss) from continuing operations	3,341	(9,016)
Gain on disposal of discontinued operations	8,300	—
Loss from discontinued operations	(1,691)	(940)
Net income/(loss) from discontinued operations	6,609	(940)
Net income/(loss)	\$ 9,950	\$ (9,956)
Basic earnings/(loss) per common share - continuing operations	\$ 0.14	\$ (0.39)
Basic earnings/(loss) per common share - discontinued operations	0.29	(0.04)
Basic earnings/(loss) per common share	\$ 0.43	\$ (0.43)
Diluted earnings/(loss) per common share - continuing operations	\$ 0.14	\$ (0.39)
Diluted earnings/(loss) per common share - discontinued operations	0.28	(0.04)
Diluted earnings/(loss) per common share	\$ 0.42	\$ (0.43)
Basic weighted average common shares outstanding	22,716	23,014
Diluted weighted average common shares outstanding	23,141	23,014
Comprehensive loss:		
Net income/(loss)	\$ 9,950	\$ (9,956)
Foreign currency translation adjustments, net of tax of \$0	(734)	1,889
Total comprehensive income/(loss)	\$ 9,216	\$ (8,067)

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

	Years Ended December 31,	
	2019	2018
Revenue	100%	100%
Operating costs and expenses:		
Direct course expenses	52.8	59.9
Advertising and sales expenses	22.1	25.3
Royalty expenses	4.6	4.4
General and administrative expenses	18.4	21.6
Total operating costs and expenses	97.9	111.2
Income/(loss) from operations	2.1	(11.2)
Other income (expense):		
Other income (expense), net	0.6	-
Total other income (expense), net	0.6	-
Income/(loss) from continuing operations before income taxes	2.7	(11.2)
Income tax (expense) benefit	1.7	(0.6)
Net income/(loss) from continuing operations	4.4	(11.8)
Net income/(loss) from discontinued operations	8.8	(1.2)
Net income/(loss)	13.2%	(13.0)%

Outlook

Cash sales were \$79.5 million for the year ended December 31, 2019 compared to \$79.7 million for the year ended December 31, 2018, a decrease of \$0.2 million or 0.3%. The decrease was driven primarily by a \$2.7 million decrease in our Other Foreign Markets segment, partially offset by a \$2.1 million increase in our U.K. segment and a \$0.4 million increase in our North American segment.

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

We anticipate cash sales to decrease throughout 2020, particularly as we hone our selling and marketing strategy of our new Homemade Investor brand.

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 coronavirus outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we have ceased conducting live sales and fulfillment events for an undetermined period of time, which we expect will have a materially adverse impact on results of our operations.

Operating Segments

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

As a percentage of total revenue	Years Ended December 31,	
	2019	2018
North America	72.1%	69.6%
U.K.	5.5%	4.2%
Other foreign markets	22.4%	26.2%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2019	2018
	(In thousands)	
North America	\$ 54,427	\$ 53,049
U.K.	4,128	3,229
Other foreign markets	16,941	19,891
Total consolidated revenue	\$ 75,496	\$ 76,169

North America

Over the past several years, our North America business has consisted primarily of *Rich Dad™ Education* brand offerings. Revenue derived from the Rich Dad brands was \$43.5 million and \$44.6 million or as a percentage of total segment revenue, 79.9% and 84.1%, for the years ended December 31, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training. We are continuing to develop non-Rich Dad brands *Homemade Investor™* and *Legacy Education™* to diversify our business, although our business to date in these brands has not been material to our Company as a whole.

The North America segment revenue was \$54.4 million and \$53.0 million or as a percentage of total revenue was 72.1% and 69.6% for the years ended December 31, 2019 and 2018, respectively.

The increase in revenue of \$1.3 million or 2.6% during the year ended December 31, 2019 compared to the same period in 2018, was due to the increase in fulfillment of \$1.4 million and increase in recognition of revenue from expired contracts of \$0.2 million.

U.K.

In contrast to our North America segment, our U.K. segment was more diversified among several different brands. Revenue derived from the Rich Dad brands was \$3.5 million and \$3.1 million or as a percentage of total segment revenue was 83.7% and 95.7% for the years ended December 31, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training. With the discontinued operations of UK Legacy, our U.K. segment is no longer as diverse.

The U.K. segment revenue was \$4.1 million and \$3.2 million or as a percentage of total revenue was 5.5% and 4.2% for the years ended December 31, 2019 and 2018, respectively. The discontinued operations of Legacy UK reduced this segment's revenue by \$14.3 million and \$17.2 million for the years ended December 31, 2019 and 2018, respectively.

The increase in revenue of \$0.9 million or 28.1% for the year ended December 31, 2019 compared to the same period in 2018, was due to increased fulfillment of \$0.8 million and an increase in recognition of revenue from expired contracts of \$0.1 million.

Other Foreign Markets

We operate in other foreign markets, including European, Asian and African countries. Revenue derived from the Rich Dad brands was \$16.9 million and \$19.3 million or as a percentage of total segment revenue was 100.0% and 97.2% for the years ended December 31, 2019 and 2018, respectively.

The Other Foreign Markets segment revenue was \$17.0 million and \$20.0 million or as a percentage of total revenue was 22.4% and 26.2% for the years ended December 31, 2019 and 2018, respectively.

The decrease in revenue of \$3.0 million or 14.8% during the year ended December 31, 2019 compared to the same period in 2018, was due to decreased fulfillment of \$3.6 million, partially offset by the increased recognition of revenue from expired contracts of \$0.6 million.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Revenue was \$75.5 million for the year ended December 31, 2019 compared to \$76.2 million for the year ended December 31, 2018, a decrease of \$0.7 million or 0.9%. The decrease was due to decreased fulfillment of \$1.5 million or 2.5%, partially offset by the increase in recognition of revenue from expired contracts of \$0.8 million or 5.1%.

Cash sales were \$79.5 million for the year ended December 31, 2019 compared to \$79.7 million for the year ended December 31, 2018, a decrease of \$0.2 million or 0.3%. The decrease was driven primarily by a \$2.7 million decrease in our Other Foreign Markets segment, partially offset by a \$2.1 million increase in our U.K. segment and a \$0.4 million increase in our North American segment.

Operating Expenses

Total operating costs and expenses were \$73.9 million for the year ended December 31, 2019 compared to \$84.7 million for the year ended December 31, 2018, a decrease of \$10.8 million or 12.8%. The decrease was due to a \$5.7 million decrease in direct course expenses, a \$2.6 million decrease in advertising and sales expenses, and a \$2.5 million decrease in general and administrative expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$39.9 million for the year ended December 31, 2019 compared to \$45.6 million for the year ended December 31, 2018, a decrease of \$5.7 million or 12.5%, which was primarily related to decreases in venue and travel costs and mentor fulfillment costs.

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 the North America, the United Kingdom, and Other Foreign Markets segments. 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 \$16.7 million for the year ended December 31, 2019 compared to \$19.3 million for the year ended December 31, 2018, a decrease of \$2.6 million or 13.5%. As a percentage of revenue, advertising and sales expenses were 22.1% and 25.3% for the years ended December 31, 2019 and 2018, respectively. The decrease is primarily related to our efforts to consolidate our offerings into our two brands Homemade InvestorTM and Legacy EducationTM.

Royalty expenses

We had licensing and related agreements with RDOC, whereby we have exclusive rights to develop, market, and sell Rich Dad Education-branded live seminars, training courses, and related products worldwide. Other licenses included Making MoneyTM with Martin Roberts and Robbie Fowler's Property AcademyTM. In connection with these agreements and our other licensing agreements, we are required to pay royalties. Royalty expenses were \$3.4 million for the year ended December 31, 2019 compared to \$3.4 million for the year ended December 31, 2018.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expense and travel for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were \$13.9 million for the year ended December 31, 2019 compared to \$16.4 million for the year ended December 31, 2018, a decrease of \$2.5 million, or 15.2%. The decrease was primarily driven by decreases in professional fees and software costs in connection with our new ERP system which was placed into production in January 2018.

Other income (expense), net

Other income was \$0.5 million for the year ended December 31, 2019 compared to other expense of \$(0.1) million for the year ended December 31, 2018, an increase in other income of \$0.6 million, mainly represents a cash payment from Process America, Inc. in the amount of \$0.4 million, received as a distribution on the legal case.

Income tax expense

We recorded income tax benefit of \$1.3 million and income tax expense of \$0.5 million for the year ended December 31, 2019 and 2018, respectively, a \$1.8 million decrease in income tax expense.

Our effective tax rate was (60.3)% and (5.5)% for the year ended December 31, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21.0% and 35.0%, for the same periods, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions.

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 December 31, 2019, and December 31, 2018, respectively, a valuation allowance of \$4.7 million and \$6.9 million, has been provided against net operating loss carryforwards and other deferred tax assets. During the year ended December 31, 2019, we decreased the valuation allowance by \$2.1 million. During the year ended December 31, 2018, we increased the valuation allowance by \$2.2 million.

As of December 31, 2019 and 2018, the valuation allowance against the U.S. deferred taxes was \$4.7 million and \$6.8 million, respectively. The Company assessed the weight of all available positive and negative evidence and determined it was not more likely than not that future earnings will be sufficient to realize the deferred tax assets in the U.S.

Net income (loss) from continuing operations

Net income from continuing operations was \$3.3 million or \$0.14 per basic and diluted common share for the year ended December 31, 2019, compared to net loss of (\$9.0) million or (\$0.39) per basic and diluted common share for the year ended December 31, 2018, a decrease in net loss of \$12.3 million or \$0.53 per basic and diluted common share.

Net income for the year ended December 31, 2019 was positively impacted by the decrease in operating cost of \$10.8 million.

Net income (loss) from discontinued operations

Net income from discontinued operations was \$6.6 million or \$0.29 per basic common share and \$0.28 per diluted common share for the year ended December 31, 2019, compared to net loss of (\$0.9) million or (\$0.04) per basic and diluted common share for the year ended December 31, 2018, a decrease in net loss of \$7.5 million or \$0.33 per basic common share and \$0.32 per diluted common share.

Net income for the year ended December 31, 2019 mainly represents the gain on disposal of discontinued operations net assets.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. In addition to the estimates presented below, there are other items within our consolidated financial statements that require estimation but are not deemed critical as defined below. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

Management believes that the following policies and estimates are critical because they involve significant judgments, assumptions and estimates. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates.

Long-Lived Assets

We evaluate the carrying amount of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We record an impairment loss when indications of impairment are present and undiscounted cash flows estimated to be generated by those assets are less than assets' carrying value. We evaluate the remaining life and recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. At such time, we estimate the future cash flows expected from the use of the assets and their eventual dispositions and, if lower than the carrying amounts, adjust the carrying amount of the assets to their estimated fair value. Because of our changing business conditions including current and projected level of income, business trends, prospects and market conditions, our estimates of cash flows to be generated from our operations could change materially, resulting in the need to record additional impairment charges.

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 Topic 606.

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

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires, we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We had deferred revenue of \$46.5 million and \$44.2 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from one to two years as of December 31, 2019 and 2018, respectively. The revenue associated with these performance obligations is recognized as the obligation is satisfied.

The following table disaggregate our segment revenue by revenue source:

Revenue Type:	Year Ended December 31, 2019				Year Ended December 31, 2018			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)							
Seminars	32,714	2,562	8,346	43,622	32,504	1,910	12,449	46,863
Products	9,404	1,141	3,777	14,322	11,342	918	3,474	15,734
Coaching and Mentoring	5,564	138	4,465	10,167	5,372	219	3,952	9,543
Online and Subscription	2,070	6	351	2,427	1,112	15	16	1,143
Other	4,675	281	2	4,958	2,719	167	—	2,886
Total revenue	54,427	4,128	16,941	75,496	53,049	3,229	19,891	76,169

Income Taxes

We account for income taxes in conformity with the requirements of ASC 740, *Income Taxes* ("ASC 740"). Per ASC 740, the provision for income taxes is calculated using the asset and liability approach of accounting for income taxes. We recognize deferred tax assets and liabilities, at enacted income tax rates, based on the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. We include any effects of changes in income tax rates or tax laws in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, a company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position and must assume that the tax position will be examined by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

Accounting for Litigation and Settlements

We are involved in various legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties, and the possibility of governmental intervention. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances as appropriate. While certain of these matters involve substantial amounts, management believes, based on available information, that the ultimate resolution of such legal proceedings will not have a material adverse effect on our financial condition or results of operations.

The critical accounting policies discussed above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the U.S., with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

In general, we believe we will experience a decrease in demand for our products and services compared to prior periods as we develop the Homemade Investor with Tarek El Moussa brand. We believe that our products and services appeal to those who seek increased financial freedom. If we experience a prolonged decline in demand for our products and services, it could have a material adverse effect on our future operating results.

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our relatively modest operating cash flows during the past two years combined, it has been necessary for us to manage our cash position to ensure the future viability of our business. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, favorable terms from our merchant processors, seasonality, and fluctuations in foreign currency exchange rates. Our unrestricted cash position has improved during the year ended December 31, 2019 with the addition of new merchant processors in the second half of 2018, who retain a significantly lower reserve than our main merchant processor had done for most of fiscal year 2018. As a result, our unrestricted cash in fiscal year 2018 was limited. In July 2019, one of our former merchant processors released a reserve of \$1.9 million, with an additional \$1.5 million in November 2019.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2020. However, for the year ended December 31, 2019, we had an accumulated deficit and a working capital deficit. 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):

	Years Ended December 31,	
	2019	2018
Net cash provided by (used in) operating activities	368	(1,422)
Net cash used in investing activities	(27)	(819)
Net cash (used in) provided by financing activities	(7)	489
Effect of exchange rate differences on cash	367	(77)
Net increase (decrease) in cash and cash equivalents and restricted cash	701	(1,829)

Operating Cash Flows and Liquidity

Net cash provided by operating activities was \$0.4 million in the year ended December 31, 2019 compared to net cash used in operating activities of \$1.4 million in the year ended December 31, 2018, representing a period-over-period increase of \$1.8 million. This increase was primarily the result of increased earnings and reductions in our costs structure.

Investing Cash Flows

Net cash used in investing activities totaled \$27.0 thousand and \$819.0 thousand in the years ended December 31, 2019 and 2018, respectively, representing our net purchases of property and equipment, and investment property.

Financing Cash Flows

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

Net cash used in financing activities totaled \$7.0 thousand compared to net cash provided by financing activities of \$489.0 thousand in the years ended December 31, 2019 and 2018. Net cash provided by financing activities during the year ended December 31, 2018, primarily represents the proceeds from the issuance of the Promissory Note, due March 13, 2020, currently under extension renegotiation.

We expect that our working capital deficit, which is primarily a result of our significant deferred revenue balance, will continue for the foreseeable future. As of December 31, 2019, and 2018, our consolidated current deferred revenue was \$46.5 million and \$44.2 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 are not a party to any material off-balance sheet arrangements as of December 31, 2019.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Legacy Education Alliance, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Legacy Education Alliance, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Legacy Education Alliance, Inc. and its subsidiaries (collectively, the “Company”) as of December 31, 2019 and 2018 and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a net working capital deficiency and an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP

www.malonebailey.com

We have served as the Company’s auditor since 2014.

Houston, Texas

March 30, 2020

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,839	\$ 1,161
Restricted cash	2,389	4,366
Deferred course expenses	6,805	6,688
Prepaid expenses and other current assets	2,074	2,987
Inventory	47	55
Discontinued operations-current assets	—	3,148
Total current assets	<u>15,154</u>	<u>18,405</u>
Property and equipment, net	1,382	1,849
Right-of-use assets	122	—
Deferred tax asset, net	287	97
Other assets	413	35
Discontinued operations-other assets	—	174
Total assets	<u>\$ 17,358</u>	<u>\$ 20,560</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,311	\$ 2,589
Royalties payable	150	210
Accrued course expenses	576	1,092
Accrued salaries, wages and benefits	459	574
Operating lease liability, current portion	86	—
Other accrued expenses	1,660	1,916
Long-term debt, current portion	500	512
Deferred revenue	46,453	44,167
Discontinued operations	4,499	16,822
Total current liabilities	<u>56,694</u>	<u>67,882</u>
Long-term debt, net of current portion	—	8
Operating lease liability, net of current portion	27	—
Other liabilities	—	1,331
Total liabilities	<u>56,721</u>	<u>69,221</u>
Commitments and contingencies (Note 15)		
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; 23,162,502 and 23,120,852 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	2	2
Additional paid-in capital	11,552	11,470
Cumulative foreign currency translation adjustment	710	1,444
Accumulated deficit	(51,627)	(61,577)
Total stockholders' deficit	<u>(39,363)</u>	<u>(48,661)</u>
Total liabilities and stockholders' deficit	<u>\$ 17,358</u>	<u>\$ 20,560</u>

See Notes to Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share data)

	Years Ended December 31,	
	2019	2018
Revenue	\$ 75,496	\$ 76,169
Operating costs and expenses:		
Direct course expenses	39,854	45,628
Advertising and sales expenses	16,670	19,303
Royalty expenses	3,458	3,350
General and administrative expenses	13,870	16,429
Total operating costs and expenses	73,852	84,710
Income/(loss) from operations	1,644	(8,541)
Other income (expense):		
Interest income/(expense)	(93)	(40)
Other income (expense), net	533	34
Total other income (expense), net	440	(6)
Income/(loss) from continuing operations before income taxes	2,084	(8,547)
Income tax (expense) benefit	1,257	(469)
Net income/(loss) from continuing operations	3,341	(9,016)
Gain on disposal of discontinued operations net assets	8,300	—
Loss from discontinued operations	(1,691)	(940)
Net income/(loss) from discontinued operations	6,609	(940)
Net income/(loss)	\$ 9,950	\$ (9,956)
Basic earnings/(loss) per common share - continuing operations	\$ 0.14	\$ (0.39)
Basic earnings/(loss) per common share - discontinued operations	0.29	(0.04)
Basic earnings/(loss) per common share	\$ 0.43	\$ (0.43)
Diluted earnings/(loss) per common share - continuing operations	\$ 0.14	\$ (0.39)
Diluted earnings/(loss) per common share - discontinued operations	0.28	(0.04)
Diluted earnings/(loss) per common share	\$ 0.42	\$ (0.43)
Basic weighted average common shares outstanding	22,716	23,014
Diluted weighted average common shares outstanding	23,141	23,014
Comprehensive income/(loss):		
Net income/(loss)	\$ 9,950	\$ (9,956)
Foreign currency translation adjustments, net of tax of \$0	(734)	1,889
Total comprehensive income/(loss)	\$ 9,216	\$ (8,067)

See Notes to Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
(In thousands)

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2017	23,008	\$ 2	\$ 11,299	\$ (445)	\$ (51,621)	\$ (40,765)
Share-based compensation expense	—	—	171	—	—	171
Issuance of common stock	120	—	—	—	—	—
Cancellation of common stock	(7)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	1,889	—	1,889
Net Loss	—	—	—	—	(9,956)	(9,956)
Balance at December 31, 2018	23,121	\$ 2	\$ 11,470	\$ 1,444	\$ (61,577)	\$ (48,661)
	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	—	—	82	—	—	82
Issuance of common stock	55	—	—	—	—	—
Cancellation of common stock	(13)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(734)	—	(734)
Net Income	—	—	—	—	9,950	9,950
Balance at December 31, 2019	23,163	\$ 2	\$ 11,552	\$ 710	\$ (51,627)	\$ (39,363)

See Notes to Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ 9,950	\$ (9,956)
Net income/(loss) from discontinued operations	6,609	(940)
Net income/(loss) from continuing operations	3,341	(9,016)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	162	109
Non-cash lease expense	60	—
Gain on the sale of fixed assets	(41)	—
Gain on change in fair value of derivatives	—	(24)
Share-based compensation	82	170
Deferred income taxes	(1,512)	487
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	(29)	698
Prepaid expenses and other receivable	921	2,121
Inventory	8	209
Other assets	(725)	34
Accounts payable-trade	(377)	602
Royalties payable	(61)	23
Accrued course expenses	(530)	(329)
Accrued salaries, wages and benefits	(121)	(801)
Operating lease liability	(61)	—
Other accrued expenses	(2,395)	1,799
Deferred revenue	1,646	2,496
Net cash provided by (used in) operating activities	368	(1,422)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(192)	(488)
Purchase of investment property	—	(331)
Proceeds from sales of property and equipment	165	—
Net cash used in investing activities	(27)	(819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(402)	(11)
Proceeds from issuance of debt	395	500
Net cash (used in) provided by financing activities	(7)	489
Effect of exchange rate differences on cash	367	(77)
Net increase (decrease) in cash and cash equivalents and restricted cash	701	(1,829)
Cash and cash equivalents and restricted cash, beginning of period	\$ 5,527	\$ 7,356
Cash and cash equivalents and restricted cash, end of period	\$ 6,228	\$ 5,527
Supplemental disclosures:		
Cash paid during the period for interest	\$ 96	\$ 40
Cash paid during the period for income taxes, net of refunds received	\$ 15	\$ (924)

See Notes to Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1—Business Description and Basis of Presentation

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 Education™ 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. Our products and services are offered in North America, UK and Other Foreign Markets. 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.

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

Merger. On November 10, 2014, we entered into an Agreement and Plan of Merger dated as of such date (the “Merger Agreement”) by and among (i) PRCD, a Nevada corporation, (ii) Priced In Corp. Subsidiary, a Colorado corporation and a wholly-owned subsidiary of PRCD (“PRCD Sub”), (iii) Tigrent Inc., a Colorado corporation (“TIGE”), and (iv) Legacy Education Alliance Holdings, Inc., a Colorado corporation and a wholly-owned subsidiary of TIGE (“Legacy Holdings”). On November 10, 2014, pursuant to the Merger Agreement, PRCD Sub merged with and into Legacy Holdings (the “Merger”), with Legacy Holdings surviving the Merger and becoming our wholly owned subsidiary and we acquired the business of Legacy Holdings.

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

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

Note 2—Significant Accounting Policies

Going Concern. The accompanying consolidated financial statements and notes have been prepared assuming we will continue as a going concern. For the years ended December 31, 2019 and December 31, 2018, respectively, we had an accumulated deficit and a working capital deficit. 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.

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 December 31, 2019 and 2018, 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 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 consolidated balance sheet.

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

<i>(in thousands)</i>	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 3,839	\$ 1,161
Restricted cash	2,389	4,366
Total cash, cash equivalents, and restricted cash	<u>\$ 6,228</u>	<u>\$ 5,527</u>

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 consolidated balance sheets (including receivables, payables and accrued liabilities) approximate their fair value.

Inventory. Inventory consists primarily of books, videos and training materials held for sale to students enrolled in our training programs. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Property, equipment and Impairment of long-lived assets. Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as presented in the following table:

Building	40 years
Residential rental properties	27.5 years
Furniture, fixtures and equipment	3-7 years
Purchased software	3 years

Residential rental properties generate monthly income from individual tenants. Income from these properties is recognized and included in other income.

Leasehold improvements are amortized over the shorter of the estimated useful asset life or the remaining term of the applicable lease.

In accordance with U.S. GAAP, we evaluate the carrying amount of our long-lived assets such as property and equipment, and finite-lived intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by the comparison of its carrying amount with the future net cash flows the asset is expected to generate. We look primarily to the undiscounted future cash flows in the assessment of whether or not long-lived assets have been impaired. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Other assets include our residential investment property. On January 17, 2020, we sold this property for \$390.6 thousand and recognized a gain of \$33.1 thousand.

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 Topic 606.

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

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires, we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We had deferred revenue of \$46.5 million and \$44.2 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from one to two years as of December 31, 2019 and 2018, respectively. The revenue associated with these performance obligations is recognized as the obligation is satisfied. We did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity as of January 1, 2018, the adoption date.

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Year Ended December 31, 2019				Year Ended December 31, 2018			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)							
Seminars	32,714	2,562	8,346	43,622	32,504	1,910	12,449	46,863
Products	9,404	1,141	3,777	14,322	11,342	918	3,474	15,734
Coaching and Mentoring	5,564	138	4,465	10,167	5,372	219	3,952	9,543
Online and Subscription	2,070	6	351	2,427	1,112	15	16	1,143
Other	4,675	281	2	4,958	2,719	167	—	2,886
Total revenue	54,427	4,128	16,941	75,496	53,049	3,229	19,891	76,169

Deferred course expenses. We defer licensing fees and commissions and fees paid to our speakers and telemarketers until such time as the revenue is earned. Our speakers, who are all independent contractors, earn commissions on the cash receipts received at our training events and are paid approximately 45 days after the training event. The deferred course expenses are expensed as the corresponding deferred revenue is recognized. We also capitalize the commissions and fees paid to our speakers and expense them as the corresponding deferred revenue is recognized.

Advertising expenses. We expense advertising as incurred. Advertising paid in advance is recorded as a prepaid expense until such time as the advertisement is published.

Income taxes. We account for income taxes in conformity with the requirements of ASC 740, *Income Taxes* (“ASC 740”). Per ASC 740, the provision for income taxes is calculated using the asset and liability approach of accounting for income taxes. We recognize deferred tax assets and liabilities, at enacted income tax rates, based on the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. We include any effects of changes in income tax rates or tax laws in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements and prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, a company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position and must assume that the tax position will be examined by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, disclosures and transition.

Foreign currency translation. We account for foreign currency translation in accordance with ASC 830, *Foreign Currency Translation*. The functional currencies of our foreign operations are the reported local currencies. Translation adjustments result from translating our foreign subsidiaries’ financial statements into United States dollars. The balance sheet accounts of our foreign subsidiaries are translated into United States dollars using the exchange rate in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates for each month during the fiscal year. The resulting translation gains or losses are recorded as a component of accumulated other comprehensive income in stockholders’ deficit. Business is generally transacted in a single currency not requiring meaningful currency transaction costs. We do not practice hedging as the risks do not warrant the costs.

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. See Note 7 “*Share-Based Compensation*”, for additional disclosures regarding our share-based compensation.

Comprehensive income. Comprehensive income includes changes to equity accounts that were not the result of transactions with stockholders. Comprehensive income is comprised of net income and other comprehensive income items. Our comprehensive income generally consists of changes in the cumulative foreign currency translation adjustment.

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.

Accounting Standards Adopted in the Current Period

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

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

In February 2016, the FASB issued ASU No 2016-02 "Leases" to increase the transparency and comparability about leases among entities. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2016-02 and these additional ASUs are now codified as Accounting Standards Codification Standard 842 - "Leases" ("ASC 842"). ASC 842 supersedes the lease accounting guidance in Accounting Standards Codification 840 "Leases" ("ASC 840") and requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. We elected to utilize the "package" of three expedients, as defined in ASC 842, which retain the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. Accordingly, previously reported financial information has not been restated to reflect the application of the new standard to the comparative periods presented. As of the date of implementation on January 1, 2019, the impact of the adoption of ASC 842 resulted in the recognition of a right-of-use asset and operating lease liability on our Consolidated Balance Sheet of approximately \$0.4 million. As the right of use asset and the lease payable obligation were the same upon adoption of ASC 842, there was no cumulative effect impact on our retained earnings. See Note 16 "Leases", to our consolidated financial statements for further discussion.

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

Note 3—Concentration Risk

Cash and Cash Equivalents

We maintain deposits in banks which may 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 December 31, 2019 and 2018, including foreign subsidiaries, without FDIC coverage was \$2.5 million and \$1.1 million, respectively.

Revenue

A significant portion of our revenue was derived from the Rich Dad brands. For the years ended December 31, 2019 and 2018, Rich Dad brands provided 84.6% and 88.0%, respectively, of our revenue. In addition, we have operations in North America, United Kingdom and Other foreign markets (See Note 14 "Segment Information").

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC ("RDOC"), indicating that RDOC did not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the "License Agreement") by and between us and RDOC. The term of the License Agreement 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 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. We are considering our alternatives for future operations in the United Kingdom and is continuing to conduct business outside the United States through its other foreign subsidiaries in Canada, Hong Kong, Australia, and South Africa. The impact of this transaction is reflected as a discontinued operation in the consolidated financial statements.

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

<i>(in thousands)</i>	As of December 31,	
	2019	2018
Major classes of assets		
Cash and cash equivalents	\$ —	\$ 396
Restricted cash	—	714
Deferred course expenses	—	1,859
Prepaid expenses and other current assets	—	145
Inventory	—	34
Discontinued operations-current assets	—	3,148
Property and equipment, net	—	31
Other assets	—	143
Discontinued operations-other assets	—	174
Total major classes of assets - discontinued operations	\$ —	\$ 3,322
Major classes of liabilities		
Accounts payable	3,408	2,373
Accrued course expenses	472	391
Accrued salaries, wages and benefits	—	174
Other accrued expenses	619	698
Deferred revenue, current portion	—	13,186
Total major classes of liabilities - discontinued operations	\$ 4,499	\$ 16,822

The financial results of the discontinued operations are as follows:

<i>(in thousands)</i>	Years Ended December 31,	
	2019	2018
Revenue	\$ 14,315	\$ 17,240
Total operating costs and expenses	15,647	17,778
Loss from discontinued operations	(1,332)	(538)
Other income (expense), net	(359)	(402)
Gain on disposal of discontinued operations	8,300	—
Net gain (loss) from discontinued operations	\$ 6,609	\$ (940)

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

	Years Ended December 31,	
	2019	2018
Net cash used in operating activities	(350)	(284)
Net cash used in investing activities	(8)	(39)
Net cash provided by (used in) financing activities	—	—
Effect of exchange rate differences on cash	(752)	(115)
Net decrease in cash and cash equivalents and restricted cash	\$ (1,110)	\$ (438)

Note 5—Property and Equipment

Property and equipment consists of the following (in thousands):

	As of December 31,	
	2019	2018
Land	\$ 782	\$ 782
Building and residential rental properties	1,168	1,549
Software	2,607	2,606
Equipment	1,697	1,833
Furniture and fixtures	305	307
Building and leasehold improvements	1,241	1,243
Property and equipment	7,800	8,320
Less: accumulated depreciation	(6,418)	(6,471)
Property and equipment, net	\$ 1,382	\$ 1,849

Depreciation expense on property and equipment in each of the years ended December 31, 2019 and 2018 was approximately \$0.1 million.

Note 6—Short-Term and Long-Term Debt

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

Long-term debt consists of the following (in thousands):

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

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

2020	\$ 500
Total debt	\$ 500

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. 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 matures on March 13, 2020. Currently, we are negotiating a 60-day extension with the lender.

On January 21, 2019, we entered into a six-month Bridging Loan Agreement pursuant to which we borrowed the principal amount of £300 thousand (British Pounds) from D.J. Fatica Asset Management Ltd. The loan bears interest at a fixed rate of 12% per annum. The loan is secured by property owned by LEAI Properties UK Ltd. On July 15, 2019, we paid the loan off in full.

Note 7—Share-Based Compensation

The 2015 Incentive Plan, our equity plan, was approved by the stockholders at our annual meeting of stockholders on July 16, 2015. The 2015 Incentive Plan reserves 5,000,000 shares of our Common Stock for stock options, restricted stock, and a variety of other types of equity awards. We believe that long-term incentive compensation programs align the interests of management, employees and the stockholders to create long-term stockholder value. We believe that equity-based incentive compensation plans, such as the Incentive Plan, increase our ability to achieve this objective, and, by allowing for several different forms of long-term equity based incentive awards, help us to recruit, reward, motivate and retain talented employees and other service providers. The text of the 2015 Incentive Plan is included in the attachment marked as Appendix B to our Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 16, 2015.

During the year ended December 31, 2019, pursuant to the 2015 Incentive Plan, we awarded 34,650 shares of restricted stock to members of the Board of Directors, which are subject to a two-year cliff vesting. The grant date price per share was \$0.20 for a total grant date fair value of \$7.0 thousand. We also granted 20,000 shares of restricted stock to Senior Management, which were fully vested at a grant date. The grant date price per share was \$0.18 for a total grant date fair value of \$3.6 thousand.

During the year ended December 31, 2018, pursuant to the 2015 Incentive Plan, we awarded 120,000 shares of restricted stock to members of the Board of Directors, which are subject to a two-year cliff vesting. The grant date price per share was \$0.22 for a total grant date fair value of \$0.03 million.

The following table reflects the activity of the restricted shares:

Restricted Stock Activity (in thousands)	Number of shares	Weighted average grant date value
Unvested at December 31, 2017	1,424	\$ 0.21
Granted	120	0.22
Forfeited	(7)	0.40
Vested	(668)	0.40
Unvested at December 31, 2018	869	\$ 0.04
Granted	55	0.19
Forfeited	(13)	0.54
Vested	(455)	0.36
Unvested at December 31, 2019	456	\$ 0.25

Compensation Expense and Related Valuation Techniques

We account for share-based awards under the provisions of ASC 718, “Share-Based Payment,” which established the accounting for share-based awards exchanged for employee services. 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. Unrecognized compensation expense associated with unvested share-based awards, consisting entirely of unvested restricted stock, was \$21,421 and \$106,489 at December 31, 2019 and 2018, respectively. This cost is expected to be recognized over a weighted-average period of 0.5 years.

Our stock-based compensation expense was approximately \$0.1 million and 0.2 million in the years ended December 31, 2019 and 2018, respectively, and is included in general and administrative expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). There were no related income tax effects in either year.

Note 8—Employee Benefit Plan

We have a 401(k) employee savings plan for eligible employees that provides for a matching contribution from us, determined each year at our discretion. We provided for a matching contribution of \$0.2 million and \$0.2 million during the years ended December 31, 2019 and 2018, respectively.

Note 9—Income Taxes

We recognize deferred tax assets and liabilities, at enacted income tax rates, based on the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. We include any effects of changes in income tax rates or tax laws in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset.

We have retained full valuation allowances of \$4.7 million and \$6.9 million against the deferred tax assets of our United States, Australian, Canadian, U.K. (excluding Elite Legacy Education UK), Hong Kong, and South Africa subsidiaries as of December 31, 2019 and December 31, 2018, respectively. The most significant negative factor that was considered in determining whether a valuation allowance was required is a cumulative recent history of losses in all jurisdictions for the entities mentioned above.

As of December 31, 2019 and 2018, the valuation allowance against the U.S. deferred taxes was \$1.8 million and \$1.9 million, respectively. We assessed the weight of all available positive and negative evidence and determined it was not more likely than not that future earnings will be sufficient to realize the deferred tax assets in the U.S.

As of December 31, 2019, and 2018, we had approximately \$4.8 million and \$8.4 million of federal net operating loss carryforwards, approximately \$19.7 million and \$25.0 million of foreign net operating loss carryforwards, respectively, and approximately \$8.9 million and \$14.3 million of state net operating loss carryforwards, respectively. The foreign loss carryforwards begin to expire in 2027 and the state net operating loss carryforwards begin to expire in 2024.

Our sources of income (loss) and income tax provision (benefit) are as follows (in thousands):

	Years ended December 31,	
	2019	2018
Income/(loss) from continuing operations before income taxes:		
U.S.	\$ 4,271	\$ (5,369)
Non-U.S.	(2,187)	(3,178)
Total income/(loss) from continuing operations before income taxes:	<u>\$ 2,084</u>	<u>\$ (8,547)</u>
Provision (benefit) for taxes:		
Current:		
Federal	\$ 143	\$ (56)
State	38	38
Non-U.S.	83	—
Total current	<u>264</u>	<u>(18)</u>
Deferred:		
Federal	—	584
State	—	—
Non-U.S.	(190)	(97)
Total deferred	<u>(190)</u>	<u>487</u>
Noncurrent		
Federal	(1,331)	—
State	—	—
Non-U.S.	—	—
Total noncurrent	<u>(1,331)</u>	<u>—</u>
Total income tax expense (benefit)	<u>\$ (1,257)</u>	<u>\$ 469</u>
Effective income tax rate	<u>(60.3)%</u>	<u>(5.5)%</u>

During the year ended December 31, 2019, we decreased the valuation allowance by \$0.6 million. During the year ended December 31, 2018, we increased the valuation allowance by \$2.2 million.

The difference between the tax provision at the statutory federal income tax rate and the tax provision attributable to income (loss) from continuing operations before income taxes is as follows (in thousands):

	Years ended December 31,	
	2019	2018
Computed expected federal tax benefit (expense)	\$ 438	\$ (1,992)
(Decrease) Increase in valuation allowance	(546)	2,215
State income net of federal benefit	242	39
Non-U.S. income taxed at different rates	(62)	16
Unrecognized tax benefits	(1,331)	(16)
Foreign exchange adjustment	—	361
Foreign tax rate adjustment	—	1
Impact of change in enacted rates	—	1
Other	2	(156)
Income tax benefit (expense)	<u>\$ (1,257)</u>	<u>\$ 469</u>

We recorded income tax benefit of \$1.3 million and income tax expense of \$0.5 million for the years ended December 31, 2019 and 2018, respectively, a \$1.8 million decrease in income tax expense.

Our effective tax rate was (60.3)% and (5.5)% for the year ended December 31, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21%, for the same periods, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions.

Deferred income tax assets and liabilities reflect the net tax effects of (i) temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes and (ii) operating loss carryforwards. The tax effects of significant components of our deferred tax assets and liabilities are as follows (in thousands):

	As of December 31,	
	2019	2018
Deferred tax assets:		
Net operating losses	\$ 5,688	\$ 7,543
Accrued compensation, bonuses, severance	121	19
Allowance for bad debt	—	9
Impaired assets	—	240
Deferred revenue	—	—
Depreciation	269	30
Charitable Contribution Carryover	—	2
Tax credits	—	118
Valuation allowance	(4,736)	(6,870)
Total deferred tax assets	\$ 1,342	\$ 1,091
Deferred tax liabilities:		
Deferred course expenses	\$ (1,055)	\$ (994)
Total deferred tax liabilities	(1,055)	(994)
Net deferred tax asset	\$ 287	\$ 97

Deferred tax expense related to the foreign currency translation adjustment for the years ended December 31, 2019 and 2018 was \$0 million and \$0.4 million, respectively, and was fully offset by a corresponding change in the valuation allowance. The deferred tax assets presented above for net operating losses and credits have been reduced by liabilities for unrecognized tax benefits.

We do not expect to repatriate earnings from its foreign subsidiaries because the cumulative earnings and profits of the foreign subsidiaries as of December 31, 2019 and 2018 are negative. Accordingly, no U.S. federal or state income taxes have been provided thereon.

The liability pertaining to uncertain tax positions was \$0.3 million and \$1.6 million at December 31, 2019 and 2018, respectively. In accordance with GAAP, we recorded expense that increased the total liability pertaining to uncertain tax positions which was more than offset by a decrease in the total liability attributable to foreign currency fluctuations and tax rate adjustments. A significant portion of the liability pertaining to uncertain tax positions is recorded as a reduction of the value of net operating loss carryovers.

We include interest and penalties in the liability for uncertain tax positions. Accrued interest and penalties on uncertain tax positions were approximately \$0.04 million at December 31, 2019 and 2018, for each year, and is included in other liabilities in the accompanying Consolidated Balance Sheets. If applicable, we recognize interest and penalties related to uncertain tax positions as tax expense.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	As of December 31,	
	2019	2018
Unrecognized tax benefits - January 1	\$ 1,640	\$ 1,657
Gross increases - tax positions in prior period	—	2
Gross decreases - tax positions in prior period	(1,331)	(19)
Unrecognized tax benefits - December 31	<u>\$ 309</u>	<u>\$ 1,640</u>

The total liability for unrecognized tax benefits at December 31, 2019 and 2018, is netted against deferred tax assets related to net operating loss carryforwards in the Consolidated Balance Sheets. The total liability for unrecognized tax benefits at December 31, 2019 and 2018, are as follows:

	As of December 31,	
	2019	2018
Reduction of net operating loss carryforwards	\$ 309	\$ 309
Reduction of tax credit carryforwards	—	—
Total reductions of deferred tax assets	<u>309</u>	<u>309</u>
Noncurrent tax liability (reflected in Other long-term liabilities)	—	1,331
Total liability for unrecognized tax benefits	<u>\$ 309</u>	<u>\$ 1,640</u>

We do not expect any significant changes to unrecognized tax benefits in the next year. We estimate \$0.3 million and \$1.6 million, of the unrecognized tax benefits, if recognized, would impact the effective tax rate at December 31, 2019 and 2018, respectively.

Our federal income tax returns for the years subsequent to 2016 are subject to examination by the Internal Revenue Service. Our state tax returns for all years after 2016 or 2015, 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 2012 are subject to examination.

Note 10—Certain Relationships and Related Transactions

Licensing Agreements with the T&B Seminars, Inc

On December 23, 2019, we entered into an agreement with T&B Seminars Inc. to develop and operate a seminar style education business (subsequently branded *Homemade Investor by Tarek El Moussa*) (“Development Agreement”) that will use, among other things, the names, images, and likenesses of Tarek El Moussa to market and sell customers real estate investing oriented education products. T&B granted us a sole and exclusive worldwide license to certain intellectual property, including, certain trademarks and copyrights and the name, image and likeness of Tarek El Moussa, in each case to the extent necessary for us to develop and create educational materials and promote and conduct a branded real estate seminar style education business.

As consideration for the licensed rights under the Development Agreement, Holdings agreed to pay T&B base royalty percentages on cash sales of products to persons responding to a branded marketing campaign that uses the licensed intellectual property. Also, as consideration for Tarek El Moussa providing certain marketing support, Holdings agreed to pay T&B marketing royalty percentages on cash sales of products at live events and at online webinars to persons responding to a branded marketing campaign that uses the licensed intellectual property. Furthermore, as consideration for the exclusivity of the rights under the Development Agreement, commencing on the seventh month of the term of the Development Agreement, Holdings agreed that the monthly royalties paid to T&B will not be less than an agreed to amount.

The Development Agreement has an initial term of five years and will automatically renew thereafter for successive five-year terms unless either party provides prior written notice of termination no less than 90 days prior to the end of such five-year term.

Licensing Agreements with the Rich Dad Parties

Our business relied primarily on our license of the Rich Dad brand and related marks and intellectual property. The following transactions summarize our license to use the Rich Dad trademarks, trade names and other business information worldwide (the “Rich Dad Intellectual Property Rights”):

Effective September 1, 2013, we entered into licensing and related agreements with Rich Dad Operating Company, LLC (“RDOC”) (collectively, the “2013 License Agreement”) that replaced the 2010 License Agreement. Compared to the 2010 License Agreement, the 2013 License Agreement broadened the field of use to include real estate investing, business strategies, stock market investment techniques, stock/paper assets, cash management, asset protection, entrepreneurship and other financially-oriented subjects. The 2013 License Agreement also (i) reduced the royalty rate payable to RDOC compared to the 2010 Rich Dad License Agreement; (ii) broadened the Company’s exclusivity rights to include education seminars delivered in any medium; (iii) eliminated the cash collateral requirements and related financial covenants contained in the 2010 License Agreement; (iv) continues our right to pay royalties via a promissory note that is convertible to preferred shares upon the occurrence of a Change in Control (as defined in the 2013 License Agreement); (v) eliminated approximately \$1.6 million in debt from our consolidated balance sheet as a result of debt forgiveness provided for in the agreement terminating the 2010 License Agreement; and (vi) converted another approximately \$4.6 million in debt to 1,549,882 shares of our Common Stock. Either party may terminate the 2013 License Agreement upon certain circumstances, including and uncured breach by the non-terminating party.

On April 22, 2014, we entered into an agreement with RDOC (the “2014 Amendment”) to, among other things, amend the 2013 License Agreement to halve the royalty payable by us to RDOC to 2.5% for the whole of 2014, (ii) cancel approximately \$1.3 million in debt owed by us to RDOC, (iii) reimburse us for certain legal expenses, and (iv) cancel RDOC’s right to appoint one member of our Board of Directors.

The 2013 License Agreement and the GEO Settlement Agreement were assigned to our wholly-owned subsidiary, Legacy Education Alliance Holdings, Inc. on September 10, 2014.

On January 25, 2018, we entered into a Second Amendment with RDOC (the “Second Amendment”) that amends certain terms of the 2013 License Agreement and extends the term of the 2013 License Agreement to September 1, 2019. In addition, the Company and two of its officers, and RDOC and certain individuals affiliated with RDOC entered into a Mutual Waiver and Release of Claims. (See the Form 8-K filed on January 29, 2018 for further discussion.)

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC (“RDOC”), indicating that RDOC does not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the “License Agreement”) by and between the Company and RDOC. The term of the License Agreement 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.

We entered into a Talent Endorsement Agreement with an effective date of January 1, 2015 with Robbie Fowler that supplements an earlier November 2, 2012 Agreement and a Talent Endorsement Agreement with an effective date of January 1, 2013, both with Mr. Fowler (collectively, the “Fowler License Agreement”). The Fowler License Agreement grants us the exclusive right to use Robbie Fowler’s name, image, and likeness in connection with the advertisement, promotion, and sale in the United Kingdom of a property training course developed by us. The Fowler License Agreement was scheduled to expire by its terms on January 1, 2020. Under the Fowler License Agreement, we pay Mr. Fowler a royalty on revenues realized from the sale of Robbie Fowler-branded property courses and affiliated products, after deductions for value added taxes, returns and refunds.

In 2009, we entered into a Talent Endorsement Agreement with Martin Roberts that grants us the exclusive right to use Martin Roberts’ name, image, and likeness, as well as the rights to use the name of Mr. Roberts’s published book entitled “Making Money From Property,” in connection with the advertisement, promotion, and sale in the United Kingdom of a property training course developed by us. We entered into a subsequent Talent Endorsement Agreement with an effective date of April 20th, (the “Supplemental Agreement”) that grants us the non-exclusive right to use Martin Roberts’ name, image and likeness, as well as the rights to use the name of Mr. Roberts’ published book entitled “Making Money From Property”, in connection with the advertisement, promotion, and sale of educational training, products and materials related to real estate, securities and options trading and investment, as well as, general wealth building and investing strategies, principles and motivation. The term of the license granted under the Supplemental Agreement is for an initial six months period expiring on October 20, 2017 and will continue thereafter unless (i) terminated by one party upon the event of certain specified defaults of the party, or (ii) by either party without cause upon thirty (30) days prior written notice to the other party. Under the Supplemental Agreement with Mr. Roberts, we pay Mr. Roberts a royalty on revenues realized from the sale of Robbie Fowler-branded property courses and affiliated products that are collected within thirty (30) days after a Company-sponsored Martin Roberts-branded event, after deductions for value added taxes, banking charges, returns, refunds, and third party commissions. For sales to clients introduced to us directly by Mr. Roberts and his associated websites as well as other marketing and promotional activities Mr. Roberts or his associated companies may wish to undertake from time to time that are not part of a Company sponsored event and which result in the sale of ours basic training her marketing and promotional activities, Mr. Roberts is entitled to 50% of gross revenue from such sales of directly introduced clients.

As of November 26, 2019, along with the sale of Legacy UK, the agreements with Robbie Fowler and Martin Roberts have been transferred to Mayflower Alliance LTD.

Note 11—Capital Stock

Share Capital

Our authorized share capital consists of 200,000,000 shares of Common Stock, par value \$0.0001 per share, and 20,000,000 shares of preferred stock, par value \$0.0001 per share.

Common Stock

As of December 31, 2019, 23,162,502 shares of our Common Stock were outstanding. The outstanding shares of our Common Stock are validly issued, fully paid and non-assessable.

Holders of Common Stock are entitled to one vote for each share on all matters submitted to a stockholder vote. Holders of Common Stock do not have cumulative voting rights. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. The vote of the stockholders of a majority of the stock having voting power present in person or represented by proxy shall be sufficient to decide any questions brought before such meeting, other than the election of directors, unless the question is one upon which by express provision of the statutes or of the Articles of Incorporation, a different vote is required in which case such express provisions shall govern and control the decision of such question. Holders of Common Stock representing ten percent (10%) of our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of stockholders.

Holders of our Common Stock are entitled to share in all dividends that our Board of Directors, in its discretion, declares from legally available funds. In the event of a liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the Common Stock. The Common Stock has no pre-emptive, subscription or conversion rights and there are no redemption provisions applicable to the Common Stock.

In addition, our authorized but unissued common shares could be used by our Board of Directors for defensive purposes against a hostile takeover attempt, including (by way of example) the private placement of shares or the granting of options to purchase shares to persons or entities sympathetic to, or contractually bound to support, management. We have no such present arrangement or understanding with any person. However, our Common Stock have been reserved for issuance upon exercise of stock purchase rights designed to deter hostile takeovers, commonly known as a “poison pill.”

On February 15, 2017, we adopted a limited duration Shareholder Rights Plan (the “Plan”). Under the Plan, one preferred stock purchase right will be distributed for each share of common stock held by stockholders of record on March 2, 2017. The rights will trade with the common stock and will not be separable or exercisable until such time as the Plan is triggered. The Plan was scheduled to expire on February 15, 2019, subject to our right to extend such date, unless we redeemed or exchanged earlier or terminated.

On November 12, 2018, the Board of Directors of Legacy Education Alliance, Inc. (the “Company”) approved an amendment (the “Amendment”) to the Rights Agreement dated as of February 16, 2017 by and between us and VStock Transfer LLC (VStock), as Rights Agent (the “Rights Agreement”), to (i) extend the Final Expiration Date, as defined in the Rights Agreement, to the close of business on February 15, 2021, and (ii) to provide for the construction of the Rights Agreement and all other related documents in a manner consistent with the extension of the Final Expiration Date.

The extension of the Final Expiration Date under the Rights Agreement was entered into to ensure that the Board of Directors would continue to have sufficient time to consider any proposal from a third party that might result in a change in control of our Company, to ensure that all stockholders receive fair and equal treatment in the event of any such a proposal, and to encourage any potential acquirer to negotiate with the Board of Directors. In addition, extending the Rights Agreement will guard against partial tender offers, open market accumulations and other coercive tactics aimed at gaining control of our Company without paying all stockholders a full control premium for their shares. The Rights Agreement was not amended in response to any specific takeover offer.

On November 25, 2019, we entered into an assumption agreement with Broadridge Corporate Issuer Solutions, Inc. (Broadridge), whereby Broadridge assumes the role of Rights Agent under the Rights Agreement, effectively replacing VStock as Rights Agent.

Preferred Stock

As of December 31, 2019 and 2018, no shares of our preferred stock were outstanding.

Our authorized preferred stock is “blank check” preferred. Accordingly, subject to limitations prescribed by law, our Board is expressly authorized, at its discretion, to adopt resolutions to issue shares of preferred stock of any class or series, to fix the number of shares of any class or series of preferred stock and to change the number of shares constituting any series and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether the dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any series of the preferred stock, in each case without any further action or vote by our stockholders.

Note 12—Earnings Per Share (“EPS”)

Basic EPS is computed by dividing net income 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.

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 424,531 and 843,095 for the years ended December 31, 2019 and 2018, respectively. Weighted average unvested restricted stock awards outstanding as of December 31, 2018 were not included in the computation of our diluted EPS, as inclusion would have been anti-dilutive, however for the year ended December 31, 2019, they were included as they would have been dilutive.

The calculations of basic and diluted EPS are as follows:

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Net Income from continuing operations	Weighted Average Shares Outstanding	Earnings Per Share	Net Loss from continuing operations	Weighted Average Shares Outstanding	Loss Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ 3,341	23,141		\$ (9,016)	23,014	
Amounts allocated to unvested restricted shares	(61)	(425)		—	—	
Amounts available to common stockholders	\$ 3,280	22,716	\$ 0.14	\$ (9,016)	23,014	\$ (0.39)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	61	425		—	—	
Amounts reallocated to unvested restricted shares	(63)	—		—	—	
Amounts available to stockholders	\$ 3,278	23,141	\$ 0.14	\$ (9,016)	23,014	\$ (0.39)

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Net Income from discontinued operations	Weighted Average Shares Outstanding	Earnings Per Share	Net loss from discontinued operations	Weighted Average Shares Outstanding	Loss Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ 6,609	23,141		\$ (940)	23,014	
Amounts allocated to unvested restricted shares	(121)	(425)		—	—	
Amounts available to common stockholders	\$ 6,488	22,716	\$ 0.29	\$ (940)	23,014	\$ (0.04)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	121	425		—	—	
Amounts reallocated to unvested restricted shares	(124)	—		—	—	
Amounts available to stockholders	\$ 6,485	23,141	\$ 0.28	\$ (940)	23,014	\$ (0.04)

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Net Income	Weighted Average Shares Outstanding	Earnings Per Share	Net Loss	Weighted Average Shares Outstanding	Loss Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ 9,950	23,141		\$ (9,956)	23,014	
Amounts allocated to unvested restricted shares	(183)	(425)		—	—	
Amounts available to common stockholders	\$ 9,767	22,716	\$ 0.43	\$ (9,956)	23,014	\$ (0.43)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	183	425		—	—	
Amounts reallocated to unvested restricted shares	(186)	—		—	—	
Amounts available to stockholders	\$ 9,764	23,141	\$ 0.42	\$ (9,956)	23,014	\$ (0.43)

Note 13—Fair Value Measurements

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

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

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

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

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

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

Note 14—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	Years Ended December 31,	
	2019	2018
North America	72.1%	69.6%
U.K.	5.5%	4.2%
Other foreign markets	22.4%	26.2%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2019	2018
	(In thousands)	
North America	\$ 54,427	\$ 53,049
U.K.	4,128	3,229
Other foreign markets	16,941	19,891
Total consolidated revenue	\$ 75,496	\$ 76,169

	Years Ended December 31,	
	2019	2018
Segment gross profit contribution *	(In thousands)	
North America	\$ 12,273	\$ 6,157
U.K.	997	883
Other foreign markets	2,244	848
Total consolidated gross profit	\$ 15,514	\$ 7,888

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

	Years Ended December 31,	
	2019	2018
Depreciation and amortization expenses	(In thousands)	
North America	\$ 137	\$ 103
U.K.	20	—
Other foreign markets	5	6
Total consolidated depreciation and amortization expenses	\$ 162	\$ 109

	December 31,	December 31,
	2019	2018
Segment identifiable assets	(In thousands)	
North America	\$ 9,937	\$ 11,566
U.K.	4,135	1,634
Other foreign markets	3,286	4,038
Total consolidated identifiable assets	\$ 17,358	\$ 17,238

Our long-lived assets in the U.S. were approximately \$1.0 million and \$1.1 million for the years ended December 31, 2019 and 2018, respectively, and our international long-lived assets were approximately \$0.4 million and \$0.7 million, respectively, for the same periods.

Note 15—Commitments and Contingencies

Licensing agreements.

On January 25, 2018, we entered into a Material Definitive Agreement that resulted in a Second Amendment with RDOC (the “Second Amendment”) that amends certain terms of the 2013 License Agreement and extends the term of the 2013 License Agreement to September 1, 2019. In addition, the Company and two of its officers, and RDOC and certain individuals affiliated with RDOC entered into a Mutual Waiver and Release of Claims. The Second Agreement concluded on September 30, 2019.

Under the terms of the Second Amendment, the Company has been granted a worldwide license to use certain intellectual property of RDOC to develop, market, sell, and conduct Rich Dad Education branded educational products and services in real estate investing, business strategies, stock market investment techniques, stock/paper assets, cash management, asset protection, and other financially oriented subjects in any form of communication or media, in exchange for which the Company agreed to pay a monthly royalty to RDOC.

Under the terms of the Mutual Release, the Company and two of its directors, Anthony Humpage and James E. May, on the one hand, and RDOC and two of its officers, Mike Sullivan and Shane Caniglia, as well as Robert Kiyosaki and Kim Kiyosaki, on the other, exchanged mutual releases of claims that any of them had or might have had with respect to matters in existence prior to the execution of the Mutual Release.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including Rich Dad, Robbie Fowler and Martin Roberts. Total royalty expenses included in our Consolidated Statement of Operations and Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018 were \$3.4 million and \$3.4 million, respectively.

Purchase commitments. From time to time, the Company enters into non-cancellable commitments to purchase professional services, Information Technology licenses and support, and training courses in future periods. There were no purchase commitments made by the Company at December 31, 2019 and 2018, respectively.

Custodial and Counterparty Risk. The Company is subject to custodial and other potential forms of counterparty risk in respect of a variety of contractual and operational matters. In the course of ongoing company-wide risk assessment, management monitors the Company 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 December 31, 2019 and 2018 were \$2.3 million and \$5.0 million, respectively. These balances are included on the Consolidated Balance Sheets in restricted cash in 2019 and 2018.

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 December 31, 2019 and 2018, we did not have a CDAR balance.

Litigation.

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

Elite Legacy Education, Inc. v. NetSuite, Inc., Oracle Corporation and Oracle America, Inc. On August 17, 2018, we submitted a demand for arbitration against Respondents NetSuite, Inc., Oracle Corporation, and Oracle America, Inc. (collectively, “Oracle/NetSuite”) to JAMS in San Francisco, California for declaratory relief, breach of contract, breach of the covenant of good faith and fair dealing, conversion, and unjust enrichment to address the deficient performance and subsequent unwarranted and malicious threats to suspend performance altogether from Respondents Oracle/NetSuite arising out of the Company’s new ERP/CRM system. In May 2019, we entered into a settlement agreement under which Oracle/NetSuite gave us \$0.1 million in the form of accounts payable credit, concluding the litigation in its entirety. We recognized the settlement in May 2019.

Tigrent Group Inc. v. Process America, Inc. (“PA”). Case No 1:12-cv-01314-RLM, filed March 16, 2012 in the U.S. District Court for the Eastern District of New York. In this case we sought the return of the \$8.3 million credit card merchant reserve account deposit held by Process America Inc., a so-called “Independent Sales Organization” that places merchants with credit card processors. On November 12, 2012, PA filed for bankruptcy protection in the U.S. Bankruptcy Court for the Central District of California (“Bankruptcy Court.”) On December 3, 2012, the Bankruptcy Court obtained jurisdiction of our dispute with PA. On June 21, 2013, the Tigrent Group filed its proof of claim with Bankruptcy Court in the amount of \$8.3 million. In July 2019, we received a cash payment from PA in the amount of \$0.4 million, as a distribution. This amount was recognized and reported as other income in the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2019.

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. 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 Unfair and Deceptive Business Practices Act against Tigrent, 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 July 8, 2019, the Court Denied the defendants’ Motions to Dismiss. 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. Further details regarding the resolution of 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.

Note 16 - 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.

Lease Position as of December 31, 2019

The table below presents the lease related assets and liabilities recorded on the Consolidated Balance Sheet as of December 31, 2019:

<i>(in thousands)</i>	Classification on the Balance Sheet	December 31, 2019
Assets		
Operating lease assets	Operating lease right-of-use assets	\$ 122
	Total lease assets	<u>\$ 122</u>
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	<u>\$ 113</u>

Lease cost for the year ended December 31, 2019

The table below presents the lease related costs recorded on the Consolidated Statement of Operation and Comprehensive Income (Loss) for the year ended December 31, 2019:

<i>(in thousands)</i>		Year Ended December 31, 2019
Lease cost	Classification	
Operating lease cost	General and administrative expenses	\$ 60
	Total lease cost	<u>\$ 60</u>

Other Information

The table below presents supplemental cash flow information related to leases for the year ended December 31, 2019:

<i>(in thousands)</i>	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 61
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets	<u>\$ 176</u>

As a result of the sale of Legacy UK, the leases classified as right-of-use assets and as lease liabilities in the amount of \$2.2 million, were written off to discontinued operations. See Note 4 “Discontinued Operations”.

Currently, we are in the process of early-cancellation of the Causeway Bay, Hong Kong lease. The early cancellation may include additional fees.

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 our operating leases as of December 31, 2019:

	Year Ended December 31, 2019
Weighted average remaining lease term - operating leases	1.67 years
Weighted average discount rate - operating leases	12.00%

Undiscounted Cash Flows

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

Amounts due within twelve months of December 31,	Operating Leases (in thousands)
2020	\$ 96
2021	27
2022	9
Total minimum lease payments	132
Less: effect of discounting	(19)
Present value of future minimum lease payments	113
Less: current obligations under leases	(86)
Long-term lease obligations	<u>\$ 27</u>

There are no lease arrangements where we are the lessor.

Note 17—Subsequent Events

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 coronavirus outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we have ceased conducting live sales and fulfillment events for an undetermined period of time, which we expect will have a materially adverse impact on results of our operations.

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 against one of our UK subsidiaries, Elite Legacy Education UK Ltd. (“ELE UK”), by one its creditors. The Petition seeks an order from the Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. A hearing on the Petition has been set for June 24, 2020. Because there are a number of intercompany relationships between the Company and ELE UK, the economic effect of such an order, if granted, is unknown at this time.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure 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 December 31, 2019, 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.

(b) Management's Annual Report on Internal Control over Financial Reporting

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

- Financial Reporting Systems: 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 Annual 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 Annual Report.

(c) Changes in Internal Control over Financial Reporting

There has been no changes in our internal controls over financial reporting during the three months ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information in response to this item is incorporated by reference to our Proxy Statement relating to our 2020 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this item is incorporated by reference to our Proxy Statement relating to our 2020 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information in response to this item is incorporated by reference to our Proxy Statement relating to our 2020 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information in response to this item is incorporated by reference to our Proxy Statement relating to our 2020 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information in response to this item is incorporated by reference to our Proxy Statement relating to our 2020 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Title	Method of filing
2.1	<u>Agreement and Plan of Merger, dated as of November 10, 2014, by and among Priced In Corp., Priced in Corp. Subsidiary, Tigrent Inc. and Legacy Education Alliance Holdings, Inc.</u>	Incorporated by reference to Exhibit 2.1 in the Company's Form 8-K filed with the SEC on November 10, 2014.
3.1	<u>Second Amended and Restated Articles of Incorporation of the Registrant</u>	Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on November 10, 2014.
3.2	<u>Certificate of Designation of Registrant</u>	Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on February 17, 2017.
3.3	<u>Bylaws of the Registrant</u>	Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on November 10, 2014.
3.4	<u>Amendment to Bylaws of Registrant</u>	Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on February 17, 2017.
3.5	<u>Amendment to Bylaws of the Registrant</u>	Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on January 12, 2018.
4.1	<u>Rights Agreement dated as of February 16, 2017, between Legacy Education Alliance, Inc. and VStock Transfer, LLC, which includes the Form of Certificate of Designation of Series A Junior Participating Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Stock as Exhibit C.</u>	Incorporated by reference to Exhibit 4.1 in the Company's Form 8-K filed with the SEC on February 17, 2017.
4.2	<u>Amendment to Rights Agreement dated as of November 12, 2018, between Legacy Education Alliance, Inc. and VStock Transfer, LLC</u>	Incorporated by reference to Exhibit 4.1 in the Company's Form 8-K filed with the SEC on November 16, 2018.
4.3	<u>Assumption Agreement dated November 25, 2019, between Legacy Education Alliance, Inc. and Broadridge Corporate Issuer Solutions, Inc.</u>	Incorporated by reference to Exhibit 4.2 in the Company's Form 10-K filed with the SEC on April 15, 2019.
4.4	<u>Description of Registered Securities</u>	Incorporated by reference to the Company's Form S-1/A filed with the SEC on March 25, 2013.
10.1	<u>Bill of Sale, Assignment and Assumption Agreement dated as of September 10, 2014, by and between Tigrent Inc. and Legacy Education Alliance Holdings, Inc.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on November 10, 2014.
10.2	<u>Form of Indemnification Agreement</u>	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on November 10, 2014.
10.3	<u>Separation Agreement dated April 18, 2019, by and between Legacy Education Alliance, Inc., and Anthony C. Humpage</u>	Incorporated by reference to the Company's Form 8-K filed with the SEC on April 22, 2019.
10.4	<u>Separation Agreement dated June 14, 2019, by and between Legacy Education Alliance, Inc., and Christian A. Baeza</u>	Incorporated by reference to the Company's Form 8-K filed with the SEC on June 18, 2019.
10.5	<u>Employment Agreement, dated September 1, 2017, by and between Legacy Education Alliance, Inc., and James E. May.</u>	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on September 6, 2017.
10.6	<u>Employment Agreement, dated October 18, 2017, by and between Legacy Education Alliance, Inc., and Iain Edwards.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on October 20, 2017.
10.7	<u>Royalty Payment Agreement dated March 15, 2013⁽¹⁾</u>	Incorporated by reference to Exhibit 10.5 in the Company's Form 8-K/A filed with the SEC on February 11, 2015.
10.8	<u>License Agreement with Rich Dad Operating Company, LLC, dated September 1, 2013⁽¹⁾</u>	Incorporated by reference to Exhibit 10.6 in the Company's Form 8-K/A filed with the SEC on February 11, 2015.
10.9	<u>Settlement and Amendment to the 2013 License Agreement, dated April 22, 2014⁽¹⁾</u>	Incorporated by reference to Exhibit 10.7 in the Company's Form 8-K/A filed with the SEC on February 11, 2015.
10.10	<u>Second Amendment to Rich Dad Operating Company, LLC License Agreement, dated January 25, 2018.⁽¹⁾</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on January 29, 2018.
10.11	<u>Mutual Waiver and Release of Claims, dated January 25, 2018.</u>	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on January 29, 2018.

Exhibit No.	Title	Method of filing
10.12	Talent Endorsement Agreement with Robbie Fowler, dated January 1, 2015	Incorporated by reference to Exhibit 10.9 in the Company's Form 10 filed with the SEC on May 12, 2017.
10.13	Talent Endorsement Agreement with Martin Roberts, dated April 20, 2017.	Incorporated by reference to Exhibit 10.10 in the Company's Form 10 filed with the SEC on May 12, 2017.
10.14	2015 Incentive Plan	Incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A for the 2015 Annual Meeting of Stockholders filed with the SEC on June 16, 2015.
10.15	Form of Registration Rights Agreement	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on June 17, 2015.
10.16	Form of Warrant	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on June 17, 2015.
10.17 +	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (2015 Incentive Plan)	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on July 22, 2015.
	Settlement Agreement and Release dated October 31, 2017 among Elite Legacy Education, Inc.; Rich Dad Education, LLC; and Tigrent Enterprises, Inc. and the other parties thereto.	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on November 1, 2017.
10.18	December 23, 2019 Real Estate Education Training Program Development Agreement by and between Legacy Education Alliance Holdings, Inc., and T&B Seminars, Inc.	Incorporated by reference to the Company's Form 8-K filed with the SEC on December 30, 2019.
10.19	Bankruptcy or Receivership of Legacy UK	Incorporated by reference to the Company's Form 8-K filed with the SEC on November 21, 2019.
10.20	Employment Agreement, dated March 18, 2020, by and between Legacy Education Alliance, Inc., and Vanessa Guzmán-Clark.	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on March 20, 2020.
14.1	Code of Business Conduct and Ethics	Incorporated by reference to Exhibit 14.1 in the Company's Form 10-K filed with the SEC on March 28, 2016.
21.1	List of Subsidiaries	Filed herewith.
31.1	Section 302 Certification by the Chief Executive Officer	Filed herewith.
31.2	Section 302 Certification by the Executive Vice President and Chief Financial Officer	Filed herewith.
32.1	Section 906 Certification of the Chief Executive Officer	Filed herewith.
32.2	Section 906 Certification of the Executive Vice President and Chief Financial Officer	Filed herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

+ Executive management contract or compensatory plan or arrangement.

(1) Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

(2) Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K for the fiscal year ended December 31, 2019 to be signed on its behalf by the undersigned, thereunto duly authorized.

LEGACY EDUCATION ALLIANCE, INC.

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

Dated: March 30, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on our behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ JAMES E. MAY</u> James E. May	Chief Executive Officer and Director	March 30, 2020
<u>/s/ VANESSA GUZMÁN-CLARK</u> Vanessa Guzmán-Clark	Chief Financial Officer	March 30, 2020
<u>/s/ ANTHONY C. HUMPAGE</u>	Chairman of the Board of Directors	March 30, 2020
<u>/s/ JAMES K. BASS</u> James K. Bass	Director	March 30, 2020
<u>/s/ CARY SUCOFF</u> Cary Sucoff	Director	March 30, 2020
<u>/s/ PETER W. HARPER</u> Peter W. Harper	Director	March 30, 2020

**Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Exchange Act
by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Exchange Act**

No annual report to security holders covering the Company's last fiscal year has been sent as of the date of this report. No proxy statement, form of proxy, or other proxy soliciting material relating to the Company's last fiscal year has been sent to any of the Company's security holders with respect to any annual or other meeting of security holders. If such report or proxy material is furnished to security holders subsequent to the filing of this Annual Report on Form 10-K, the Company will furnish copies of such material to the Commission at the time it is sent to security holders.

ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT (this “Assumption”), dated as of the date indicated on the signature below, between Broadridge Corporate Issuer Solutions, Inc., a Pennsylvania corporation (“Broadridge”) and Legacy Education Alliance, a Nevada corporation (the “Company”).

WITNESSETH:

WHEREAS, pursuant to that certain Rights Agreement, dated as of February 16, 2017 (as amended by the Amendment to Rights Agreement dated as of November 12, 2018 and as otherwise amended, modified, supplemented or restated from time to time. the “Agreement”) by and between the Company and Vstock Transfer, LLC, a California limited liability company (“Vstock”) the Company has sent notification of termination to Vstock pursuant to Section 21 of the Agreement;

WHEREAS, Broadridge desires to assume the duties of Rights Agent (as defined in the Agreement) pursuant to Section 21, of the Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound do hereby covenant and agree as follows:

1. Effective as of the date hereof, Broadridge hereby agrees to assume the role of Rights Agent under the Agreement and hereby agrees, promptly and faithfully, to keep, fulfill, observe, perform and discharge all of the terms, covenants, conditions and agreements of the Rights Agent to be fulfilled, observed, performed and discharged under the Agreement from and after the date hereof.

2. The Company consents to Broadridge, from the date hereof, assuming the role of Rights Agent under the Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Assumption as of the date indicated in the signature pages below.

LEGACY EDUCATION ALLIANCE, INC.

By: /s/ James E. May

Name: James E. May

Title: Chief Executive Officer

Date: 11/25/19

BROADRIDGE CORPORATE ISSUER SOLUTIONS, INC.

By: 

Name: Mr. J. Dwyer

Title: Vice President

Date: 11/25/2019

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

REAL ESTATE EDUCATION TRAINING PROGRAM DEVELOPMENT AGREEMENT

This Real Estate Education Training Program Development Agreement (this “**Agreement**”) by and between **T&B Seminars, Inc.**, a California corporation f/s/o Tarek El Moussa (“**T&B**”) and **Legacy Education Alliance Holdings, Inc.**, a Colorado corporation (“**LEA**”), is entered into as of 12-23-2019, 2019 (the “**Effective Date**”).

WHEREAS, LEA is in the business of marketing, sales and distribution (including e-distribution) of any in-person product or service offerings in real estate investing strategies and techniques, asset protection, and entrepreneurship in any form of communication or media to one or more recipients, including, but not limited to, workshops, seminars, webinars, coaching, and mentorships, and related product or services;

WHEREAS, T&B owns or has the right to license certain intellectual property associated with Tarek El Moussa:

WHEREAS, T&B and LEA wish to conduct business to develop and operate a “*Tarek’s Real Estate 101*” branded seminar style education business that uses, among other things, the names, images, and likenesses of Tarek El Moussa to market and sell customers real estate investing oriented education products.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the parties hereby agree as follows:

1. Definitions.

Capitalized words and phrases used in this Agreement that are not otherwise defined herein shall have the meanings set forth below:

1.2. The term “**Affiliate**” means an entity controlling, controlled, or under common control with a party. For these purposes, “control” means: (a) the possession, directly or indirectly, of the power to direct the management or policies of an entity, whether through the ownership of voting securities, by contract or otherwise; or (b) the ownership, directly or indirectly, of at least fifty percent (50%) of the voting securities or other ownership interest of an entity.

1.2. The term “**Business**” means a branded real estate seminar style education business that uses the **Licensed Intellectual Property**, including a to-be-determined trademark for the Business, to market and sell customers **Products** through any form of communication or media.

1.3 The term “**Cash Sales**” shall mean the gross cash proceeds actually received by LEA or T&B from the sale of **Products** to persons responding to a Business-branded marketing campaign conducted by LEA that uses any or any combination of **Licensed Intellectual Property**. Cash Sales shall exclude any merchant fees, taxes, shipping, refunds (e.g., returns, right of rescission, NSF checks, and credit card chargebacks), rebates, and bad debt

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

1.4. The term “**Confidential Information**” means any and all information which is not readily ascertainable by proper means and which derives economic value, actual or potential from not being generally known and which has been the subject of efforts that are reasonable under the circumstances to maintain its secrecy. All information relating to the products or operations of a party, which is provided to the other party, or to which the other party otherwise obtains access, pursuant to, or as a result of, this Agreement shall be treated as Confidential Information hereunder, except such information which the other party can clearly show: (a) at the time of this Agreement is publicly and openly known; (b) after the date of this Agreement becomes publicly and openly known through no fault of the other party; (c) comes into the other party’s possession and lawfully obtained by the other party from a source other than from the party or a source deriving from the party, and not subject to any obligation of confidentiality or restrictions on use; or (d) is approved for release by written authorization of the other party

1.5 The term “**Customer Data**” means documents and other media (whether in human or machine-readable form) containing information, regarding customers and prospective customers. Without limiting the generality of the foregoing, the term “Customer Data” shall include customer lists and personally identifiable information about customers and prospective customers.

1.6 The term “**Educational Materials**” means all advertising and promotional materials, handouts, workbooks, presentations, manuals, software programs, and any other literature or material and other collateral items employed, provided, distributed, sold, or otherwise made available in connection with the **Business**, in any form of communication or media and whether or not in machine or human readable format.

1.7 The term “**Exclusive Field of Use**” means the marketing, sale and distribution (including e-distribution) of any in-person or remote (e.g., livestream of a live event, recording of a live event, and/or on-demand) service offerings in real estate investing strategies and techniques, asset protection, product and entrepreneurship in any form of communication or media to one or more recipients, including, but not limited to, workshops, seminars, webinars, coaching, and mentorships, and related product or services.

1.8. The term “**Licensed Intellectual Property**” means individually, collectively or in any combination, T&B’s copyrights (whether registered or not), including, without limitation, the Educational Materials and any and all copyrightable literary works and audio-visual works developed for use in the Business, trademarks and trade names (whether registered or unregistered) used in connection with the Business; as well as customer lists, concepts, developments, trade secrets, methods, systems, programs, improvements, data and information (whether in perceivable or machine-readable form), and works of authorship including, but not limited to the (a) the **Licensed Marks** and (b) the name, image, and likeness of the **T&B Personality**.

1.9. The term “**Licensed Marks**” The term “**Licensed Marks**” shall mean T&B’s current and future trademarks, service marks, and trade dress used in connection with the Business.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

1.10. The term “**Products**” shall mean any in-person remote (e.g., livestream of a live event, recording of a live event, and on-demand) product or service offerings in real estate investing strategies and techniques, asset protection, and entrepreneurship in any form of communication or media to one or more recipients, including, but not limited to, workshops, seminars, webinars, coaching, and mentorships, as may be offered by LEA in the conduct of the Business and for which a fee is charged by LEA.

1.11. The term “**T&B Personality**” shall mean Tarek El Moussa.

1.12 The term “**Term**” shall mean an initial term of five years, automatically renewable thereafter for successive 5-year terms unless either party provides prior written notice of termination not less than 90 days prior to the end of such five-year term; provided, however, T&B shall have the right to terminate the license after the first year of the Term if LEA does not conduct the Business so as to meet the Cash Sales benchmarks set by the parties for years two through five of the Term, as set forth in Section 3.3, below.

2. Grant of License.

2.1 T&B hereby grants to LEA, and LEA hereby accepts from T&B, during the Term, the sole and exclusive worldwide right and license in and to the Licensed Intellectual Property, which right and license shall be limited to that which is necessary for LEA to (i) develop and create Educational Materials and (ii) develop, promote and conduct the Business worldwide , unless the license is earlier terminated as provided herein.

2.2 LEA has the right to modify the Licensed Intellectual Property and to create derivative works (the “**Derivative Works**”); provided that such Derivative Works may be used, copied, distributed, performed and/or displayed only in connection with the Business; and provided further that LEA will not distribute Products embodying the Derivative Works other than to end users for personal use only in connection with the Business, and not for sale, distribution or re-licensing by such end users. For the avoidance of doubt, T&B shall remain the owner of all right, title and interest in and to the Derivative Works from inception.

2.3 T&B and LEA shall promptly notify one another in writing of any alleged infringement of the Licensed Intellectual Property by a third party. Within fifteen (15) days of the receipt of such notice or such other period as may be agreed to by the parties, T&B and LEA shall meet and confer to formulate a strategy for resolving the alleged infringement. T&B and LEA (to the extent permitted by law) each shall have the right to institute an action against such third party based upon such infringement of the Licensed Intellectual Property.

2.4 Should either T&B or LEA commence a suit under the provisions of this Section 15, and thereafter elect to abandon the same, it shall give timely notice of the other party who may, if it so desires, continue to prosecute such suit.

2.5 T&B and LEA shall cooperate in any legal proceeding concerning an alleged infringement of the Licensed Intellectual Property. Each party shall, to the fullest extent reasonable, make its employees, records, and information available to the other party as relevant to the legal process.

3. Limitations, Restrictions and Covenants

3.1. During the Term, the LEA shall not use the Licensed Intellectual Property other than as permitted by this Agreement.

3.2. During the Term, T&B shall promptly disclose to LEA on an ongoing basis all additions, improvements, changes, replacements, or enhancements to T&B's Proprietary Rights not previously disclosed.

3.3 T&B shall not, during the Term, grant any third party a license to use the Licensed Intellectual Property within the Exclusive Field of Use. Further, during the Term, except as otherwise provided herein, neither T&B nor any of its Affiliates may (1) offer to sell or sell any product or service that is the same or similar to the Products in the Exclusive Field of Use, or (2) contact, solicit, or direct any person or entity to contact or solicit, any of the customers of (or customers set forth in the Customer Data) for the purpose of providing any products or services that are the same or similar to the Products; provided, however, that T&B, in its sole and absolute discretion, shall have the right to terminate this Agreement, including all rights and licenses granted to LEA herein, if and as of the date that any monthly Royalty Payment (as defined in 9.3, below) payable to T&B does not exceed the Minimum Guaranteed Royalty for six (6) consecutive months.

3.4. LEA may distribute goods and services embodying the Licensed Intellectual Property to end users for personal use only in connect with the Business, and for resale, distribution or re-licensing by such end users.

3.5 LEA acknowledges and agrees that, except as otherwise specifically provided for herein, this Agreement grants LEA no title or right of ownership in or to the Licensed Intellectual Property. LEA shall not at any time do or cause to be done any act, omission, or thing contesting or in any way impairing or tending to impair any part of T&B's right, title and interest in the Licensed Intellectual Property.

3.6 In the event LEA shall be deemed to have acquired any ownership rights in the Licensed Intellectual Property, the LEA shall assign, and agrees to execute all documents reasonably requested by T&B to assign, all such rights in the Licensed Intellectual Property to T&B or its nominee.

4. Conduct of the Business

4.1 LEA shall provide administrative and operational services for the conduct of the Business, including, marketing, event planning, sales, operations, information technologies, human resources, and class fulfillment. In consultation with T&B and subject to the licenses granted to LEA by T&B herein, LEA shall be responsible for branding the Business (including trademarks and trade dress) and creating and producing marketing collateral, sales presentations, course materials and other tangible work product and deliverables related to the conduct of the Business (collectively, "Work Product").

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

4.2 LEA and T&B shall jointly own all jointly-created work product including, but not limited to, ideas, any and all concepts, designs, Customer Data (including client lists) generated through the conduct of the Business, programs, software, reports, or other intellectual property and tangible work product, produced for the Business, regardless of whether such were incorporated into or used by the Business (collectively "Work Product"), shall be and remain the joint property of LEA and T&B when produced provided, however, (i) to the extent LEA has contributed distinct and divisible work product to the Business during the Term ("**LEA Work Product**"), such LEA Work Product shall remain frozen for a period not to exceed 90 days, during which time T&B may acquire a license for the LEA Work Product by reimbursing LEA direct and verifiable costs LEA incurred in producing the LEA Work Product during the Term and (ii) to the extent T&B has contributed distinct and divisible work product to the Business during the Term ("**T&B Work Product**"), such T&B Work Product shall remain frozen for a period not to exceed 90 days, during which time LEA may acquire license for the T&B Work Product by reimbursing T&B direct and verifiable costs T&B incurred in producing the T&B Work Product during the Term. No license or right is granted hereunder at any time from LEA to T&B, or by T&B to LEA, whether expressly or by implication, estoppel or otherwise, arising out of or related to LEA Work Product or T&B Work Product, respectively. LEA shall be the owner of all LEA Work Product when created and T&B shall be the owner of all T&B Work Product when created.

5. Brand Development and Launch

5.1 T&B shall assist LEA in developing the Business as reasonably requested by LEA from time to time, including, but not limited to, assisting in the development of sales presentations and course materials and consultation with LEA's sales and marketing organization to ensure that they reflect T&B Personality's investing philosophy. T&B shall provide factual substantiation of T&B Personality's biography and investing success stories provided by T&B for use by LEA in the conduct of the Business.

5.2 The initial launch of the Business is contemplated to occur in four (4) major test markets (e.g. Los Angeles and New York MSAs), with a preview event being conducted in each of weeks 4, 5, 6 and 7 of calendar year 2020 and the associated basic event being held in each of weeks 7, 8, 9, and 10, respectively. To facilitate the effective launch of the Business, T&B shall assist LEA by providing the items listed in Schedule 1 attached to this Agreement and incorporated herein by reference.

6. Personal Appearances

6.1 T&B Personality shall make six (6) public appearances each year of the Term, including an appearance at LEA's annual Hall of Fame Symposium, for the purpose of promoting the Business, which appearances may include autograph sessions, book signings, appearances at LEA's workshops, seminars and symposiums with each such session not to exceed four (4) hours. LEA shall compensate T&B Personality the sum of [\$●] plus first-class air and hotel accommodations for up to three (3) additional persons for each such appearance.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

6.2 The parties may also conduct up to 10 “big stage” live events each year to market Products. LEA may request T&B Personality to appear at such events for not more than eight (8) hours each, subject to T&B Personality’s availability. LEA shall compensate T&B Personality the sum of [●%] plus first-class air and hotel accommodations for up to three (3) additional persons for each such appearance.

7. New Product Development

7.1 Co-Developed Products. T&B and LEA shall meet and confer no less than quarterly to identify new *Tarek’s Real Estate 101* Product development, marketing and fulfillment initiatives, including, by way of example only, (i) mobile apps that provide investor resources and property evaluations, (ii) podcasts with T&B Personality that provide content to keep up to date with investing techniques and motivation, and (iii) tailored coaching programs and subscription services. The parties acknowledge that the development and fulfillment of such new Products may require substantial time and effort by the T&B Personality to fulfill such new Products such that the Marketing Royalty payable pursuant to V. B., above, is inadequate to compensate T&B Personality; therefore, in lieu of any other royalty, the parties shall share Cash Sales from the sale of such new Products as follows:

[●%] to LEA

[●%] to T&B

7.2 T&B Developed Products. In addition, T&B may independently develop Products to be marketed and sold by T&B and fulfilled by T&B. In lieu of any other royalty, the parties shall share Cash Sales from the sale of such independently developed T&B Products that are generated directly and independently by LEA as follows:

[●%] to LEA

[●%] to T&B

8. Confidentiality

8.1. Each party acknowledges the other’s Confidential Information is unique and valuable and was developed or otherwise acquired by the other at great expense, and that any unauthorized disclosure or use of the other’s Confidential Information would cause the other irreparable injury loss for which damages would be an inadequate remedy. The party agrees to hold such Confidential Information in strictest confidence, to use all efforts reasonable under the circumstances to maintain the secrecy thereof, and not to make use thereof other than in accordance with this Agreement, and not to release or disclose Confidential Information to any third party without the other’s prior written consent, subject to a court order, or subject to a sublicense consistent with this Agreement and requiring the sublicensee to maintain the Confidential Information in strictest confidence, to use all efforts reasonable under the circumstances to maintain the secrecy thereof, not to make use thereof other than in accordance with the sublicense Agreement, and not to release or disclose Confidential Information to any third party without the other’s prior written consent.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

8.2. Each party further acknowledges that any violation of this Section 5 shall constitute a material breach of this License Agreement resulting in irreparable injury to the non-breaching party and agree that, in addition to any and all other rights available to the non-breaching party by law or by this Agreement, the non-breaching party shall have the right to have an injunction entered against the party to enjoin any further violations of this Agreement.

9. Royalties and Reporting

9.1. In consideration of the rights to be granted by T&B to LEA, LEA agrees to pay T&B:

9.1.1 Base Royalty. In consideration of the License granted and other good and valuable consideration provided by T&B to LEA, LEA shall pay to T&B a base royalty ("Base Royalty") in the amount of [●%] of LEA's monthly Cash Sales for Cash Sales of up to [\$●]. For monthly Cash Sales above [\$●] and up to [\$●], the Base Royalty paid to T&B by LEA shall be [●%] of the LEA's Cash Sales. For monthly Cash Sales above [\$●] and up to [\$●] the Base Royalty paid to T&B by LEA shall be [●%] of the LEA's Cash Sales. For monthly Cash Sales above [\$●] and up to [\$●], the Base Royalty paid to T&B by LEA shall be [●%] of the LEA's Cash Sales. For monthly Cash Sales above [\$●] the Base Royalty paid to T&B by LEA shall be [●%] of the LEA's Cash Sales. Payments will be made in U.S. Dollars.

9.1.2 Marketing Royalty: Marketing Royalty: In consideration of T&B Personality providing commercially reasonable, regular and periodic marketing support to LEA substantially in accordance with Schedule 2 attached to this Agreement and incorporated herein by reference, which LEA agrees to request and accept from T&B consistently during the Term, LEA will pay T&B a royalty in addition to the Base Royalty ("Marketing Royalty") which shall be comprised of and calculated at [●%] of LEA's Cash Sales made from the sale of Products at live events and [●%] of LEA's Cash Sales made from the sale of Products at on-line webinars. For the avoidance of doubt, the Base Royalty and Marketing Royalty shall be cumulative and calculated independently, without overlap. Further, nothing herein shall be construed to enable LEA to refuse to accept reasonable, regular and periodic marketing support from T&B as a means to avoid paying T&B a Marketing Royalty. In the event, T&B offers, but LEA refuses to request or accept reasonable, regular and periodic marketing support from T&B during the Term, LEA shall continue to be obligated to pay T&B a Marketing Royalty as if such marketing support had been requested and accepted by LEA.

9.2 Minimum Guaranteed Royalty: In consideration of the exclusivity rights granted to LEA, commencing with the seventh (7th) month of the Term and continuing each year of the Term thereafter, the minimum Royalties payable to T&B each month shall be the greater of the (i) applicable monthly Base Royalty and Marketing Royalty or (ii) \$200,000.

9.3 Base Royalties and Marketing Royalties shall be paid monthly to T&B within 15 days after the end of the applicable month. Payments will be made in U.S. Dollars.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

9.4. For each Base Royalty and Marketing Royalty payment (collectively, "Royalty Payment"), LEA shall render to T&B, a written statement, in such form as T&B may reasonably request, setting forth Cash Sales made during the period to which the Royalty Payment relates, and such other information as T&B may reasonably request to verify the Royalty Payments due hereunder. LEA shall keep such written records respecting Cash Sales as T&B may reasonably request so that Royalty Payments payable hereunder may be accurately determined and shall permit such records to be examined by T&B or its authorized representative upon reasonable prior written notice at any reasonable time during regular business hours to verify the records, reports and payments herein provided.

9.5. LEA shall be responsible for, and shall pay, all sales, value added and similar taxes, if any, which may be imposed on any receipts of the Trainings sold hereunder, as well as any other tax based upon LEA's use of the Licensed Intellectual Property in connection with the Business.

9.6 T&B ACKNOWLEDGES AND AGREES THAT NO REPRESENTATIONS OR STATEMENTS OF ACTUAL, AVERAGE, PROJECTED OR FORECASTED SALES, PROFITS, ROYALTIES, OR EARNINGS HAVE BEEN MADE WITH RESPECT TO THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

10. Warranties and Representations.

10.1 T&B warrants and represents that:

10.1.1 It is a corporation duly organized, validly existing, and in good standing under the laws of the state of California with all requisite power and authority to execute, deliver and perform this Agreement.

10.1.2 All necessary actions on the part of T&B have been duly taken to authorize the execution, delivery, and performance of the Agreement by T&B.

10.1.3 This Agreement has been duly authorized, executed, and delivered by T&B, constitutes the legal, valid, and binding obligation of T&B and is enforceable in accordance with its terms.

10.1.4 It has the right to grant the licenses and enter into this Agreement without seeking the approval or consent of any third party and without payments to any third party.

10.1.5 There are no existing or threatened claims or proceedings by any entity relating to the Licensed Intellectual Property or challenging T&B's ownership of the same.

10.1.6 None of the Licensed Intellectual Property are subject to any outstanding order, decree, judgment, stipulation, written restriction, undertaking or agreement limiting the scope or use of the Licensed Intellectual Property or declaring any of it abandoned.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

10.1.7 Licensed Intellectual Property, or any portion thereof, does not interfere with, infringe, or misappropriate, or violate the intellectual property right of any third party and T&B has not received any charge, complaint, claim, or notice alleging any such interference, infringement, misappropriation or violation nor does T&B have any knowledge that any such charge or claim may be forthcoming.

10.1.8 Any trade secrets comprising part of the Licensed Intellectual Property have been properly maintained as trade secrets.

10.2 LEA warrants and represents that:

10.2.1 It is a corporation duly organized, validly existing, and in good standing under the laws of the state of Colorado, with all requisite corporate power and authority to execute, deliver and perform this Agreement.

10.2.2 All necessary corporate proceedings of LEA have been duly taken to authorize the execution, delivery, and performance of the Agreement by LEA.]

10.2.3 This Agreement has been duly authorized, executed, and delivered by LEA, constitutes the legal, valid, and binding obligation of LEA and is enforceable in accordance with its terms.

10.2.4 This Agreement has been duly authorized, executed, and delivered by LEA, constitutes the legal, valid, and binding obligation of LEA and is enforceable in accordance with its terms.

10.2.5 There are no existing or threatened claims or proceedings by any entity against LEA that would impair LEA's ability to perform under this agreement.

10.2.6 That LEA will not contract with Christina Anstead during the Term.

11. Term and Termination.

11.1 The Term shall commence upon the Effective Date and shall continue for an initial term of five (5) years. The Term shall automatically renew thereafter for successive 5-year terms unless either party provides prior written notice of termination not less than 90 days prior to the end of such five-year term.

11.2 The Agreement may be terminated:

(i) immediately by either party in the event of a breach of this Agreement by the other party that is susceptible of cure and such breach is not cured within the 30-day period after written notice of such breach to the breaching party.

(ii) by either party, immediately, if the other party becomes insolvent, makes an assignment for the benefit of its creditors, or becomes the subject of any bankruptcy or insolvency proceedings, and such proceedings are not vacated within sixty (60) days of their initiation.

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(iii) by either party, if the other party ceases to do business.

(iv) by LEA, immediately, in the event LEA is enjoined by a court of competent jurisdiction from using any of the Licensed Intellectual Property.

(v) by LEA if the T&B Personality engages in illegal, immoral, or criminal conduct resulting in a felony conviction; or misrepresents or conceals anything in his or her background that could be detrimental to the value of the endorsement being made.

11.3 Upon termination of the license hereunder, all rights and privileges in and to the Licensed Intellectual Property granted to the LEA herein shall automatically revert to T&B or its nominee, and the LEA shall immediately cease any use thereof.

11.4. LEA shall, for a period of six (6) months ("Sell-Off Period") following the effective date of termination of the license granted by T&B hereunder, have the right to fulfill commitments made to customers during the Term. The provisions of this Agreement shall apply with full force and effect during the Sell-Off Period. Upon expiration of the Sell-Off Period, LEA shall immediately cease and desist from using or displaying any forms of advertising containing any of the Licensed Marks.

11.5 Sections 4.2; 8 (Confidentiality); 10 (Warranties and Representations); 12 (Indemnification); and 14 (Miscellaneous) hereof shall survive the expiration or early termination (for any reason) of this Agreement.

12. Indemnification.

12.1 Each party shall defend, indemnify and hold harmless the other party and their respective Affiliates and their respective officers, directors, agents, contractors, employees, successor, and assigns from and against all claims, demands or causes of action, as well as any and all damages, expenses, costs, interest and reasonable legal fees, including such fees incurred on appeal, in any way related to, arising out of or connected with a breach of the indemnifying party's representations, warranties or covenants under this Agreement. Without limiting the generality of the foregoing, LEA shall defend, hold harmless and indemnify T&B and T&B's agents and employees from and against any and all claims, demands, losses, disputes, causes of action or damages, including, without limitation, FTC actions or other regulatory actions, and/or attorneys' fees arising out of or relating to the promotion, distribution and/or sale of any financial education programs, products or services, including (but not limited to) live presentations, print advertising, radio advertising, direct mail, outbound calls, email marketing, affiliate marketing, online advertising, infomercials and other marketing methods, by or through LEA. In any instance to which such indemnities pertain, LEA shall obtain and maintain necessary insurance, including, without limitation, Commercial General Liability Insurance, including product liability insurance, trademark infringement, copyright infringement, defamation, contractual liability and personal and advertising injury liability insurance in an amount no less than ten million dollars (\$10,000,000.00) per occurrence and ten million dollars (\$10,000,000.00) aggregate combined single limit. T&B and Tarek El Moussa shall be named as an additional insured on such insurance and proof of such inclusion shall be provided to T&B.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

12.2. EXCEPT FOR AMOUNTS PAYABLE TO THIRD PARTIES IN CONNECTION WITH CLAIMS SUBJECT TO THE INDEMNIFICATION PROVISIONS OF SECTION 9.1 OR A BREACH OF EITHER PARTY'S OBLIGATIONS UNDER SECTION 5 (CONFIDENTIALITY), NEITHER PARTY WILL, UNDER ANY CIRCUMSTANCES, BE LIABLE TO THE OTHER PARTY FOR ANY LOST PROFITS OR ANY OTHER SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT EVEN IF THE PARTY HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

13. Independent Development.

Nothing in this Agreement shall be construed as restricting LEA's right or ability to acquire, license, develop, manufacture or distribute for itself, or have others acquire, license, develop, manufacture or distribute for LEA, adult education products and services, or technology performing the same or similar functions as the adult education products and services, or technology contemplated by this Agreement, or to market or distribute such same or similar adult education products and services, or technology in addition to, or in lieu of, the adult education products and services, or technology contemplated by this Agreement including, whether in the conduct of the Business or otherwise.

14. Miscellaneous.

14.1 Waiver. The failure of either party at any time or times to demand strict performance by the other party of any of the terms, covenants or conditions set forth herein shall not be construed as a continuing waiver or relinquishment thereof, and either party may at any time demand strict and complete performance by the other party of said terms, covenants and conditions.

14.2 Notices. All notices and other written communications required to be given under this Agreement shall be in writing and shall be delivered to the addressee in person, mailed by registered or certified mail, return receipt requested, or by reputable overnight courier. Any such notice shall be deemed to be delivered, given and received for all purposes as of the date so delivered, if delivered personally, or, if sent by certified or registered mail, three days following the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, postage and charges prepaid. The addresses of the parties (until written notice of change shall have been given) shall be as follows:

To T&B

T & B Seminars, Inc.
4411 East La Palma Avenue
Anaheim, CA 92807

With a copy to:

Roger N. Behle, Jr., Esq.
FOLEY BEZEK BEHLE & CURTIS, LLP
575 Anton Boulevard, Suite 710
Costa Mesa, CA 92626

To LEA:

Legacy Education Alliance Holdings, Inc.
1612 E. Cape Coral Parkway
Cape Coral, FL 33904
Attn: VP/Operations

With a copy to:

Legacy Education Alliance Holdings, Inc.
1612 E. Cape Coral Parkway
Cape Coral, FL 33904
Attn: General Counsel

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

14.3 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

14.4 Further Documents. The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

14.5 Entire Agreement. This Agreement, along with any attachments, exhibits, schedules and documents specifically referenced herein, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior communications, writings and other documents with regard thereto. No modification, amendment or waiver of any provision hereof shall be binding upon either party hereto unless it is in writing and executed by both of the parties hereto or, in the case of a waiver, by the party waiving compliance.

14.6 Relationship of the Parties. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between the parties. None of the provisions contained in this Agreement nor any acts of the parties hereto shall be deemed to create any relationship between the parties other than the relationship specified in this Agreement.

14.7 Severability. In the event any provision of this Agreement or the application of any provision shall be held by a tribunal of competent jurisdiction to be contrary to law, then, the remaining provisions of this Agreement shall be unimpaired, and the illegal, invalid or unenforceable provision shall be replaced by a provision, which, being legal, valid and enforceable, comes closest to the intent of the parties underlying the illegal, invalid or unenforceable provision. In any event, an illegal, invalid or unenforceable provision shall not affect the enforceability or the validity of the remaining terms or portions thereof, and each such unenforceable or invalid provision or portion thereof shall be severable from the remainder of this Agreement.

14.8 Cost of Enforcement. If a party commences any action at law or in equity, or for declaratory relief to secure or protect any rights under, or to enforce any provision of, this Agreement, then, in addition to any judgment, order, or other relief obtained in such proceedings, the prevailing party shall be entitled to recover from the losing party all reasonable costs, expenses, and attorneys' fees incurred by the party in connection with such proceedings, including, attorneys' fees incurred for consultation and other legal services performed prior to the filing of such proceeding.

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

14.9 No Assignment. Neither party may assign this Agreement without the other party's prior written consent. Notwithstanding the foregoing, either party may assign this Agreement without the other party's prior written consent in the event of a merger, acquisition, reorganization, change in control, or sale of substantially all of the assets or business of such assigning party. Any assignment in conflict with this provision shall be void.

14.10 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York without regard to its provisions concerning the applicability of the laws of other jurisdictions, and specifically excluding the United Nations Convention on the International Sale of Goods.

14.11. Force Majeure. To the extent any event beyond the control of either party (such as an act of God, action of the elements, man-made or natural disaster, industry or supplier strike or other labor disturbance, or civil or military disturbance) shall prevent such party from performing any of its duties or obligations hereunder by the date provided or to be provided, the time for such performance shall be deemed extended for a period of time equivalent to the duration of such event; provided, however, that the party so prevented from performing must give prompt written notice to the other party of the nature of such event, the date when such event shall have taken place, and the date when the duration of such event shall have terminated; and further provided, however, that if performance shall be so prevented for a period of more than six months, the other party may terminate this Agreement by written notice of such termination, and thereafter neither party hereto shall be under any further liability or obligation to the other hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year written above.

Legacy Education Alliance Holdings, Inc.

By: /s/ James E. May
Name: James E. May
Title: Chief Executive Officer

T&B Seminars, Inc.

By: /s/ Tarek El Moussa
Name: Tarek El Moussa
Title: Owner

Inducement

As a material inducement for Legacy Education Alliance Holdings, Inc. ("LEA") to enter into the above Real Estate Education Training Program Development Agreement (the "Agreement") with T&B Seminars, Inc. ("T&B"), I hereby represent, warrant, and agree as follows:

1. I have entered into an agreement with T&B requiring me to render services to T&B for at least the full term of the term of the Agreement and authorizing T&B to enter into the Agreement and to furnish my rights and services to LEA upon the terms, covenants, and conditions contained in the Agreement.
2. I am familiar with the terms, covenants, and conditions of the Agreement. I hereby consent to the terms and conditions of, and agree to perform all of the duties, obligations and services required of T&B Personality under the Agreement as if I had executed it directly as an individual.
3. I hereby confirm that T&B has been granted all of the rights granted by T&B to LEA under the Agreement and I hereby join in and confirm all grants, representations, warranties and agreements made by T&B under the Agreement.

/s/ Tarek El Moussa

Tarek El Moussa, an individual

Date: 12-23-2019

Schedule 1

Brand Development and Launch

To facilitate the effective launch of the Business, T&B shall assist LEA by providing the following:

- o Approved Images
 - Minimum 5 Hero image/poses (studio or in the field) of Tarek
 - Full length, 3/4 or straight, waist up and/or chest up
 - o Hi-resolution: 8"x10" or 5"x 7" 300 dpi flattened file
 - File Format: .jpg, .psd, .tiff, .png.
- o Approved Videos
 - Minimum 3 Live Workshop Promotion
 - 1 30 second clip
 - 1 60 second clip
 - 1 3-minute video
 - Minimum 3 Online Workshop Promotion by topic
 - 1 30 second clip
 - 1 60 second clip
 - 1 3-minute video
 - Minimum 5 Nurturing/Event Reminder- Live and Online (10)
 - 1 Thank you for registering
 - 1 Workshop reminder/ content
 - 1 Motivational- Why/Purpose
 - 1 Call to action- Show up. Take action by doing.
 - o What they'll learn/expectations
 - 1 Thank you for pursuing education- post event
 - Video resolutions, formats and frame rates: (This also applies to future video specs)
 - o 4K (3940x2160)
 - o HDV (1440x1080)
 - o HD (1920x1080)
 - o HD (1280x720 minimum)
 - Containers/Format:
 - o .MP4 (H.264, MPEG-4 Part 2, MPEG-2, MPEG-1)
 - o .Mpg (MPEG-1 part 1)
 - o .AVI
 - o .MTS (AVCHD)
 - o .MOV
 - QuickTime Format: Cinepak, DV-NTSC, H.261, H.263, mpeg-4, Sorenson
 - o NTSC preferred

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

- Frame Rate:
 - o 24, 29.970, 50, 59.94
- All modern Phone Video is accepted above 720p resolution (Landscape mode preferred)
- o Approved Audio Recording Phrases
 - Save your Seat
 - Don't miss out on this event
 - Personal quotes or phrases
- o Approved Copy
 - Personal Story
 - 10 Motivational Quotes
 - Call to Action
 - Registration- Landing Page, Emails, Text and Mail
 - Attendance- Increase Attendance
 - Buyer- Next Steps
 - Motivation
 - Investing Content- Strategies & Designs
 - Copy of handwritten signature

Schedule 2

Marketing Support Requirements

Social Platforms Content- Monthly

- o Suggested Design Concepts
 - Samples or ideas as needed
- o Approved Images
 - Minimum 5 Photos
 - Studio or in the field of Tarek
 - o File Format: .jpg, .psd, .tiff, .png.
- o Approved Copy
 - Minimum 3 topics to post
 - 1-2 paragraphs of content
 - o Event promotion, Motivational and Real Estate Content
- o Approved Videos
 - Minimum 3 Videos
 - 60 seconds to 3 minutes +
 - o Studio or in the field of Tarek
 - Event promotion, Motivational and Real Estate Content
- o Personal Post
 - Minimum 1 social post on all platforms inviting people to events, products or services
- o Approval for Legacy to Repost Tarek's Social Media Content on all platforms

Registration Landing Page Content- Quarterly

- o Suggested Design Concepts
 - Samples or ideas as needed
- o Approved Images
 - 3 Hero image/poses (studio or in the field) of Tarek
 - Full length, 3/4 or straight, waist up and/or chest up
 - o Hi-resolution: 8"x10" or 5"x 7" 300 dpi flattened file
 - File Format: .jpg, .psd, .tiff, .png.
- o Approved Copy
 - Minimum 3 topics to post
 - 1-2 paragraphs of content
 - o Event promotion, Motivational and Real Estate Content
- o Approved Videos
 - Minimum 3 Videos
 - 60 seconds to 3 minutes +
 - o Studio or in the field of Tarek
 - Event promotion, Motivational and Real Estate Content

Email Invite Contact Method- Quarterly

- o Suggested Design Concepts
 - Samples or ideas as needed
- o Approved Images
 - 3 Hero image/poses (studio or in the field) of Tarek
 - Full length, 3/4 or straight, waist up and/or chest up
 - o Hi-resolution: 8"x10" or 5"x 7" 300 dpi flattened file
 - File Format: .jpg, .psd, .tiff, .png.
- o Approved Copy
 - Minimum 3 topics to post
 - 1-2 paragraphs of content
 - o Event promotion, Motivational and Real Estate Content
- o Approved Videos
 - Minimum 3 Videos
 - 60 seconds to 3 minutes +
 - o Studio or in the field of Tarek
 - Event promotion, Motivational and Real Estate Content

In accordance with
Rule 3.35 of the
Insolvency (England &
Wales) Rules 2016 &
Paragraph 49(4) of
Schedule B1 to the
Insolvency Act 1986

AM03

Notice of administrator's proposals



Companies House

THURSDAY



A16

A8WAG1RC

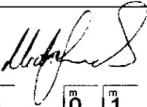
09/01/2020

#334

COMPANIES HOUSE

1	Company details	
Company number	0 4 3 1 1 7 3 3	→ Filling in this form Please complete in typescript or in bold black capitals.
Company name in full	Legacy Education Alliance International Ltd	
2	Administrator's name	
Full forename(s)	Nicholas	
Surname	Simmonds	
3	Administrator's address	
Building name/number	Meridien House, 69-71 Clarendon Road	
Street	Watford	
Post town	Hertfordshire	
County/Region		
Postcode	W D 1 7 1 D S	
Country		
4	Administrator's name ¹	
Full forename(s)	Paul	¹ Other administrator Use this section to tell us about another administrator.
Surname	Zalkin	
5	Administrator's address ²	
Building name/number	High Holborn House	² Other administrator Use this section to tell us about another administrator.
Street	52-54 High Holborn	
Post town	London	
County/Region		
Postcode	W C 1 V 6 R L	
Country		

AM03
Notice of Administrator's Proposals

6		Statement of proposals	
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7		Sign and date	
Administrator's Signature	Signature ✕		✕
Signature date	d 0 8	m 0 1	y 2 0 2 0

AM03 Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Sam Hewitt
Company name	Quantuma LLP
Address	3rd Floor 37 Frederick Place
Post town	Brighton
County/Region	Sussex
Postcode	B N 1 4 E A
Country	
DX	
Telephone	01273 322400



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

High Court of Justice 007199

**Legacy Education Alliance International Ltd
In Administration**

THE JOINT ADMINISTRATORS' PROPOSAL

Nicholas Simmonds and Paul Zalkin Joint Administrators

Quantuma LLP

3rd Floor, 37 Frederick Place, Brighton, Sussex, BN1 4EA

01273 322400

Contents

1. Executive Summary
2. Statement of Pre-Administration Costs
3. The Joint Administrators' Fees
4. The Joint Administrators' Expenses
5. Proposed Work to be Undertaken
6. Other Information to Support the Proposed Fees
7. The Joint Administrators' Discharge
8. Invitation to Form a Creditors' Committee
9. Approval Process

Appendices

- I. The Statement of Proposals
- II. Breakdown of Pre-Administration Time Costs for Quantuma LLP
- III. Charge-out Rates and Bases of Disbursements ("Quantuma LLP's Summary")
- IV. Breakdown of the Joint Administrators' Time Costs from 15 November 2019 to 6 January 2020
- V. Information to Support the Joint Administrators' Fee Proposal
- VI. Notice of Decision Procedure I Voting Form I Proof of Debt
- VII. Notice Seeking Deemed Consent
- VIII. Notice of Invitation to Form a Creditors' Committee

1. Executive Summary

- 1.1** This Proposal incorporates the Statement of the Joint Administrators' Proposals prepared pursuant to Paragraph 49(1) of Schedule B1 of the Act attached at Appendix I.
- 1.2** The business was established in 2001 and the principal activity of the Company was to provide training and mentorships in regards to property investment, and traded from a serviced office at 5 Kew Road, Richmond, Surrey TW9 2PR. On 15 November 2019, Nicholas Simmonds and Paul Zalkin of Quantuma LLP were appointed Joint Administrators of the Company by Creditors.
- 1.3** As explained in more detail in the Statement of Proposals, the Joint Administrators are currently pursuing the second statutory objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).
- 1.4** A summary of the current and anticipated future positions are detailed below

Assets

Asset	Realisations to date (£)	Anticipated future realisations (£)	Total anticipated realisations (£)
Cash at bank	507,236	-	507,236
Sale of business	100,000	201,000	301,000
Intercompany loans incl. properties	-	Uncertain	Uncertain
Rent deposits	-	Uncertain	Uncertain
Funds from merchant services	-	Uncertain	Uncertain
Total	607,236	201,000	808,236

Expenses

Expense	Expense incurred to date (£)	Anticipated further expense (£)	Total anticipated expense (£)
Joint Administrators' fees	47,789	116,300	164,089
Solicitors' fees	-	22,500	22,500
Agents' fees	-	30,000	30,000
Total	47,789	168,800	216,589

Dividend prospects

Creditor class	Distribution / dividend paid to date	Anticipated distribution / dividend
Unsecured creditors	-	28.8p in the £

- 1.5** The Statement of Proposals at Appendix I provides explanations of the events leading to the Administration and the progress of the Administration to date, as well as other statutory information.
- 1.6** This Proposal provides more detailed information on the work that the Joint Administrators anticipate they will undertake to complete the Administration together with their proposed basis of fees. To put this request into context, this Proposal provides further information on the Joint Administrators' costs to date, including the costs incurred prior to Administration. It also explains other matters for creditors' consideration, such as the proposed timing of the Joint Administrators' discharge on conclusion of the Administration.
- 1.7** Definitions of the terms used in this Proposal are provided in Appendix I together with all statutory information pertaining to the Company.

2. Statement of Pre-Administration Costs

- 2.1** Pre-administration costs are defined in the Insolvency Rules as fees charged and expenses incurred by the Administrators or their firm, or another person qualified to act as an insolvency practitioner, before the company entered Administration but with a view to its doing so
- 2.2** This statement outlines those fees and expenses that were paid prior to the Administration and those where approval is being sought to pay them from Administration funds
- 2.3** The following tasks and matters were considered to be necessary to placing Legacy Education Alliance International Ltd into Administration.
- 2.4** Prior to Administration, the proposed Joint Administrators gathered information on the Company to ensure that they were in a position to consent to act as Joint Administrators and to formulate an initial strategy for pursuing achievement of an Administration objective. This work was carried out prior to Administration so that there would be no delay in the Joint Administrators implementing the strategy immediately on appointment. In this way, the business could be maintained as a trading entity on Administration, which improved the likelihood that significantly enhanced realisations could be achieved for the business and assets, thus furthering the second objective of achieving a better result for creditors as a whole than would be likely if the Company were wound up. This work was expected to have a financial benefit for creditors, as the strategy of pursuing the second Administration objective would improve the prospects of recovery, even avoiding some claims arising, e.g. those of the employees.
- 2.5** The pre appointment costs of the Joint Administrators in the sum of £21,221 were incurred in relation to activities outlined above.
- 2.6** Attached at Appendix II is a breakdown of the time costs of the Joint Administrators and their staff incurred prior to Administration and included within Appendix III are Quantuma LLP's charge-out rates and bases of disbursements.
- 2.7** We are unaware of any additional costs incurred by any other professionals qualified to act as an insolvency practitioner in respect of the Company. Should any claims subsequently come to light, they will be dealt with in the manner provided for by the Insolvency Rules
- 2.8** A summary of the total costs incurred together with details of those which were paid pre-Administration and the amounts remaining outstanding, follows below.

	Total cost incurred £	Amount Outstanding £
Administrators' pre-administration Remuneration	21,221	21,221
Petitioners' costs	109,955	109,955
Total Amount Outstanding		£ 131,176

2.9 Consequently the unpaid pre-Administration costs are as follows

	£
Quantuma LLP's time costs (see Appendix II)	£ 21,221
Petitioning creditors' costs	£109,955
Total	£ 131,176

2.10 I am seeking to recover all the unpaid pre-Administration costs and expenses scheduled in paragraph 2.9 above as an expense of the Administration.

2.11 The payment of the unpaid pre-Administration costs as an expense of the Administration is subject to approval under Rule 3.52 of the Rules and is not part of the Statement of Proposals subject to approval under Paragraph 53 of Schedule B1 of the Act. Further explanation of the approval process is provided in Section 9.

2.12 Please note that the petitioning creditors' costs are to be paid as an expense of the administration as ordered by the Court.

3. The Joint Administrators' Fees

3.1 The Joint Administrators propose to fix their fees on the following basis:

- (i) the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration, such time to be charged at the prevailing standard hourly charge out rates used by Quantuma LLP at the time the work is performed (plus VAT);

3.2 Attached at Appendix IV is a breakdown of the time costs incurred in the Administration to 6 January 2020. The Statement of Proposals provides an account of the work undertaken to date and Appendix V provides a detailed list of work undertaken and proposed to be undertaken by the Joint Administrators and their staff.

3.3 The charge-out rates of the Joint Administrators and their staff are detailed in Appendix III. The appropriate staff have been assigned to work on each aspect of the case based upon their seniority and experience, having regard to the complexity of the relevant work, the financial value of the assets being realised and claims being agreed. The grades of staff instructed to assist in this matter and their key responsibilities include.

- Administrators: maintenance of the creditors' contacts database, assisting with creditors' queries and routine correspondence, assisting in the realisation of assets, employee matters, liaising with creditors and debtors, preparing reports to creditors and other statutory matters, and managing the cashiering function
- Managers: on-site attendance, reviewing the Company's position and affairs, handling asset realisations, reviewing draft statutory reports to creditors and overseeing the tax and VAT aspects of the case

- 3.4 Creditors may access a Guide to Administrators' Fees effective from 6 April 2017 at <http://www.quantuma.com/guide/creditors-guide-fees/> or a hard copy will be provided on request free of charge.
- 3.5 Further information is set out below and in the appendices to explain the future time costs that the Joint Administrators anticipate incurring in this Administration.

4. The Joint Administrators' Expenses

- 4.1 Expenses are amounts properly payable by the office holder from the estate which are not otherwise categorised as the office holder's remuneration or as a distribution to a creditor or creditors. These may include, but are not limited to, legal and agents' fees, trading expenses and tax liabilities.
- 4.2 Disbursements are expenses initially met by, and later reimbursed to, an office holder in connection with an insolvency appointment and will fall into two categories: Category 1 and Category 2.
- Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment in question. These are charged to the estate at cost with no uplift. These include, but are not limited to, such items as advertising, bonding and other insurance premiums. Legislation provides that administrators may discharge Category 1 disbursements from the funds held in the insolvent estate without further recourse to creditors
 - Category 2 disbursements are also directly referable to the appointment in question but not to a payment to an independent third party. Payments may only be made in relation to Category 2 disbursements after the relevant creditors have approved the bases of their calculation.
- 4.3 Appendix III provides details of the bases of Category 2 disbursements that the Joint Administrators propose to recover from the insolvent estate and also provides details of the Category 1 and 2 disbursements as well as the other expenses that the Joint Administrators expect to incur in the Administration.

5. Proposed Work to be Undertaken

- 5.1 Set out in Appendix V is a detailed list of tasks that the Joint Administrators propose that they and their staff will undertake together with their estimates of the time these tasks will take to carry out in total. The most material tasks are summarised below. The Estimated Outcome Statement attached to the Statement of Proposals provides an overview of the financial benefit that this work is expected to bring to creditors.

Administration (including Statutory Reporting)

- 5.2 The Joint Administrators are required to meet a considerable number of statutory and regulatory obligations. Whilst many of these tasks do not have a direct benefit in enhancing realisations for the insolvent estate, they assist in the efficient and compliant progressing of the administration, which ensures that the Joint Administrators and their staff carry out their work to high professional standards.

5.3 Primarily, these tasks include:

- Meeting all statutory reporting and filing requirements, including 6-monthly reports, seeking an extension where necessary, and issuing a final report and notices;
- Consulting with and instructing staff and independent advisers as regards practical, technical and legal aspects of the case to ensure efficient progress;
- Maintaining case files, which must include records to show and explain the administration and any decisions made by the Joint Administrators that materially affect the administration;
- Conducting periodic case reviews to ensure that the administration is progressing efficiently, effectively and in line with the statutory requirements; and
- Maintaining and updating the estate cash book and bank accounts, including regular bank reconciliations and processing receipts and payments.

Investigations

5.4 The Joint Administrators examine the conduct of the Company and its directors prior to the Administration with two main objectives:

- To identify what assets are available for realising for the benefit of creditors, including any potential actions against directors or other parties, such as challenging transactions at an undervalue or preferences; and
- To enable the Joint Administrators to report to the Insolvency Service on the conduct of the directors so that the Insolvency Service may consider whether disqualification proceedings are appropriate (“CDDA” work).

5.5 In the early stages of the Administration, this work involves examining the Company’s books and records, considering information received from creditors and the Company’s accountants and seeking information from the Company’s directors and other senior staff by means of questionnaires and/or interviews.

5.6 In the event that questionable transactions are identified, it may be necessary to conduct further investigations and instruct solicitors to assist in deciding the Joint Administrators’ next steps in pursuing a recovery. If a potential recovery action is identified, it may be necessary to instruct professional agents in gathering evidence and in exploring further the existence and value of assets to target. If the Joint Administrators encounter resistance in making a recovery, formal legal action may be appropriate.

5.7 In addition, if the Insolvency Service decides to proceed with a disqualification, the Joint Administrators will be required to assist the Insolvency Service’s investigators in their work, which may include providing the investigators with access to the Company’s books and records and agreeing statements to be given in evidence of those proceedings.

5.8 At this early stage, it is difficult to estimate the likely time costs and expenses that may be incurred in this work. The Fees and Expenses Estimates presented below reflect the anticipated work in identifying potential causes of action. If any are identified and the Joint Administrators consider that additional work is required, they may revert to the relevant creditors to seek approval for fees in excess of the estimate.

5.9 We would comment that significant deficiencies in the information available in regards to the intercompany position between the Company, its US parent and other connected companies. The Joint Administrators have already identified this as a specific area which requires investigation.

Realisation of assets

- 5.10** The Statement of Proposals summarises the work carried out by the Joint Administrators to date in realising the Company's assets. The principal matters that require further work are:
- Collecting the deferred consideration for the sale of the business and assets as and when it becomes due;
 - Monitoring the purchaser's licence to trade/occupy and assisting to arrange an assignment or surrender of the lease;
 - Monitoring of the training to be provided by the purchaser to existing students;
 - Pursuing the merchant services provider for any residual balances held; and
 - Establishing if there are sums due in respect of the inter-company balances and should it prove that there are claims in favour of the Company, pursuing settlement of these including the realisation of properties purchased using Company funds.

Trading

- 5.11** Although the Company is no longer trading, there remain some matters to resolve, such as:
- Settling all post-appointment accounts with suppliers;
 - Concluding the trading accounts, and
 - Submitting all post-appointment tax returns and settling liabilities

Creditors (claims and distributions)

- 5.12** As the Statement of Proposals explains, there a number of different classes of creditor involved in the Administration that require the Joint Administrators' attention. In particular, the Joint Administrators anticipate conducting the following key tasks:
- Reviewing claims submitted by the tax departments and, where it is appropriate, examining the Company's records to appeal assessments or adjudicate on the Crown's claims;
 - Responding to creditors' queries and logging their claims and supporting information;
 - Maintaining the database as regards creditors' contact details and claims,
 - Dealing with a creditors' committee, if one is appointed;

Proposed work to be undertaken by the Joint Liquidators

- 5.13** At present, it appears possible that there will be sufficient funds to pay a dividend to unsecured creditors (other than by way of the prescribed part). As this will be carried out once the Company has moved from Administration to CVL, separate Fees and Expenses Estimates for the Liquidation have been provided at Appendix V.
- 5.14** Creditors will appreciate that it is difficult to estimate the time and expenses likely to be incurred by the Joint Liquidators at this time, not least because it is difficult to know when the Company will move from Administration to CVL and consequently what work will have been done by the Joint Administrators by the time that the move takes place. Therefore, although much of the time estimated to be incurred in the activities listed above has been included in the Joint Administrators' Fees Estimate, in the event that the Administration moves to CVL sooner than anticipated, the Joint Liquidators are likely to incur a proportion of the time currently allocated to the Joint Administrators, for example in concluding the collection of deferred consideration.

5.15 In any event, the Joint Liquidators will be required to carry out the following activities in addition to continuing to realise the Company's assets and conduct investigations, where these have not been completed in the Administration.

- Meeting statutory requirements including: issuing notices on appointment; issuing annual progress reports and a final account to creditors; and completing periodic tax returns;
- Maintaining case files, which must include records to show and explain the administration of the liquidation and any decisions made by the Joint Liquidators that materially affect the administration;
- Conducting periodic case reviews to ensure that the liquidation is progressing efficiently, effectively and in line with the statutory requirements;
- Maintaining and updating the estate cash book and bank accounts, including regular bank reconciliations and processing receipts and payments;
- Adjudicating on all creditors' claims with the assistance of solicitors where necessary;
- Giving notice of the intention to declare a dividend, and
- Calculating, declaring and paying dividends to creditors and dealing with unclaimed dividends

6. Other Information to Support the Proposed Fees

6.1 Attached at Appendix V is an estimate of the time that the Joint Administrators envisage the above work will take to complete. Appendix V also provides their estimate of the expenses that have been or are likely to be incurred.

6.2 Please note that the estimates have been provided on the assumptions given below. In the event that it proves necessary for the Joint Administrators to incur additional expenses in performing their duties, they will provide further details in their progress reports, but there is no statutory obligation to ask creditors to approve any adjusted Expenses Estimate. In the event that the Joint Administrators incur time costs in excess of the Fees Estimate, they will only revert to the relevant creditors for approval if they propose to draw any fees in addition to those estimated from the insolvent estate.

6.3 In summary, the Joint Administrators propose that their fees be fixed on the basis of time costs and they estimate that they and their staff will spend time totalling £164,089 in conducting the tasks described. This estimate includes the time spent to date of £47,789, as described in Appendix IV. Further, they estimate that their time costs for the Liquidation will total £43,546.

6.4 The Fees and Expenses Estimates have been compiled on the assumptions set out below. Please note that these are assumptions only for the purposes of preparing the Estimates in accordance with the statutory provisions. It has been assumed that.

- investigations to the extent described in section 5 above will be carried out;
- no exceptional work will need to be conducted in order to realise the remaining assets and collect in the deferred consideration;

- there will be no requirement to hold a physical creditors' meeting or additional decision procedure to consider the matters covered by this Proposal; and
- there will be no need to extend the Administration.

6.5 On the basis of these assumptions, the Joint Administrators do not anticipate that it will be necessary to seek additional approval from the relevant creditors for fees in excess of the Fees Estimate. However, in the event that the Administration does not proceed as envisaged, the Joint Administrators will seek approval for any fees in addition to those estimated that they wish to draw from the insolvent estate.

7. The Joint Administrators' Discharge

7.1 The appointment was made under Paragraph 10 of Schedule B1 to the Act upon the application to court by a creditor and the Act requires that an application to court prior to ceasing to act be made by the Joint Administrators to obtain their discharge from liability.

8. Invitation to Form a Creditors' Committee

8.1 Attached at Appendix VIII is a Notice of Invitation to Form a Creditors' Committee. The purpose of the Committee is to assist the Joint Administrators in discharging their functions. In particular, a Creditors' Committee takes on the responsibility for approving the basis of the Joint Administrators' fees and other costs described above.

8.2 In the absence of a Committee, this responsibility falls to the unsecured creditors. The Joint Administrators do not see a need for a Committee to be formed in this case.

8.3 Notwithstanding this, creditors are entitled to seek the formation of Committee, provided that there are sufficient nominations to form a Committee. At least three nominations would be required and the requisite majority of creditors would also need to object to the proposed decision not to form a Committee. Appendices VII and VIII provide further information on these steps.

9. Approval Process

9.1 The Joint Administrators are proposing the decisions set out below by means of the process set out in Rule 15.7 (Deemed Consent) of the Rules. Creditors are not required to vote on these proposed decisions, but they may object to their approval. Please see the Notice Seeking Deemed Consent attached at Appendix VII for further information

- That the Joint Administrators' Proposals (i.e. the statutory Statement of Proposals at Appendix I), be approved;
- That a Creditors' Committee will not be established; and
- That the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Paragraph 98 of Schedule B1 of the Act, such discharge to take effect when the appointment of Joint Administrators ceases to have effect, as defined by the Act, unless the court specifies a time.

- 9.2 the Joint Administrators are seeking creditors' approval of the proposed decisions set out below by means of a vote by correspondence. Creditors are invited to vote on these proposed decisions by completing and returning the enclosed voting form together with a proof of debt form, if one has not already been submitted. These forms are attached at Appendix VII together with a Notice of Decision Procedure setting out the following proposed decisions:
- That the Joint Administrators' fees be fixed by reference to the time given by them and their staff in attending to matters arising in the Administration, such time to be charged at the hourly charge out rate of the grade of staff undertaking the work at the time it was undertaken;
 - That the Joint Administrators be authorised to recover all Category 2 disbursements, calculated on the bases detailed in Quantuma LLP's Summary; and
 - That the unpaid pre-Administration costs set out in the Joint Administrators' Proposal be approved.
- 9.3 The Joint Administrators must receive completed forms by no later than 23 59 on 23 January 2020 to enable your vote to be counted
- 9.4 Whilst a vote by correspondence is being sought, creditors who meet a statutory threshold as set out in the Notice attached at Appendix VII can require that a physical meeting of creditors be convened. Such a request must be made to the Joint Administrators within 5 business days of the date on which this Proposal was delivered. If you wish to request a physical meeting, please set out in writing which of the decision(s) above you wish the meeting to consider

Should you have any queries in regard to any of the above please do not hesitate to contact Sam Hewitt on 01273 322400 or by e-mail at Sam.Hewitt@Quantuma.com.

Dated this 8 January 2020

/s/ Nicholas Simmonds

Nicholas Simmonds
Joint Administrator

Licensed in the United Kingdom to act as an insolvency practitioner by the Insolvency Practitioners Association

The affairs, business and property of Legacy Education Alliance International Ltd (In Administration) are managed by the Joint Administrators, who act as agents of the Company and contract without personal liability

Legacy Education Alliance International Ltd (In Administration)

STATEMENT OF THE JOINT ADMINISTRATORS' PROPOSALS
PURSUANT TO SCHEDULE B1 OF THE INSOLVENCY ACT 1986

High Court of Justice No. 007199

Legacy Education Alliance International Ltd
In Administration

STATEMENT OF THE JOINT ADMINISTRATORS' PROPOSALS
PURSUANT TO SCHEDULE B1 OF THE INSOLVENCY ACT 1986

Nicholas Simmonds and Paul Zalkin
Joint Administrators

Quantuma LLP

3rd Floor, 37 Frederick Place, Brighton, Sussex, BN1 4EA

01273 322400

Disclaimer Notice

- *This Statement of Proposals has been prepared by Nicholas Simmonds and Paul Zalkin, the Joint Administrators of Legacy Education Alliance International Ltd, solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the Administration and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context*
 - Any estimated outcomes for creditors included in this Statement of Proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors
 - Any person that chooses to rely on this document for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Statement of Proposals.
 - The Joint Administrators act as agent for Legacy Education Alliance International Ltd and contract without personal liability. The appointment of the Joint Administrators is personal to them and, to the fullest extent permitted by law, Quantuma LLP does not assume any responsibility and will not accept any liability to any person in respect of this Statement of Proposals or the conduct of the Administration
 - All licensed Insolvency Practitioners of Quantuma LLP are licensed in the UK to act as Insolvency Practitioners
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1. Introduction

- 1.1 This Statement of Proposals is prepared pursuant to Schedule B1 of the Act in relation to the Company, the purposes of which are to provide creditors with a full update as to the present position and to set out the Joint Administrators' proposals for achieving an Administration objective
- 1.2 The Statement of Proposals also includes information required to be provided to creditors pursuant to the Rules. Definitions of the terms used in the Statement of Proposals are provided in Attachment A and statutory information pertaining to the Company is set out in Attachment B.
- 1.3 This Statement of Proposals is being delivered to creditors on 8 January 2020
- 1.4 Creditors are invited to decide whether to approve the Joint Administrators' proposals. Section 8 provides further details on this decision process.

2. Background to the Company

- 2.1 The business was established in 2001 and the principal activity of the Company was to provide training and mentorships in regards to property investment, and traded from a serviced office at 5 Kew Road, Richmond, Surrey TW9 2PR.
- 2.2 The Company appears to have experienced both profitable and unprofitable periods of trading since it was incorporated. At this early stage of the administration, it is difficult to be able to comment on what exactly has caused the Company's insolvency, however, we can advise that our appointment has come about as a result of a petition by Progressio Limited, Motion International Limited, Limitless Lifestyle Limited and Assetree Limited ("the Petitioning Creditors") to have the Company placed into administration.
- 2.3 The Joint Administrators will review the possible causes for the Company's insolvency as part of their statutory duties to investigate the affairs of the Company and its directors.

Overview of Financial Information

- 2.4 Extracts from the audited accounts for the 12 months to 31 December 2017, 12 months to 31 December 2016, and to 31 December 2015 are shown below.
- 2.5 Please note that this information has not been verified by the Joint Administrators or by Quantuma LLP. Furthermore, the comments below each table reflect management's explanations of the amounts included in the profit and loss account and balance sheet.

Summary Profit and Loss Account

	Audited Statutory Accounts for year to 31/12/17 £	Audited Statutory Accounts for year to 31/12/16 £	Audited Statutory Accounts for year to 31/12/15 £
Turnover	22,460,462	17,411,641	10,177,559
Cost of Sales	(16,955,429)	(15,129,912)	(12,563,138)
Gross Profit/(Loss)	5,505,033	2,281,729	(2,385,579)
Gross Margin %	%	%	%
Other Expenses	(3,742,047)	(2,986,081)	(2,074,117)
(L)/EBIT	1,762,986	(704,352)	(4,459,696)

Source: Audited Accounts

Summary Balance Sheet

	Audited Statutory Accounts for year to 31/12/17 £	Audited Statutory Accounts for year to 31/12/16 £	Audited Statutory Accounts for year to 31/12/15 £
Tangible assets	22,893	17,079	19,974
Fixed assets	22,893	17,079	19,974
Current Assets			
stock	48,218	117,762	79,685
debtors	12,241,294	10,463,234	4,030,662
cash at bank	526,986	151,005	430,580
	12,816,498	10,732,001	4,540,927
Liabilities			
Trade creditors	(20,215,918)	(19,888,593)	(12,996,062)
Total Liabilities	(20,215,918)	(19,888,593)	(12,996,062)
Net Assets/(Liabilities)	(7,376,527)	(9,139,513)	(8,435,161)

Source: Audited Accounts

Management and Employees

- 2.6** As at 15 November 2019, the Company employed 26 staff.
- 2.7** Statutory information on the Company, including details of the Directors, Company Secretary, and Shareholders is provided at Attachment B.

3. Events leading to the Administration

- 3.1 On 15 November 2019, Nicholas Simmonds, and Paul Zalkin of Quantuma LLP were appointed Joint Administrators of the Company following an Administration Order granted by the Court on the application of the Petitioning Creditors.
- 3.2 The Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either one or both of them.
- 3.3 Prior to administration, the Joint Administrators were approached by the Petitioning Creditors in order to determine if they would be willing to accept the appointment. After confirming their willingness to act and having no known conflict preventing any such appointment, the Joint Administrators assisted with the petition for the Company to be placed into administration by providing a witness statement comparing the likely outcome for creditors if the Company were to be placed in administration instead of entering a Company Voluntary Arrangement
- 3.4 For creditors' general information, the EC Regulation on insolvency proceedings applies in this case, and these proceedings are the main proceedings.
- 3.5 In compliance with the General Data Protection Regulation, creditors, employees, shareholders, directors and any other stakeholder who is an individual (i.e not a corporate entity) in these insolvency proceedings is referred to the Privacy Notice in respect of Insolvency Appointments, which can be found at this link www.quantuma.com/legal-notices/.

4. The Purpose of the Administration

- 4.1 The purpose of an Administration is set out in Schedule B1, Paragraph 3(1) of the Act. In short, this provides that an Administrator of a company must perform his functions with the objective of:
- rescuing the company as a going concern, or
 - achieving a better result for the creditors as a whole than would be likely to be achieved if the company were wound up (without first being in Administration), or
 - realising property in order to make a distribution to one or more secured or preferential creditors
- 4.2 These objectives form a hierarchy the rescue of a company is the priority. If this is not possible, the Administrator seeks to achieve a better result for the creditors as a whole. In the event that this cannot be achieved, then the Administrator is permitted to realise assets for the benefit of the preferential or secured creditors.
- 4.3 The Joint Administrators would comment that objective 1 was not achievable, due to a lack of creditor support. As such, the Joint Administrators did not consider it possible to restructure the existing business or propose a Company Voluntary Arrangement.
- 4.4 The second objective is normally achieved by means of a sale of the business and assets as a going concern. The Joint Administrators would comment that the Administration has enabled a sale of the business and assets to be achieved.

4.5 A detailed account of how the Joint Administrators have sought to achieve the objective of the Administration is set out below.

5. Management of the Company's Affairs since the Joint Administrators' Appointment

5.1 Immediately upon appointment the Joint Administrators undertook a review of the Company's affairs with particular regard to its financial and resource requirements. This assessment was carried out in liaison with the remaining management of the Company

The sale of the Company's business and assets

5.2 It was decided by the Joint Administrators shortly after their appointment that the Company's business may hold a significant value and as such it was decided that the Company's employees should be retained and its offices kept open to allow a short period of marketing to take place.

5.3 Axia Valuation Services were instructed by the Joint Administrators on 15 November 2019 to value and market the Company's business and assets. The sale was advertised online as well as being directly marketed to Axia's contacts across the sector. A broader marketing campaign was not deemed to be appropriate in this circumstance due to the damage likely to be caused by news of the administration leaking onto social media, and reducing the value of the Company's goodwill.

5.4 A total of 21 expressions of interest were received by Axia with three offers being made before the deadline of 22 November 2019.

5.5 One such offer was for £150,000 and was subject to additional due diligence. A further offer of £200,000 was received from a connected party and a third offer of £301,000 was received from an unconnected party. All offers incorporated the fulfilment of training courses for students who have already paid for training.

5.6 The third offer, being the highest by £101,000, was subsequently accepted by the Joint Administrators upon the advice of Axia. Initial consideration paid on completion totalled £100,000 with the remaining £201,000 to be paid in monthly instalments over a period of 12 months

5.7 The sale incorporated furniture, equipment, goodwill, the benefit of business contracts and intellectual property rights.

Assets remaining to be realised

Intercompany loans

5.8 An initial review of the Company's records has identified a number of loans to connected companies. The loans total £741,150 and we believe these have been utilised to purchase investment properties. We have written to the director of the two companies in question and placed him on notice not to dissipate these assets as we believe that we are the sole creditor of both entities. This has been followed up by a letter from our solicitors advising of the same and requesting a meeting to discuss the loans in more detail

- 5.9 In addition to the above, significant discrepancies have been identified in the intercompany balances across the wider Legacy group. The Joint Administrators are in the process of reviewing this in more detail.

Rent Deposits

- 5.10 The Company has paid a number of rent deposits to Regus in respect of several serviced offices which were used by the Company. It is anticipated that these deposits will remain with the leases when they are assigned to the purchaser in due course, who will then in turn reimburse the administration.

Funds from Merchant Services

- 5.11 The Company utilised the services of Wirecard as their merchant services provider. Upon appointment we placed Wirecard on notice advising that no charge backs should be processed as students will be having their training honoured by the purchaser going forwards and requesting any credit balances be paid across to the administration. To date Wirecard have not confirmed the credit balance and as such the estimated to realise value is currently uncertain.

Post appointment strategy

- 5.12 Immediately following the appointment of the Joint Administrators on 15 November 2019, members of the Joint Administrators' staff attended the Company's site to advise employees of the Joint Administrators' appointment. Staff were briefed with regards to the Administration and informed that marketing had commenced in order to find a purchaser for the Company's business and assets. All members of staff were retained and minimal trading activities were preserved whilst the marketing process completed. A sale successfully completed on 26 November 2019 to Mayflower Alliance Limited.
- 5.13 The Joint Administrators' staff are in the process of collating creditors' claims and have handled creditors' queries as they have arisen which include telephone calls and correspondence.
- 5.14 The Joint Administrators' legal advisors advised in respect of all legal issues arising on the sale of business and assets and have been assisting the Joint Administrators with post appointment matters.
- 5.15 Legal advice has been required in relation to the various properties and leases. Mayflower Alliance Ltd was granted a licence to occupy various leasehold properties of the Company on completion of the sale of business and assets whilst consent is obtained from the relevant landlords for the assignment of the leases. The Joint Administrators have instructed their legal advisers to manage the assignment of leases and this process is ongoing.
- 5.16 To advise on appropriate legal matters and to prepare required legal documentation, the Joint Administrators instructed Veale Wasbrough Vizards LLP, a firm of lawyers with the appropriate expertise and experience in dealing with these types of Administrations.

5.17 In addition, Axia Valuation Services, a firm of valuing and marketing agents, was instructed by the Joint Administrators to undertake inventories and valuations of stock, plant and equipment, fixtures and fittings and other chattel assets where appropriate. The agents also advised on the best method of disposal of those assets and assisted in their disposal, as well as assisted with claims of retention of title and security.

5.18 All professional fees are based upon the parties' recorded time costs incurred at their standard charge out rates and will be reviewed by the Joint Administrators' staff before being approved for payment.

Investigation into the Company's Affairs Prior to the Administration

5.19 The Joint Administrators are undertaking a review of the Company's trading activities in order to establish whether or not there are actions that may be taken for the benefit of the Administration and consequently to enable a conduct report to be submitted in respect of Company directors in office at the commencement of the Administration and any who resigned in the three years prior to the Administration

5.20 Should any creditor have any concerns about the way in which the Company's business has been conducted or information on any potential recoveries for the estate, they are invited to bring them to the attention of the Joint Administrators as soon as they are able.

6. The Statement of Affairs and the Outcome for Creditors

6.1 The Directors have not to date submitted a signed Statement of Affairs, albeit they are currently in the process of drafting this after being requested to do so by the Joint Administrators. An Estimated Financial Statement of the Company, together with a list of the creditors, is attached at Attachment C for creditors' information. These details have been extracted from the Company's records and therefore no warranty can be given to the accuracy of the details given.

6.2 In accordance with the standard format of a Statement of Affairs, no provision has been made in the Statement for the costs of the Administration (including agents, legal and other professional fees).

6.3 The Joint Administrators have not carried out any work of the nature of an audit on the information.

6.4 Section 176A of the Act requires Administrators to make a prescribed part of the company's net property, which is the balance remaining after discharging the preferential claims but before paying the floating charge-holder, available for the satisfaction of unsecured debts.

6.5 In this case, the prescribed part provision does not apply, as there is no debt due to any secured creditor.

6.6 The Joint Administrators do not propose to make an application to court under Section 176A(5) of the Act to disapply the prescribed part provisions, because in any event it is anticipated that there will be no prescribed part.

6.7 As demonstrated in the Estimated Outcome Statement attached at Attachment D, on the basis of the costs incurred to date and the estimated further costs to be incurred in bringing the Administration to a conclusion, it is anticipated that there may be sufficient funds to pay a dividend to unsecured creditors. Due to the possible distribution to unsecured creditors, you are requested to submit claims to the address on the front of this report. A Proof of Debt form is provided in the document to which this forms an appendix.

6.8 Attached at Attachment D is the Joint Administrators' receipts and payments account for the period from 15 November 2019 to 6 January 2020.

7. The Joint Administrators' Fees

7.1 The Joint Administrators propose to be remunerated on the basis of the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration, such time to be charged at the prevailing standard hourly charge out rates used by Quantuma LLP at the time the work is performed (plus VAT); and on the basis of the time properly given by the Joint Liquidators and their staff in attending to matters arising in the Liquidation, such time to be charged at the prevailing standard hourly charge out rates used by Quantuma LLP at the time the work is performed (plus VAT) for the Liquidation in the event that the Company exits into Creditors' Voluntary Liquidation or Compulsory Liquidation and the Joint Administrators become the Joint Liquidators

7.2 The Joint Administrators will seek approval for the basis of their fees from the unsecured creditors, unless a Creditors' Committee is established

7.3 Information to support the proposed basis of the Joint Administrators' fees, together with the Statement of pre-Administration costs, is provided in the Joint Administrators' Proposal, to which this Statement of Proposals forms an appendix

8. Approval of the Statement of Proposals

8.1 The Joint Administrators are seeking creditors' approval of the Statement of Proposals, which are summarised in Section 9, by means of the process set out in Rule 15.7 (Deemed Consent) of the Rules.

8.2 Attached to the Joint Administrators' Proposal, to which this Statement of Proposals forms an appendix, is a Notice Seeking Deemed Consent, which describes how creditors may object to the acceptance of the Statement of Proposals or to the other proposed decisions.

8.3 Creditors who meet a statutory threshold as set out in the Notice can require that a physical meeting of creditors be convened. Such a request must be made to the Joint Administrators within 5 business days of the date on which the Statement of Proposals was delivered.

8.4 Unless the Joint Administrators receive the requisite number of objections to the proposed decision to approve the Statement of Proposals or of requests to convene a physical meeting as set out in the Notice, creditors will have deemed to have consented to approve the Statement of Proposals.

9. Summary of the Joint Administrators' Statement of Proposals

9.1 The Statement of Proposals which creditors are invited to consider, is summarised below.

9.2 In order to achieve the purpose of the Administration, the Joint Administrators formally propose to creditors that:

- the Joint Administrators continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration, in particular that:
 - (i) they collect the deferred sale consideration in relation to the sale of the Company's business and assets,
 - (ii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company, whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company that supplies or has supplied goods or services to the Company, and
 - (iii) they do all such things and generally exercise all their powers as Joint Administrators as they consider desirable or expedient at their discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these activities
- the Joint Administrators make distributions to any secured or preferential creditors in accordance with Paragraph 65 of Schedule B1 of the Act. Further, they may make a distribution to unsecured creditors, having first sought the court's permission in accordance with Paragraph 65(3) of Schedule B1 of the Act where necessary
- the Joint Administrators end the Administration in one of the following ways, appropriate to the circumstances of the case at the time:
 - (i) in the event that the Joint Administrators think that a distribution will be made to unsecured creditors (and they have not sought the court's permission, and are otherwise unable, to pay the distribution whilst the Company is in Administration), they shall send to the registrar of companies notice to move the Company from Administration to Creditors' Voluntary Liquidation. In such circumstances, Nicholas Simmonds and Paul Zalkin will be appointed Joint Liquidators and will be authorised to act either jointly or separately in undertaking their duties as Liquidator. Creditors may nominate a different person or persons as the proposed liquidator or liquidators in accordance with Paragraph 83(7)(a) of Schedule B1 of the Act and Rule 3.60(6)(b) of the Rules, but they must make the nomination or nominations at any time after they receive the Statement of Proposals, but before it is approved. Information about the process of approval of the Statement of Proposals is set out at Section 8; or
 - (ii) in the unlikely event that there is no remaining property that might permit a distribution to the Company's creditors, they shall file a notice of dissolution of the Company pursuant to Paragraph 84 of Schedule B1 of the Act; or
 - (iii) alternatively, and should there be no likely funds to distribute to unsecured creditors, the Joint Administrators may seek to place the Company into Compulsory Liquidation in order to bring proceedings that only a Liquidator may commence for the benefit of the estate. In such circumstances, Nicholas Simmonds and Paul Zalkin may ask the court that they be appointed Joint Liquidators, to act either jointly or separately in undertaking their duties as Liquidator.

Dated this 8 January 2020

/s/ Nicholas Simmonds

Nicholas Simmonds

Joint Administrator

The affairs, business and property of Legacy Education Alliance International Ltd (in Administration) are managed by the Joint Administrators, who act as agents of the Company and contract without personal liability

DEFINITIONS

The Act	The Insolvency Act 1986
The Rules	The Insolvency Rules 1986 or the Insolvency (England & Wales) Rules 2016 (whichever applied at the time of the event described)
The Statement of Proposals	The Statement of the Joint Administrators' Proposals prepared pursuant to Paragraph 49(1) of Schedule B1 of the Act
The Joint Administrators	Nicholas Simmonds and Paul Zalkin
The Company	Legacy Education Alliance International Ltd (in Administration)
The Court	High Court of Justice
EBIT	Earnings before interest and tax
SPA	Sale & Purchase Agreement
RPO	The Redundancy Payments Office
HMRC	HM Revenue & Customs
ROT	Retention of Title
EOS	Estimated Outcome Statement
PP or Prescribed Part	The Prescribed Part of the Company's net property subject to Section 176A of the Insolvency Act 1986
QFCH	Qualifying Floating Charge Holder
SIP	Statement of Insolvency Practice (England & Wales)
TUPE	Transfer of Undertakings (Protection of Employment) Regulations

Legacy Education Alliance International Ltd (IN ADMINISTRATION)**STATUTORY INFORMATION**

Company Name	Legacy Education Alliance International Ltd
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Previous Name(s)	
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Trading Name(s)	
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Proceedings	In Administration
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Court	High Court of Justice
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Court Reference	007199 of 2019
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Date of Appointment	15 November 2019
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Joint Administrators	Nicholas Simmonds and Paul Zalkin Quantuma LLP 3rd Floor, 37 Frederick Place, Brighton, Sussex, BN1 4EA
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Registered office Address	c/o Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton, Sussex, BN1 4EA
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Company Number	04311733
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Incorporation Date	26/10/2001
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Appointment by	The Petitioning Creditors
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Directors at date of Appointment	Anthony Humpage James May
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Legacy Education Alliance International Ltd (IN ADMINISTRATION)

ESTIMATED FINANCIAL STATEMENT AS AT 15 NOVEMBER 2019 AND CREDITORS' DETAILS

Insolvency Act 1986

Legacy Education Alliance International Ltd

Estimated Statement Of Affairs as at 15 November 2019

	Book Value	Estimated to Realise	
	£	£	£
ASSETS			
Cash at Bank			507,236.00
Sale of business			301,000.00
Intercompany loans	Uncertain		Uncertain
Rent deposits	Uncertain		Uncertain
Funds from merchant services	Uncertain		Uncertain
			<u>808,236.00</u>
LIABILITIES			
PREFERENTIAL CREDITORS:-			
			<u>NIL</u>
			808,236.00
DEBTS SECURED BY FLOATING CHARGES PRE 15 SEPTEMBER 2003			
OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE CREDITORS			
			<u>NIL</u>
			808,236.00
Estimated prescribed part of net property where applicable (to carry forward)			
			<u>NIL</u>
			808,236.00
DEBTS SECURED BY FLOATING CHARGES POST 14 SEPTEMBER 2003			
			<u>NIL</u>
			808,236.00
Estimated prescribed part of net property where applicable (brought down)			
			<u>NIL</u>
			808,236.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)			
Trade & Expense Creditors		1,182,379.00	
Landlord		37,462.00	
HM Revenue and Customs		<u>260,971.00</u>	
			<u>1,480,812.00</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)			
			<u>(672,576.00)</u>
			(672,576.00)
Issued and called up capital			
Ordinary Shareholders		2,500,000.00	
			<u>2,500,000.00</u>
TOTAL SURPLUS/(DEFICIENCY)			<u><u>(3,172,576.00)</u></u>

Quantuma LLP
Legacy Education Alliance International Ltd
Company Creditors

Name	Address	£
Ajc Group	40 Wapenham Road, Atherpe, Towcester, Northampton, NN15 8DU	5,880.00
Annie Davidson Coaching	Old Copwood, Roads Road, Uckfield, East Sussex, TN22 3PT	1,060.00
Archibald Markey LTD	3 Succoth Gardens, Edinburgh, Midlothian, EH12 6BR	147,373.82
Archive Document Data Storage	72 Waterside Trading Centre, Trumpers Way, London, W7 2DD	755.60
Assetree Ltd	128 Stag Lane, Edgeware, HA8 5LL	48,990.41
Impression Associates Limited	30 Oakfield Avenue, Chesham, Bucks, HP8 3JE	Uncertain
APM Project Management	3 Watford Avenue, Halifax, HX3 8DL	Uncertain
B V Training Ltd	237A High Greave, Sheffield, S5 5GS	38,732.96
BHCS LTD	22A Bath Road, Melsingham, Wiltshire, SN12 6LP	8,800.00
Bluejay 14 Business Consultants Limited	28A Hull Road, Cottingham, East Yorkshire, HU15 4PX	42,738.00
Blondfield Consulting Ltd	Delemere, Clock House, High Road, Great Finborough, Stowmarket, Suffolk, IP14 3AP	Uncertain
Building Success Ltd	C/O Michael Stuart Associates, Jubilee House, 3 The Drive, Great Warley, Brentwood, CM13 3FR	Uncertain
Cat Settle Ltd	Barn House Farm, Oak Lane, Kettleby, SK10 5AL	72.90
CVW Property Holdings Ltd	Milton House, 33a Milton Road, Hampton, Middlesex, TW12 2LL	Uncertain
Crystal Enterprises KLG	Holweissenstrasse 152, Zurich, Switzerland, 8057	Uncertain
Calcock Trustees Ltd	594 Glenary Road, Glen Eden, Auckland, New Zealand, 0602	Uncertain
Dash Education	1927 36 Avenue North, St Petersburg, Florida, USA, 33713	4,586.60
Drum Recruitment Ltd	8 Saxon Place, Lymington, SO41 9EZ	4,586.00
Digital Target Marketing	180 East Inlet Drive, Palm Beach, Florida, USA, 33480	Uncertain
Edge Tax Professional Services Ltd	Unit B1, Vantage Office Park, Old Gloucester Road, Bristol, BS16 1RS	12,000.00
Erpingham Gate Ltd	1 Prospect Quay, 98 Point Pleasant, London, SW18 1PR	5,260.00
Essential Management Ltd	28 Warrington Drive, New Oscott, Birmingham, B23 5YP	5,040.00
Express Vending	Unit 1 Finway Road, Hemel Hempstead, Hertfordshire, HP2 7PT	2,621.05
EKL Consultancy Ltd	C/O Property Accounts, 49 Pell Street, Reading, RG1 2NK	Uncertain
Finding Freedom Ltd	4 Pinos Albert Street, London, NW17 5SN	2,385.67
Future Performance Coaching	6 Morris Street, London, SW18 1SL	58,496.22
Growing Step Consulting Company Inc	6770 Tisdale Street, Vancouver, British Columbia, V6P 3M7, Canada	3,109.13
Gee & H Limited	Suite A4, Skylon Court, Coldrose Road, Rotherwas, Hereford, HR2 6US	Uncertain
HMI Revenue & Customs	Warkworth House, Benton Park View, Longbenton, Newcastle Upon Tyne, NE98 1ZZ	26,097.00
PNX Ltd	21 Admiralty Way, Teddington, TW11 0NL	14,547.20
Highland Lion Properties	12 Chestnut Gait, Stewarston, KA3 3DS	Uncertain
HPL UK Holding Ltd	Rosewood London, 252 High Holborn, London, WC1V 7EN	Uncertain
I Will Know Someone Ltd	13 Kinnaird Avenue, London, W4 3SH	61,993.24
IG Property International Ltd	Milton House, 33a Milton Road, Hampton, Middlesex, TW12 2LL	Uncertain
Joynt Consulting	Suite A4 Skylon Court, Rotherwas, Hereford, HR2 6US	Uncertain

Jerop Consultancy Ltd	125 Astonville Street, Southfields, London, SW18 5AQ	Uncertain
JK Property Management Maintenance Ltd	16 Cloverbank, Kingsworthy, Winchester, SO23 7TF	Uncertain
Kie Ltd	2 Wyndham Road, Kingston upon Thames, KT2 5SJ	4,393.88
Kinetic Consulting International	Court Yarn Barn, Tamworth Road, Middleton, B78 2BD	Uncertain
Lyreco UK Limited	Deer Park Court, Dornington Wood, Telford, Shropshire, TF2 7NB	286.63
Lurline Property Ltd	Suite A4 Skylon Court, Rotherwas, Hereford, HR2 6JS	Uncertain
Lurline Services Limited	Suite A4 Skylon Court, Rotherwas, Hereford, HR2 6JS	Uncertain
Lion Consultancy Group	24 Pines Avenue, Worthing, BN14 9JQ	Uncertain
Maharaj Consultants Ltd	Suite 4A Skylon Court, Rotherwas, Hereford, HR2 6JS	15,163.72
Mcmichael Concepts Ltd	The Shelling, 2 Soornhope Holdings, Peebles, EH45 8BH	2,735.54
Milmed Limited	Stapleton House, 29-33 Scruton Street, London, EC2A 4HU	516.00
Motion International Ltd	the old saw mills, Newham Bottom, Ruardean, Gloucestershire, GL17 9UB	218,359.21
Mypropertyapp Ltd	28 the gateways, Bradford, West Yorkshire, BD12 8DG	Uncertain
MPMASS Consulting	1714 Backwater Court, London, Ontario, Canada, N5X3B5	Uncertain
M & S Greenwood Ltd	Boon & Worth, Suite 4, Skylon Court, Coldrose Road, Rotherwas, Hereford, HR2 6JS	Uncertain
Netcol Communications Ltd	16 Turpin Chase, Oaklands, Welwyn, Hertfordshire, AL8 0PA	4,200.00
Nensa Consulting Ltd	Suite A4 Skylon Court, Rotherwas, Hereford, HR2 6JS	Uncertain
N8 Living Limited	Suite A4 Skylon Court, Coonside Road, Rotherwas, Hereford, HR2 6SL	Uncertain
Opes Libertas Ltd	31 Broom Close, Waltham upon Dearne, Rotherham, S63 7JU	3,000.00
Petersfield Partnership Ltd	Ground Floor, Building 1000, Lakeside, North Harbour, Western Road, Portsmouth, PO6 3EZ	83,190.00
Portobello Blue Ltd	Suite 4A Skylon Court, Coldrose Road, Rotherwas, Hereford, HR2 6JS	500.00
Pradesio Consulting Ltd	10 Littlebourne Road, Maidstone, Kent, ME14 5QP	81,626.70
Progresso Ltd	78 Camden Road, Tunbridge Wells, TN1 2QP	236,868.00
Progress H Ltd	C/O Optimize Accountants, Unit 3 Jubilee House, 31-33 Meadow Lane, Long Eaton, Nottingham, NG10 2FE	Uncertain
Property SQ2 Limited	33A Milton Road, Hampton, TW12 2LL	Uncertain
Regus	45/FN The Lee Gardens, 33 Hysan Ave, Causeway Bay, Hong Kong	37,462.24
Fast Lane Success	19/21 Swan Street, West Malling, Kent, ME19 6JU	10,318.84
Ruptured Spark	52 Bosdock Avenue, Northampton, Northants, NN1 4LN	180.00
Russell Spring Ltd	Old Copwood Rocks Road, Loxfield, TN11 3PT	5,100.00
Oakhurst Property Investment	Oakeley, Cronier Road, Holt, Norfolk, NR25 6DZ	Uncertain
Reven ISR Consultancy Ltd	Suite A4 Skylon Court, Rotherwas, Hereford, HR2 6S	Uncertain
Rock Bridge Consultancy Ltd	13 The Drive, Northwood, HA6 1HQ	Uncertain
Reliable Networking Australia PTY Ltd	39 Dorneywood Way, Landsdale, Western Australia, 5005	Uncertain
Creative Property Mentor Ltd	5 Oakridge Close, Leicester, LE5 1UP	4,700.00
Sirius Stars	Hesketh House, 43-45 Portman Square, London, W1H 6HN	2,200.00
Southern Environmental Services Limited	9 Busker Walk, Petersfield, Hampshire, GU31 4NS	1,035.24
The Sullivan Partnership	6 Thongrove Road, Wilmslow, Cheshire, SK9 1DD	Uncertain
Talking Technology Ltd	11 Palmerston Road, Sutton, Surrey, SM1 4QL	702.14
Tartan Jelly Ltd	Milton House, 33a Milton Road, Hampton, Middlesex, TW12 2LL	11,205.00
Tutum Management Ltd	3rd Floor Scottish Mutual House, 27-29 North Street, Hornchurch, RM11 1RS	Uncertain
Table Group Consulting	71 Parkers Road, Crewe, CW1 4TP	Uncertain

Trendon Management Ltd	49 Pell Street, Reading, RG1 2NX	Uncertain
Trinity Digital	PO Box 20153, Big Bay, Cape Town, Western Cape, 7448, South Africa	Uncertain
Vivacious Consulting Limited	4 Harris Street, Walbar, New Zealand, 4320	Uncertain
Whybank Services Ltd	Whybank Farmhouse, Clonfert, Galashiels, Selkirkshire, TD1 1UF	1,000.00
Woodstone Property Solutions Ltd	Unit 2, 1-4 Waverley Terrace, Sunderland, SR4 6TA	1,700.00
Wilson Consultancy Ltd	C/O Dynamix Accountancy, Dane John Works, Gordon Road, Canterbury, Kent, CT13 9DA	Uncertain
Wakefield Lettings & Consultancy Services Ltd	34 Cotton Street, Wakefield, WF2 8DZ	Uncertain
Woking Print & Publicity Ltd	The Print Works, St John's, Woking, Surrey, GU21 7RS	Uncertain
Zulu Enterprises Limited	21 Heath Court, Heath Close, Swansea, SA3 5QF	24,426.91
Total		1,489,312.85

Legacy Education Alliance International Ltd

Schedule of Special Creditor Groups

Special Creditor Groups

Creditor Group	Number of creditors in group	Total amount of claims (estimated)
Consumers claiming amounts paid in advance for the supply of goods and services and other individuals	52	£ 124,649

Note: These figures are based upon enquiries to date and are likely to increase significantly during the course of the liquidation.

Legacy Education Alliance International Limited - In Administration
ESTIMATED OUTCOME STATEMENT
as at 6 January 2020

	Notes	R&P £	Estimated Outcome £
Assets			
Cash at Bank	1	507,236	507,236
Sale of business	2	100,000	301,000
Intercompany loans	3	-	Uncertain
Rent deposits	4	-	Uncertain
Funds from merchant services	5	-	Uncertain
Total		607,236	808,236
Cost of Realisations			
Administrators' Fees (Pre-Appointment)		-	(21,221)
Administrators' Fees (Post-Appointment)		-	(164,089)
Administrators' Disbursements		-	(1,000)
Agent's costs	6	-	(30,000)
Legal costs	7	-	(22,500)
Petitioners' costs		-	(109,955)
Total		-	(348,765)
Total assets available for Unsecured Creditors			459,471
Unsecured Creditors			
Trade & Expense			(1,298,241)
Landlord			(37,462)
HM Revenue & Customs			(260,971)
Customer Refunds	8		Uncertain
			(1,596,674)
Estimated surplus/(deficiency) to Creditors			(1,137,203)
Estimated Unsecured Creditors recovery			28.8%

Legacy Education Alliance International Ltd (IN ADMINISTRATION)

THE JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AND TRADING ACCOUNT TO 6 JANUARY 2020

Legacy Education Alliance International Ltd
(In Administration)
Joint Administrators' Summary of Receipts and Payments
To 06 January 2020

RECEIPTS	Statement of Affairs (£)	Total (£)
Funds advanced by interested party		72,039.99
Cash at Bank	507,236.00	507,236.37
Sale of business	301,000.00	100,000.00
Bank Interest Gross		3.42
Intercompany loans	Uncertain	0.00
Rent deposits	Uncertain	0.00
Funds from merchant services	Uncertain	0.00
		<u>679,279.78</u>
PAYMENTS		
Direct Labour		24,184.99
Venue costs		43,176.66
Trade & Expense Creditors	(1,182,379.00)	0.00
Landlord	(37,462.00)	0.00
HM Revenue and Customs	(260,971.00)	0.00
Ordinary Shareholders	(2,500,000.00)	0.00
		<u>67,361.65</u>
Net Receipts/(Payments)		<u>611,918.13</u>
MADE UP AS FOLLOWS		
Bank 1 Current		607,239.79
VAT Receivable/ (Payable)		<u>4,678.34</u>
		<u>611,918.13</u>

Legacy Education Alliance International Ltd (In Administration)

BREAKDOWN OF PRE-ADMINISTRATION TIME COSTS FOR QUANTUMA LLP

Time Entry - Detailed SIP9 Time & Cost Summary

6005475 - Legacy Education Alliance International Ltd
To 15/11/2019
Project Code PRE

Classification of Work Function	Partner	Manager	Other Senior Professionals	Associates & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 Administration & Planning	17.50	0.00	0.00	0.00	17.50	6,397.00	365.00
101 IPS Case / Historical Entry	23.00	0.00	0.00	0.00	23.00	8,510.00	370.00
104 General Administration	1.00	0.00	0.00	0.00	1.00	370.00	370.00
105 Case strategy / Review	15.50	0.00	0.00	0.00	15.50	5,725.00	370.00
Admin & Planning	56.40	0.00	0.00	0.00	56.40	20,942.00	370.00
002 IPS Case Set Up	0.00	0.00	0.00	1.00	1.00	175.00	175.00
003 IPS Case / Historical Entry	0.00	0.00	0.00	0.40	0.40	148.00	370.00
005 OVA - Preparing Statement of Affairs	0.00	0.20	0.00	0.00	0.20	74.00	370.00
Pre Appointment	0.00	0.20	0.40	1.40	2.00	740.00	370.00
Total hours	56.40	0.20	0.40	1.40	58.00	21,511.40	370.89
Total fees claimed							368.13
							0.00

Legacy Education Alliance International Ltd (In Administration)

CHARGE-OUT RATES AND BASES OF DISBURSEMENTS (“QUANTUMA LLP’S SUMMARY”)



Schedule of Current Charge Out Rates and Chargeable Disbursements

Staff Allocation & Support Staff

An objective and practical approach is taken to each case which includes active Partner involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. In accordance with the provisions of Statement of Insolvency Practice 9 (SIP 9), set out below are the current charge out rates per hour for the grades of staff employed within Quantuma LLP, exclusive of VAT.

Grade of Staff	Rate from 1 May 2019
Corporate Finance Partner	£525.00
Partner	£345.00 - £520.00
Director	£315.00 - £475.00
Senior Manager	£265.00 - £395.00
Manager	£210.00 - £295.00
Assistant Manager	£195.00 - £280.00
Senior Administrator	£185.00 - £270.00
Administrator	£160.00 - £185.00
Assistant Administrator	£105.00
Case Accountant	£135.00
Junior Administrator	£105.00
Support Staff/Executive Assistant	£100.00 - £135.00

Work undertaken is recorded in 6 minute units in an electronic time recording system. Time properly incurred on cases is charged at the hourly rate of the grade of staff undertaking the work that applies at the time the work is done. There has been no allocation of any general or overhead costs.

Time spent on casework is recording directly to the relevant case and the nature of the work undertaken is recorded at that time. The work is recorded under the following categories:

- Administration & Planning
- Creditors
- Investigations
- Realisation of Assets
- Trading
- Cashiering
- Closing Procedures

On occasion it may be necessary to change the rates applicable to the work undertaken and if this occurs during the period of the assignment any material changes will be notified to creditors as part of the normal fee reporting procedures. Rates are likely to be subject to periodic increase.

The time of support staff and executive assistants is not charged to a case except when the initial set up is being performed or when a sizeable administrative task or appropriate ad hoc duty is being undertaken.

Details of historic charge out rates are provided at the end of this guide. Should any creditor wish to receive details of the charge out rates in force prior to those shown, these can be provided upon request.

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holder or his staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

Quantuma LLP. Registered in England & Wales. Registered Office: 81 Station Road, Marlow, Buckinghamshire SL7 1NS. Registration Number: OC379411. VAT Number: 144 2175 9. Prior to and during an appointment, our Insolvency Practitioners are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. A list of our Partners and their respective licensing bodies is available from our website at <https://www.quantuma.com/people>. Details of Quantuma LLP's Privacy Notices can be found at <https://www.quantuma.com/legal/notices/>. Partners and Staff act and advise without personal liability.



Direct Expenses (Category 1 Disbursements)

Category 1 disbursements, as defined by SIP 9, are expenses which are directly referable both to the appointment in question and a payment to an independent third party at cost and without uplift.

These expenses, which do not require the prior approval of creditors, include but are not limited to the following examples:

Category 1 Disbursement	Basis of Charge
Indemnity Bond	At cost of mandatory cover required in accordance with the Insolvency Act 1986 for each appointment
Insurance of assets	At cost in relation to asset coverage requirements
Travel	All forms other than mileage at actual cost
Room Hire	All external venues at actual cost
Record Listing, Storage & Retrieval	At cost incurred
Postage	At cost incurred
Virtual Meeting Platform (from 6/4/17)	At cost incurred

Indirect Expenses (Category 2 Disbursements)

These are expenses that are directly referable to the appointment in question but which are not to an independent third party and may include shared or allocated costs that can be apportioned to the appointment on a proper and reasonable basis.

Specific approval for Category 2 Disbursements is required from creditors before they can be paid

The following indirect disbursements (Category 2 Disbursements, as defined by SIP 9) are charged to cases where appropriate on the following basis:

Category 2 Disbursement	Cost £
Photocopying, scanning and faxes (per side)	0.10
Company Search	10.00
Stationery (per Report/Letter per member/creditor)	0.50
Mileage incurred as a result of necessary travel as per HMRC's approved rate (per mile)	0.45
Internal Meeting Room Hire (outside London)	65.00
Internal Meeting Room Hire (in London)	95.00
Electronic Anti-Money Laundering Identification Search (per search) (from 01/01/2018)	3.00

Quantuma LLP. Registered in England & Wales. Registered Office: 81 Station Road, Marlow, Buckinghamshire SL7 1NS. Registration Number: OC379411. VAT Number: 144 2175 3. As prior to and during an appointment, our Insolvency Practitioners are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. All of our Partners and their respective licensing bodies is available from our website at <http://www.quantuma.com/people/>. Details of Quantuma LLP's Privacy Notices can be found at <http://www.quantuma.com/foia/notice/>. Partners and Staff act and advise without personal liability.



Category 2 disbursements may be subject to periodic increase and this schedule will be updated accordingly. The schedule is available for creditors to review at <http://www.quantuma.com/guide/creditors-guide-fees/>. Details of historic disbursement charges can be found at the end of this schedule

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. The fee arrangement for each will be disclosed in reports to creditors and these will be reviewed on a regular basis, together with the recovery or relevant disbursements. The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

VAT

With the exception of Individual Voluntary Arrangements and Company Voluntary Arrangements which are VAT exempt, the office holders' remuneration and disbursements invoiced to the insolvency estate will be subject to VAT at the prevailing rate.

Creditors' Rights

Information about Creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holders fees may be approved for each case type and challenged are available in a series of guides issued with SIP 9 and can be accessed at <https://www.quantuma.com/guide/creditors-guide-fees/>. Alternatively hard copies of these documents may be requested free of charge from Quantuma LLP's registered office.

Quantuma LLP. Registered in England & Wales. Registered Office: 81 Station Road, Marlow, Buckinghamshire SL7 1NS. Registration Number: OC379411. VAT Number: 144 2175 5. Prior to and during an appointment, our Insolvency Practitioners are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. A list of our Partners and their respective licensing bodies is available from our website at <http://www.quantuma.com/people>. Details of Quantuma LLP's Privacy Notices can be found at <http://www.quantuma.com/legal/notices/>. Partners and Staff act and advise without personal liability.

Legacy Education Alliance International Ltd (In Administration)

BREAKDOWN OF THE JOINT ADMINISTRATORS' TIME COSTS FROM 15 NOVEMBER 2019 TO 6 JANUARY 2020

Time Entry - Detailed SIP9 Time & Cost Summary

605475 - Legacy Education Alliance International Ltd
From 15/11/2019 To 06/01/2020
Project Code: POST

Classification of Work Function	Partner	Manager	Other Support Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
102 Administration & Planning	14.40	0.00	3.60	0.00	18.00	6,037.00	335.40
103 Initial Statutory & General Notifications & Filing	0.00	0.00	2.00	2.00	4.00	348.00	87.00
104 IPG Cases / Live set up / Filing	0.00	0.00	0.00	2.20	2.20	518.73	235.82
105 Case Management / Hearings	0.10	0.00	0.00	4.00	4.10	1,080.00	263.41
107 Case Strategy / Review	0.10	0.00	0.00	3.00	3.10	3,435.00	1,108.10
Admin & Planning	22.60	0.00	5.60	9.20	41.40	11,325.73	273.12
000 Catching up	0.00	0.00	0.00	3.10	3.10	457.50	147.58
Catching up	0.00	0.00	0.00	3.10	3.10	457.50	147.58
201 Creditors	1.40	0.00	0.40	2.00	4.80	600.75	125.16
203 Creditors correspondence / Call	0.20	0.00	0.10	0.00	0.30	78.25	260.83
204 Dealing with Insolvency Expenses	0.00	0.00	0.00	1.00	1.00	1,000.00	1,000.00
205 Dealing with Insolvency Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
215 Part 40 Administration Proposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	1.60	0.00	0.50	3.00	5.10	1,678.00	329.02
500 Investigations	0.70	0.00	0.00	0.00	0.70	250.00	357.14
Investigations	0.70	0.00	0.00	0.00	0.70	250.00	357.14
400 Realisation of Assets	0.00	0.00	1.30	0.00	1.30	243.50	187.31
401 Financial / Intellectual Property	0.40	0.00	1.10	0.00	1.50	362.50	241.67
406 Debtors	0.00	0.00	0.00	0.00	0.00	0.00	0.00
406 Sale of Business	20.00	0.00	4.00	0.00	24.00	9,420.00	392.50
Realisation of Assets	20.40	0.00	5.40	0.00	25.80	9,682.50	375.30
500 Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
501 Management of Operations	12.20	0.00	24.20	0.00	36.40	5,764.00	158.35
Trading	12.20	0.00	24.20	0.00	36.40	5,764.00	158.35
Total Hours	57.20	1.00	104.40	97.15	259.75	47,788.75	183.92
Total Fees Claimed						0.00	

Legacy Education Alliance International Ltd (In Administration)**INFORMATION TO SUPPORT THE JOINT ADMINISTRATORS' FEE PROPOSAL****a) The Joint Administrators' Fees Estimate**

Please note that this estimate reflects the work undertaken and time anticipated to be incurred for the full period of the Administration and thus it includes the time already incurred, details of which are provided in Appendix IV.

b) The Joint Liquidators' Fees Estimate

Whilst it is anticipated that the Company will move from Administration to CVL in order to pay a dividend to creditors, the timing of that move is currently unknown and therefore it is not known what work will remain to be carried out by the Joint Liquidators once the Administration is terminated. Despite these uncertainties, to ensure that the Joint Liquidators can act immediately to administer the winding up without needing to incur additional costs in reverting to creditors with information on their estimates, set out below is the Joint Liquidators' Fees Estimate.

**Estimate of Fees and Expenses for
Legacy Education Alliance International Ltd (In Administration)
To 14/11/2020**

	Total Hours	Avg Hourly Rate £	Time Cost £	Disbursements £	Expenses £
Classification of Work Function					
Admin & Planning	68.80	210.92	14,511.00		
Cashiering	10.00	120.00	1,200.00		
Closing Procedures	4.00	195.00	780.00		
Creditors	224.50	185.11	41,557.50		
Investigations	236.50	219.92	52,010.00		
Realisation of Assets	170.00	241.18	41,000.00		
Trading	56.50	230.62	13,030.00		
	<u>770.30</u>	<u>213.02</u>	<u>164,088.50</u>		
Disbursements				<u>135.00</u>	
Category 1 Disbursements				<u>12.00</u>	
Category 2 Disbursements				<u>147.00</u>	
Expenses (*)					<u>0.00</u>
Totals	<u>770.30</u>	<u>213.02</u>	<u>164,088.50</u>	<u>147.00</u>	<u>0.00</u>

(*) Details of the expenses the IP considers will be, or are likely to be, incurred during the period of this estimate

Details of estimated disbursements that will be paid during the period of this estimate.

Category 1 Disbursements		
Specific Bond		<u>135.00</u>
		<u>135.00</u>
Category 2 Disbursements		
AML Electronic Identification Search		<u>12.00</u>
		<u>12.00</u>

Notes:

1. Category 1 Disbursements are payable without prior approval as they are payments to independent third parties e.g advertising, room hire, storage, travel expenses
2. Category 2 Disbursements are costs directly referable to the appointment e.g. Postage, Printing & Stationery, Mileage but as they are not to an independent third party they require approval in the same manner as the fee
3. The figures provided for Expenses are as accurate as possible based on the information available at this time. No prior approval is required for the payments of the expenses as they are regarded as a cost of the administration of the estate
4. Further approval will be sought from the creditors' committee or creditors if the circumstances of the case indicate that the above fee estimate is likely to be exceeded
5. The above estimates are all exclusive of VAT

**Estimate of Fees and Expenses for
Legacy Education Alliance International Ltd (In Administration)**

Explanatory Note:

FEE ESTIMATE

The office holders are seeking to be remunerated on a time cost basis. We use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform, recording time spent in 6 minute units. Narrative is recorded to explain the work undertaken and the time spent is analysed into different categories of work. In this document the estimated time that will be spent undertaking the work in each category of work has been multiplied by the applicable charge out rate for each member of staff that it is anticipated will undertake work in that category to arrive at the estimated total time costs attributable to that category of work on the case. We have then divided that estimated total by the estimated number of hours to arrive at a blended hourly charge out rate for that category of work.

This estimate has been provided to creditors at an early stage in the case. Whilst all possible steps have been taken to make this estimate as accurate as possible, it is based on the office holders' current knowledge of the case and their knowledge and experience of acting as office holders in similar cases. As a result, the estimate does not take into account any currently unknown complexities or difficulties that may arise during the administration of the case.

This fee estimate covers the life of the case and it is currently not anticipated that the total fees during the life of the case will exceed the estimate. However since the office holders cannot draw remuneration in excess of this estimate without first obtaining approval to do so, should the fee estimate be exceeded and where the office holders consider it appropriate in the context of the case, they will seek a resolution to increase the fee. A full outline and explanation of the fees incurred against the fees that have been estimated below will be provided to creditors with this request.

The hourly charge out rates that it is anticipated will be used on the case are as follows:

	£
Partner	370
Manager	240
Assistant Manager	195
Assistant Administrator	105
Case Accountant	135

Please note that the rates quoted above will be used for each category of work outlined in the estimate and will be subject to periodic increase.

Explanations are given below in relation to each category of work outlined in the estimate. A list of the activities under those categories that it is anticipated will be carried out is also provided.

Administration and planning

This represents the work that is involved in the routine administrative functions of the case by the office holders and their staff, together with the control and supervision of the work done on the case by the office holders and their managers. It does not give direct financial benefit to the creditors, but ensures that the case is managed in a professional and methodical manner and has to be undertaken by the office holders to meet their requirements under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that office holders must follow

- Initial Statutory and General Notifications & Filing e.g. Advertising the appointment, undertaking statutory notifications to Companies House, HMRC, the Pension Protection Fund, preparing the documentation and dealing with other notification of appointment
 - Obtaining a specific penalty bond
 - Recovering & Scheduling the company's books and records
-

**Estimate of Fees and Expenses for
Legacy Education Alliance International Ltd (In Administration)**

- Setting up electronic case files and electronic case details on IPS
- General Administration - Dealing with all routine correspondence and emails relating to the case
- Case strategy & completing file reviews at 1 month, 2 months, 6 months and 6 months thereafter
- VAT & Corporation Tax matters and returns

Creditors

Claims of creditors - the office holder needs maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holder will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The office holder is required to undertake this work as part of his statutory functions.

Dividends - the office holder has to undertake certain statutory formalities in order to enable him to pay a dividend to creditors. This includes writing to all creditors who have not lodged proofs of debt and reviewing the claims and supporting documentation lodged by creditors in order to formally agree their claims, which may involve requesting additional information and documentation from the creditors.

- Preparing the documentation and dealing with initial appointment notification to creditors
- Dealing with creditor correspondence, emails and telephone conversations
- Dealing with Pension Schemes
- Committee Reporting
- Committee Meetings, Minutes & liaising with Committee members
- Reviewing and adjudicating creditors' claims - adjudicating claims & requesting additional information in support of claims
- Dealing with HMRC/RPO claims
- Annual/Progress Reports

Investigations

The insolvency legislation gives the office holders powers to take recovery action in respect of what are known as antecedent transactions eg. where assets have been disposed of prior to the commencement of the insolvency procedure (and also in respect of matters such as misfeasance and wrongful trading). The office holders are required by the Statements of Insolvency Practice to undertake an initial investigation in all cases to determine whether there are potential recovery actions for the benefit of creditors and the time costs recorded represent the costs of undertaking such an initial investigation. If potential recoveries or matters for further investigation are identified then the office holders will need to incur additional time costs to investigate them in detail and to bring recovery actions where necessary, and further information will be provided to creditors and approval for an increase in fees will be made as necessary. Such recovery actions will be for the benefit of the creditors and the office holders will provide an estimate of that benefit if an increase in fees is necessary. The office holder is aware that a number of inter-company balances exist between the Company and a number of connected companies where funds appear to have been lent to fund the purchase of investment properties. These will be reviewed in due course. The estimated time required to be spent to do so and the time costs of doing so are included in the estimate. The office holder is unable to quantify the benefit to creditors of these investigations at present but will include such information in their statutory report to creditors once the position is clear.

The office holders are also required by legislation to report to the Department for Business, Energy & Industrial Strategy on the conduct of the directors. The work to enable them to comply with these statutory obligations may also identify potential recovery actions.

- SIP 2 Review - Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants, solicitors, etc.
- CDDA Reports - Preparing a report or return on the conduct of the directors as required by the Company Directors Disqualification Act.
- Investigating & Pursuing Antecedent Transactions

Realisation of Assets

This is the work that needs to be undertaken to realise the known assets in the case. If this work is undertaken, the office holder anticipates that the assets will realise the estimated to realise amounts provided to creditors

**Estimate of Fees and Expenses for
Legacy Education Alliance International Ltd (In Administration)**

-Sale of Business - We will continue to liaise with the purchaser in regards to receiving deferred consideration.

Trading

The office holders decided to trade the business of the company in order to achieve a sale of the business as a going concern in order to maximise the recoveries on behalf of creditors. The particular tasks scheduled in this category of work are required to be undertaken in order to enable the office holder to monitor and control the trading of the business, and include statutory functions that are required to be undertaken when running any business.

- Managements of Operations
- Forecasting/Cashflow/Banking
- Employee issues/payroll
- Negotiating with customers
- Negotiating with suppliers
- TAXNAT

Cashiering

The office holders must ensure that estate bank accounts are opened and maintained in accordance with legislation and SIPs Bank reconciliations are performed on all bank accounts and statutory receipts and payments accounts are filed at Companies House & Court.

- Opening, maintaining and managing the Office Holders' cashbook and bank account.
- Dealing with cheque requisitions
- Dealing with deposit forms
- Bank Reconciliations
- Preparing & Filing statutory Receipts & Payments accounts

Closing Procedures

The office holders are required by statute to effect an orderly end to the case and although this has no direct financial benefit to the creditors it is necessary so that where applicable final meetings are advertised and held and final reports are filed at Companies House and Court.

- Preparing Final Account
- Filing final statutory returns at Companies House/Court

EXPENSE ESTIMATE

Full details of Quantuma LLP's charging policy in relation to disbursements can be found at <http://www.quantuma.com/guide/creditors-guide-fees/> or alternatively a hard copy can be requested free of charge from the Quantuma LLP office dealing with this case

LEGACY EDUCATION ALLIANCE INTERNATIONAL LIMITED
FEE ESTIMATE COVERING THE WHOLE PERIOD OF LIQUIDATION

The office holders are seeking to be remunerated on a time cost basis. We use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform, recording time spent in 0.1 minute units. Narrative is recorded to explain the work undertaken and the time spent is analysed into different categories of work. In this document the estimated time that will be spent undertaking the work in each category of work has been multiplied by the applicable charge out rate for each member of staff that it is anticipated will undertake work in that category to arrive at the estimated total time costs attributable to that category of work on the case. We have then divided that estimated total by the estimated number of hours to arrive at a blended hourly charge out rate for that category of work.

The sum of all the estimates for the different categories of work is the total estimated time costs to undertake the necessary work on the case during the period of Administration. Again, we have then divided that estimated total by the estimated number of hours to arrive at a blended hourly charge out rate for this period of the case's administration.

Note: This estimate has been provided to creditors at an early stage in the case. Whilst all possible steps have been taken to make this estimate as accurate as possible, it is based on the office holder's current knowledge of this case and their knowledge and experience of acting as office holder in similar cases. As a result, the estimate does not take into account any currently unknown complexities or difficulties that may arise during the administration of the case.

The hourly charge out rates that will be used on the case are

£	
Partner	350
Manager	230
Assistant Manager	195
Assistant Administrator	130
Case Accountant	135
Support Staff/Executive Assistant	95

Please note that the rates quoted above will be used for each category of work outlined in the estimate and will be subject to periodic increase.

ADMINISTRATION & PLANNING - Note 1

Description of the Work to be undertaken

Administration & Planning
Initial Statutory and General Notifications & Filing e.g. Advertising the appointment, undertaking statutory notifications to Companies House, HMRC, the Pension Protection Fund, preparing the documentation and dealing with other notification of appointment
Obtaining a specific penalty bond
Recovering & Securing the company's books and records
Setting up electronic case files and electronic case details on IP's
Carrying out initial enquiries into the company's affairs and identifying areas for investigation
Carrying out & completing the reviews at 1 month, 3 months & 6 months
VAT & Corporation tax matters and returns

Estimated time to be taken to undertake the work (Hrs)

Estimated value of the time spent to undertake the work (£)

Blended charge out rate to undertake the work (£/hr)

TOTAL 20.00 4,210.00 210.5

CREDITORS - Note 2

Description of the Work to be undertaken

Description of the Work to be undertaken	Estimated time to be taken to undertake the work (hrs)	Estimated value of the time costs to undertake the work (£)	Blended charge out rate to undertake the work (£/hr)
Creditors			
Preparing the documentation and dealing with initial appointment notification to creditors			
Dealing with creditor correspondence, emails and telephone conversations			
Final Reports			
Payment of Dividends - calculating, paying a dividend to creditors & issuing the declaration notice			
Review of the company's financial records and documents to ensure compliance with the Companies Act 2006			
Reviewing and substantiating creditors' claims - adjudicating claims & requesting additional information in support of claims			
Dealing with HMRC/REGO claims			
Reformation of title - issuing ROT questionnaires to creditors, reviewing ROT claims & corresponding with creditors			
Creditors Meeting			
Annual/Progress Reports			
Initial Appointment Notification to Creditors - Preparing the documentation & sending out initial appointment notification to creditors			
Interest Free Report to Creditors			
TOTAL	115.00	24,207.50	210.5

INVESTIGATIONS - Note 3

Description of the Work to be undertaken

Description of the Work to be undertaken	Estimated time to be taken to undertake the work (hrs)	Estimated value of the time costs to undertake the work (£)	Blended charge out rate to undertake the work (£/hr)
Investigations			
Six 2 Review - Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants, solicitors, etc			
CDDA Reports - Preparing a report or return on the conduct of the directors as required by the Company Directors Disqualification Act			
Investigating & Pursuing Antecedent Transactions			
TOTAL	2.00	421.00	210.5

REALISATION OF ASSETS - Note 4

Description of the Work to be undertaken

Description of the Work to be undertaken	Estimated time to be taken to undertake the work (hrs)	Estimated value of the time costs to undertake the work (£)	Blended charge out rate to undertake the work (£/hr)
Realisation of Assets			
Freehold/Leasehold Property			
Financial Assets			
Debtors			
Investment Property			
Right of Use Assets			
Arranging & Monitoring Insurance			

TOTAL		35.00	7,357.50	210.5
CASHIERING				
Description of the Work to be undertaken				
Opening, maintaining and managing the Liquidators' cashbook and bank account				
Dealing with cheque reconciliations				
Dealing with deposit forms				
Bank Reconciliations				
Preparing & Filing statutory Receipts & Payments accounts				
TOTAL		35.00	5,235.00	174.50
CLOSING PROCEDURES				
Description of the Work to be undertaken				
Advertising the final meeting				
Holding the final meeting & processing minutes				
Filing final statutory returns at Companies House/Court				
TOTAL		10.00	2,105.00	210.50
OVERALL SUMMARY OF WORK CATEGORIES				
ADMINISTRATION AND PLANNING				
CREDITORS				
INVESTIGATIONS				
ASSET REALISATIONS				
CASHIERING				
CLOSING PROCEDURES				
OVERALL TOTAL		212.00	43,946.00	205.43

Note 1: Administration and planning - The work that is involved in the insolvency administration functions of the case is the office holder and their staff, together with the control and supervision of the work done on the case by the office holders and their managers. It does not give direct financial benefit to the creditors, but ensures that the case is managed in a professional and efficient manner and has to be undertaken by the office holders to meet their requirements under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that office holders must follow.

Note 2: Creditors' Claims of creditors - The office holder needs maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holder will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The office holder is required to undertake this work as part of his statutory functions. Dividends - the office holder has to undertake certain statutory formalities in order to enable him to pay a dividend to creditors. This includes writing to all creditors who have not lodged proofs of debt and reviewing the claims and supporting documentation lodged by creditors in order to formally agree their claims, which may involve requesting additional information and documentation from the creditors.

Note 3: Investigations - The insolvency legislation gives the office holders power to take recovery action in respect of what are known as antecedent transactions eg where assets have been disposed of prior to the commencement of the insolvency procedure (and also in respect of matters such as misfeasance and wrongful trading). The office holders are required by the Statements of Insolvency Practice to undertake an initial investigation in all cases to determine whether there are potential recovery actions for the benefit of creditors and the limits costs recorded represent the costs of undertaking such an initial investigation. If potential recoveries or matters for further investigation are identified then the office holders will need to incur additional time costs to investigate them in detail and to bring recovery actions where necessary, and further information will be provided to creditors and approval for an increase in fees will be made as necessary. Such recovery actions will be for the benefit of the creditors and the office holders will provide an estimate of that benefit if an increase in fees is necessary. The estimated time required to be spent to do so and the time costs of doing so are included in the estimate. The office holder is unable to quantify the benefit to creditors of these investigations at present but will include such information in their statutory report to creditors once the position is clear. The office holders are also required by legislation to report to the Department for Business, Innovation and Skills on the conduct of the directors. The work to enable them to comply with these statutory obligations may also identify potential recovery actions.

Note 4: Realisation of Assets - This is the work that needs to be undertaken to realise the known assets in the case. If this work is undertaken, the office holder anticipates that the assets will realise the estimated to realise amounts provided to creditors.

Legacy Education Alliance International Ltd (In Administration)

NOTICE OF DECISION PROCEDURE / VOTING FORM / PROOF OF DEBT

NOTICE OF DECISION PROCEDURE

Company Name: Legacy Education Alliance International Ltd (In Administration) (“the Company”)
Company Number: 04311733
In the High Court of Justice 007199

This Notice is given under Rule 15.8 of the Insolvency (England & Wales) Rules 2016 (“the Rules”). It is delivered by the Joint Administrator of the Company, Nicholas Simmonds and Paul Zalkin, of Quantuma LLP, Meridien House, 69-71 Clarendon Road, Watford, Hertfordshire, WD17 1DS, (telephone number 01273 322400), who were appointed by the above-mentioned Court.

Creditors are invited to vote by correspondence on the following (for the full wording of proposed decisions, see overleaf):

- 1 The basis of the Joint Administrators’ fees
- 2 The approval of the Joint Administrators’ Category 2 disbursements
- 3 The approval of the pre-Administration costs

Overleaf Is a voting form on which creditors may signify their decisions on the above matters. All voting forms, together with a proof of debt if one has not already been submitted, must be completed and returned to the Joint Administrator by one of the methods set out below.

By post to: Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA
By email to: brightonvoting@quantuma.com

Please note that, if you are sending votes by post, you must ensure that you have allowed sufficient time for the forms to be delivered to the address above by the time set out below. Unless the contrary is shown, an email Is treated as delivered at 9am on the next business day after it was sent.

All voting forms and proofs of debt must be delivered by 23.59 on the Decision Date, 23 January 2020.

If the Joint Administrator has not received a proof of debt by the time specified above (whether submitted previously or as a result of this Notice), that creditor’s vote will be disregarded Any creditor whose debt is treated as a small debt in accordance with Rule 14.31(1) of the Rules must still deliver a proof if the creditor wishes to vote. A creditor who has opted out from receiving notices may nevertheless vote if the creditor also provides a proof by the time specified above.

Creditors who meet one or more of the statutory thresholds listed below may, within 5 business days from the date of the delivery of this Notice, require a physical meeting to be held to consider the matter.

Statutory thresholds to request a meeting:

- 10% in value of the creditors
- 10% in number of the creditors
- 10 creditors

A creditor may appeal a decision by application to the Court in accordance with Rule 15.35 of the Rules. Any such appeal must be made not later than 21 days after the Decision Date

Signed /s/ Nicholas Simmonds
Nicholas Simmonds
Joint Administrator

Dated: 8 January 2020

VOTE BY CORRESPONDENCE

Legacy Education Alliance International Ltd (in Administration)

Name of Creditor:

Address:

Decisions:

1	That the Joint Administrators' fees be fixed by reference to the time given by them and their staff in attending to matters arising in the Administration, such time to be charged at the hourly charge out rate of the grade of staff undertaking the work at the time it was undertaken.	*For / Against
2	That the Joint Administrators be authorised to recover all Category 2 disbursements, calculated on the bases detailed in Quantuma LLP's summary.	*For/ Against
3	That the unpaid pre-Administration costs set out in the Joint Administrators' Proposal be approved.	*For / Against

* Please delete as applicable to indicate your voting instructions

Signed.

Dated

Name in capitals

Position with, or relationship to, creditor or other authority for signature. _____

Are you the sole member/shareholder of the creditor (where it is a company)?

Yes / No

NOTE: Once a vote has been cast, it cannot be changed.

Please complete this form and return it, along with a completed proof of debt if you have not submitted one previously, so that it is delivered by 23.59 on 23 January 2020, by:

Post: Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA

Email: please scan in a signed copy of this form and attach it as a pdf to brightonvoting@quantuma.com

PROOF OF DEBT - GENERAL FORM

Legacy Education Alliance International Ltd (in Administration)

Date of Administration 15 November 2019

DETAILS OF CLAIM		
1.	Name of Creditor (if a company, its registered name)	
2.	Address of Creditor (i e. principal place of business)	
3.	If the Creditor is a registered company: <ul style="list-style-type: none"> For UK companies its registered number For other companies: the country or territory in which it is incorporated and the number if any under which it is registered The number, if any, under which it is registered as an overseas company under Part 34 of the Comonies Act 	
4.	Total amount of claim, including any Value Added Tax, as at the date of administration, less any payments made after this date in relation to the claim, any deduction under R14 20 of the Insolvency (England & Wales) Rules 2016 and any adjustment by way of set-off in accordance with R14.24 and R14.25	£
5.	If the total amount above includes outstanding uncapitalised interest, please state	YES(£) / NO
6.	Particulars of how and when debt incurred	
7.	Particulars of any security held, the value of the security, and the date it was given	
8.	Details of any reservation of title in relation to goods to which the debt relates	
9.	Details of any document by reference to which the debt can be substantiated. [The administrator may call for any document or evidence to substantiate the claim at his discretion.]	
10.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986	Category Amount(s) claimed as preferential £
11.	If you wish any dividend payment that may be made to be paid in to your bank account please provide BAGS details. Please be aware that if you change accounts it will be your responsibility to Provide new information	Account No.: Account Name: Sort code:
AUTHENTICATION		
Signature of Creditor or person authorised to act on his behalf		
Name in BLOCK LETTERS		
Date		
If signed by someone other than the Creditor, state your postal address and authority for signing on behalf of the Creditor		
Are you the sole member of the Creditor?		YES / NO

Legacy Education Alliance International Ltd (In Administration)

NOTICE SEEKING DEEMED CONSENT

NOTICE SEEKING DEEMED CONSENT

Company Name: Legacy Education Alliance International Ltd (In Administration) (“the Company”)
Company Number: 04311733
In the High Court of Justice 007199

This Notice is given under Rule 15.7 of the Insolvency Rules (England & Wales) 2016 (“the Rules”). It is delivered by the Joint Administrator of the Company, Nicholas Simmonds and Paul Zalkin, of Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA (telephone number 01273 322400), who were appointed by the above-mentioned Court.

The Joint Administrator proposes that the following decisions be made:

- 1 That the Joint Administrators’ Proposals be approved
- 2 That a Creditors’ Committee will not be established¹
- 3 That the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Paragraph 98 of Schedule B1 of the Act, such discharge to take effect when the appointment of Joint Administrators ceases to have effect, as defined by the Act, unless the court specifies a time

In respect of each of the decisions proposed above, if less than 10% in value of creditors (who would be entitled to vote if a vote were taken) (“the Threshold”) object to it accordance with the procedure set out below, the creditors are to be treated as having made the proposed decision. Otherwise, the creditors are to be treated as not having made such decision and if a decision about that matter is again sought from the creditors, it must be sought using a qualifying decision procedure as defined by the Insolvency Act 1986.

In order to object to one or more of the proposed decisions, you must deliver a notice stating that you so object (and specifying to which one or more of the proposed decisions your objection relates) to the Joint Administrator not later than the time set out below. In addition, you must have also delivered a proof of debt (unless one has already been submitted) by the time set out below, failing which your objection will be disregarded.

It is the Joint Administrators’ responsibility to aggregate any objections to see if the Threshold is met for the decision to be taken as not having been made.

If the Threshold is met, the deemed consent procedure will terminate without a decision being made and if a decision is sought again on the same matter it will be sought by a decision procedure.

All objections and proofs of debt must be submitted in writing to the Joint Administrator by one of the methods set out below.

By post to: Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA
By email to: brightonvoting@quantuma.com

Please note that, if you are sending documents by post, you must ensure that you have allowed sufficient time for them to be delivered to the address above by the time set out below. Unless the contrary is shown, an email is treated as delivered at 9am on the next business day after it was sent.

All objections and proofs of debt must be delivered by the Decision Date: 23.59 on 23 January 2020

¹ Please see the Notice Inviting Creditors to Form a Committee for further instructions.

Any creditor whose debt is treated as a small debt in accordance with Rule 14.31(1) of the Rules must still deliver a proof if the creditor wishes to object. A creditor who has opted out from receiving notices may nevertheless object if the creditor also provides a proof by the Decision Date.

In addition, creditors who meet one or more of the statutory thresholds listed below may, within 5 business days from the date of the delivery of this Notice, require a physical meeting to be held to consider any matter.

Statutory thresholds to request a meeting:	10% in value of the creditors
	10% in number of the creditors
	10 creditors

A creditor may appeal a decision by application to the court in accordance with Rule 15.35 of the Rules. Any such appeal must be made not later than 21 days after the Decision Date

Signed /s/ Nicholas Simmonds

Nicholas Simmonds
Joint Administrator

Dated 8 January 2020

NOTICE OF OBJECTIONS
Legacy Education Alliance International Ltd (In Administration)

On behalf of (name of Creditor): _____

at (address of Creditor): _____

Please indicate whether you agree or object to the following proposed decision(s):

Proposed Decision	Objected to?
That the Joint Administrators' Proposals be approved	Agree/Objected To
That a Creditors' Committee will <u>not</u> be established	Agree/Objected To
That the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Paragraph 98 of Schedule B1 of the Act, such discharge to take effect when the appointment of Joint Administrators ceases to have effect, as defined by the Act, unless the court specifies a time	Agree/Objected To

Are you also asking the Joint Administrator to convene a physical meeting of creditors?² Yes/ No

Signed: _____

Dated: _____

Name in capitals: _____

Position with, or relationship to, Creditor or other authority for signature: _____

Are you the sole member/shareholder of the Creditor (where it is a company)? Yes/No

If you wish to lodge an objection, you must have delivered it, along with a completed proof of debt, by 23.59 on the Decision Date - 23 January 2020 - by one of the following methods:

Post: Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA

**Email: please scan in a signed copy of this form and attach it as a pdf to
brightonvoting@quantuma.com**

NOTE: if you agree with the proposed decisions set out above, you do not need to do anything

² Requests for a meeting must be delivered within 5 business days of the date of delivery of the Notice Seeking Deemed Consent.

Legacy Education Alliance International Ltd (In Administration)

NOTICE OF INVITATION TO FORM A CREDITORS' COMMITTEE

Company Name: Legacy Education Alliance International Ltd (In Administration) (“the Company”)
Company Number: 04311733
In the High Court of Justice 007199

This Notice is given under Rule 3.39 of the Insolvency Rules (England & Wales) 2016 (“the Rules”) It is delivered by the Joint Administrator of the Company, Nicholas Simmonds, of Quantuma LLP, Meridien House, 69-71 Clarendon Road, Watford, Hertfordshire, WD17 1DS, telephone number 01273 322400, who was appointed by the above-mentioned Court

Creditors are invited to nominate creditors (which may include themselves) by completing the section below and returning this Notice to the Joint Administrator by one of the following methods.

By post to: By email to
Quantuma LLP, 3rd Floor, 37 Frederick Place, Brighton BN1 4EA Sam.Hewitt@Quantuma.com

Please note that, if you are sending nominations by post, you must ensure that you have allowed sufficient time for the Notice to be delivered to the address above by the time set out below. Unless the contrary is shown, an email is treated as delivered at 9am on the next business day after it was sent.

All nominations must be delivered by: 23.59 on 21 January 2020

Nominations can only be accepted if the Joint Administrator is satisfied as to the nominated creditor’s eligibility under Rule 17 4 of the Rules

For further information on the role of Creditors’ Committees, go to <http://www.quantuma.com/guide/guide-creditors-committee/>

Signed /s/ Nicholas Simmonds

Dated 8 January 2020

Nicholas Simmonds
Joint Administrator

Legacy Education Alliance International Ltd (In Administration)

On behalf of (name of Creditor): _____

at (address of Creditor): _____

I nominate the following creditor(s) to be member(s) of a Creditors' Committee (provide name(s) and address(es))

1. _____

2. _____

3. _____

Signed: _____

Dated: _____

Name in capitals: _____

Position with, or relationship to, Creditor or other authority for signature. _____

Are you the sole member/shareholder of the Creditor (where it is a company)? Yes/ No

EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** (this "Agreement") is made as of the 18 day of March, 2019 (the "Effective Date"), by and between LEGACY EDUCATION ALLIANCE, INC., a Nevada corporation, with an address of 1612 E. Cape Coral Parkway, Cape Coral, FL 33904 (the "Company") and Vanessa Guzmán-Clark (the "Executive").

WHEREAS Executive was first engaged by the Company as Senior Corporate Controller commencing January 28, 2019 (the "Start Date"); and

WHEREAS, Executive was appointed as Chief Financial Officer of the Company on October 1, 2019;

WHEREAS, the Company desires to continue to employ Executive in the capacity of Chief Financial Officer; and

WHEREAS Executive is willing to continue make her services available to the Company on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for such other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties, intending to be legally bound, agree as follow:

1. Term. The Company hereby employs Executive as **Chief Financial Officer** of the Company effective as of the Effective Date, and Executive agrees to accept such employment and to serve the Company as such upon the terms and conditions hereof commencing on the Effective Date and continuing until terminated by either the Company or Executive subject to and in accordance with Section 7 of this Agreement (the "Term").

2. Duties.

(a) Executive shall serve as the Chief Financial Officer of the Company and shall report directly to the Chief Executive Officer (the "CEO"). Executive shall also, if requested by the Board of Directors or any subcommittee thereof (collectively, the "Board") or the CEO, serve as an executive officer of any Company affiliate or joint venture company and/or as a fiduciary of any Company, affiliate, or joint venture company benefit plan(s).

(b) Executive shall have such duties and responsibilities as are customary for Executive's position and any other duties or responsibilities that may be assigned or delegated to her from time to time. Executive agrees that she will use her best efforts to fulfill her duty of loyalty and care to the Company and to promote the business and interests of the Company above all others and that she will not engage, directly or indirectly, in any other business or occupation during the Employment Term, except as expressly permitted by the Board or the CEO. It is understood, however, that the foregoing will not prohibit Executive from (i) devoting reasonably limited time to charitable activities and personal investment activities for herself and her family that do not interfere materially with the performance of her duties hereunder or (ii) serving on the board(s) of any other corporate, civic or charitable organizations so long as such service is not inconsistent with her fiduciary obligations to the Company or otherwise conflicts with her obligations under the Covenant Agreement.

3. Compensation.

(a) Base Salary. The Company will pay Executive for all services to be rendered by Executive hereunder (including and without limitation, all services to be rendered by her as an officer and/or director of the Company and its subsidiaries and affiliates) a base salary ("Base Salary") of **Two Thousand Four Hundred Twenty Three and 08/100ths Dollars (\$2,423.08)** per week (**\$126,000 annualized**). The Base Salary may be increased at the discretion of the Board from time to time during the Employment Term. Base Salary shall be payable at least bi-weekly or otherwise in accordance with customary payroll practices for senior executives of the Company.

(b) Annual Incentive Compensation. Executive shall be eligible to receive an annual non-equity incentive bonus ("Annual Incentive Compensation") and other long term incentive compensation, all of which are intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), under such executive bonus plans and long term incentive plans as may be established by the Compensation Committee of the Board [or, in the absence of a Compensation Committee, then a committee of the Board of Directors comprised of not less than two independent directors (in either event, the "Independent Director Committee")] in its sole discretion from time to time, subject to the terms and conditions of such plans. The Annual Incentive Compensation will be based on the achievement of Company and individual performance goals to be established by the Independent Director Committee, with annual target incentive bonuses of not less than 50% of the Base Annual Salary.

(c) Repayment upon Material Restatement. The Compensation Committee of the Board of Director or, in the absence of a Compensation Committee, then a committee of the Board of Directors comprised of not less than two independent directors (in either event, the "Independent Director Committee") may, in its discretion, require reimbursement of all or part of any Annual Incentive Compensation or other incentive payments to Executive where: (1) the payment of such Annual Incentive Compensation or other incentive payments to Executive was predicated upon achieving certain financial results that were subsequently the subject of a material restatement of the Company's audited financial statement with the need for such restatement having been confirmed by the Company's independent auditors; (2) the Company determines Executive engaged in gross negligence or willful misconduct that substantially caused the need for the restatement; and (3) a lower payment would have been made to Executive based upon the restated financial results. In each such instance, the Executive shall repay to the Company the amount by which the Executive's Annual Incentive Compensation or other incentive payments for the relevant period exceeded the lower payments that would have been made based on the restated financial results; provided, however, that the Executive shall not be required to repay any Annual Incentive Compensation or other incentive payments, or portion thereof, pursuant to this paragraph if such payments relate to accounting periods occurring two (2) years (or such longer time period as may be required by law) or more prior to the restatement. Before the Compensation Committee determines whether Executive engaged in gross negligence or willful misconduct that caused or substantially caused the need for the substantial restatement, it shall provide to Executive written notice and the opportunity to be heard, at a meeting of the Independent Director Committee (which may be in-person or telephonic, as determined by the Independent Director Committee).

(d) Vacation. Executive shall be entitled to paid annual paid time off ("PTO") in an amount provided for in the Company's vacation, PTO or similar policy as amended from time to time, with the calculation of such entitlement to be retroactive to the Start Date, but in no event less than four (4) weeks of paid annual vacation.

4. Expenses. Within thirty (30) days after the submission of reasonable supporting documentation by Executive and in accordance with the Company's expense reimbursement policy, the Company shall reimburse Executive for all reasonable and customary business, travel, and entertainment expenses incurred by Executive in the course of and pursuant to the business of the Company.

5. Executive Benefits. Executive shall be entitled to participate in any employee benefit plans, programs or policies provided to other full time employees or senior management of the Company or which may become in effect for the benefit of any other employees or senior management of the Company at any time during the course of Executive's employment by the Company, subject to the terms of such plans, programs or policies. Such other benefits shall include, but not be limited to, directors' and officers' liability insurance maintained by the Company for the benefit of its directors and officers. Nothing in this Agreement shall preclude the Company from amending or terminating any such plan at any time.

6. Withholding. All payments required to be made by the Company to Executive hereunder shall be subject to the withholding of such amounts relating to taxes and other governmental assessments as the Company may reasonably determine it should withhold pursuant to any applicable law, rule, or regulation.

7. Termination of Employment.

(a) Death; Permanent Disability. Upon the death of Executive during the term of this Agreement, the Employment Term shall terminate. If during the Employment Term Executive fails, because of illness or other incapacity, to perform the services required to be performed by her hereunder for any period of more than 90 days during any calendar year (provided that vacation time, if not previously taken, shall be exhausted before the above 90-day period commences to run) (any such illness or incapacity being hereinafter referred to as "Permanent Disability"), then the Company, in its discretion, may at any time thereafter terminate the Employment Term upon not less than 30 days' written notice thereof to Executive, and the Employment Term shall terminate and come to an end upon the date set forth in said notice as if said date were the termination date of the Employment Term; provided, however, that no such termination shall be effective if prior to the date when such notice is given, Executive's illness or incapacity shall have terminated and she shall be physically and mentally able to perform the services required hereunder and shall have taken up and be performing such duties.

If Executive's employment shall be terminated by reason of her death or Permanent Disability, Executive or her estate, as the case may be, shall be entitled to receive (i) any earned and unpaid Base Salary through the date of termination; (ii) a pro rata portion of any Annual Incentive Compensation that Executive otherwise would have been entitled to receive pursuant to any bonus plan or arrangement for senior executives of the Company (such pro rata portion to be payable at the time such Annual Incentive Compensation otherwise would have been payable to Executive); and (iii) subject to the terms thereof, any benefits that may be due to Executive on the date of her termination under the provisions of any employee benefit plan, program, or policy of the Company. If Executive's employment is terminated by reason of her Permanent Disability, Executive shall be entitled to receive short-term disability benefits subject to the terms of the Company's short-term disability plan until such time as Executive becomes entitled to the benefits under the Company's Long Term Disability Plan; provided that the Company's obligation to provide such short-term disability benefits to Executive shall not under any circumstances extend beyond the maximum period provided in the Company's short-term disability plan plus an additional 90 days.

(b) Termination for Cause or Upon Executive's Resignation If the Employment Term is terminated (i) by Executive (other than as a result of a material breach by the Company as set forth in Section 7(c) or (ii) by the Company for Cause, in either case, Executive shall be entitled to receive only (x) any earned and unpaid Base Annual Salary accrued through the date of termination and (y) subject to the terms thereof, any benefits which may be due to Executive on such date under the provisions of any employee benefit plan, program, or policy. If Executive is terminated for Cause, the Company shall deliver written notice to Executive, which notice shall specify the item of Cause for which Executive has been terminated.

For purposes of this Agreement, "Cause" and "for Cause" shall mean (i) any intentional breach of Executive's fiduciary duty to the Company, including but not limited to fraud, dishonesty, embezzlement, and failure to follow directions of the CEO or the Board of Directors; (ii) Executive's material breach of this Agreement (iii) Executive's material breach of the Covenant Agreement; (iv) Executive's gross negligence or willful misconduct in the performance of her duties that materially adversely affects the Company; (v) any material violation by Executive of the Company's Code of Business Conduct and Ethics, as may be amended from time to time; (vi) any material violation by Executive of the Company's non-discrimination, non-harassment, or non-retaliation policies or procedures as may be established by the Company from time to time; (vii) conviction of, or a plea to, a felony (including a plea of nolo contendere); or (viii) Executive's continued failure to perform in any material respect her duties to the Company as specifically directed by the Board; provided, however, that (A) the Company shall give Executive notice of any circumstances described in (ii) or (viii) above, which notice shall describe such circumstances in reasonable detail, and (B) no for "Cause" termination shall be deemed to exist if Executive shall remedy or cure the relevant circumstances within 20 days from her receipt of such notice. Termination for Cause under clause (ii) or (viii) shall be effective immediately following expiration of the 20-day cure period as aforesaid; provided Executive has not previously cured the event of Cause; and termination for Cause under (iv) shall be effective immediately upon receipt by Executive of written notice of termination.

(c) Termination Other than for Cause or Upon Material Breach by Company. If the Employment Term is terminated (i) by the Company other than for Cause or (ii) by Executive, subject to the succeeding sentence, following a material breach by the Company of this Agreement (including, but not limited to, any material diminution in the scope of the Executive's duties or a reduction in the Annual Salary payable hereunder), in either case, the Company shall to pay to Executive (x) any earned and unpaid Base Annual Salary and Annual Incentive Compensation accrued but unpaid through the date of termination; (y) subject to the terms thereof, any benefits which may be due to Executive on such date under the provisions of any employee benefit plan, program, or policy and (z) a separation benefit in an amount equal to **twenty-six (26) weeks** of Executive's Base Salary in effect as of the date of termination date, less all applicable withholding taxes and any other amounts required by law to be withheld, payable in bi-weekly installments concurrently with Company's regularly scheduled pay periods (such separation benefit payable pursuant to this clause (z) hereinafter referred to as the "Separation Benefit").

If there is a material breach of this Agreement by the Company, Executive shall, within 30 days following her knowledge of such breach, deliver written notice to the Company, which notice shall specify such material breach. No material breach shall be deemed to exist if the Company shall remedy or cure the relevant circumstances within 20 days of its receipt of such notice. Payment by the Company of the Separation Benefit shall be conditioned upon (i) Executive executing a general release in favor of the Company (which release shall be reasonably satisfactory to the Company and shall exclude the Company's obligations in this Section and its obligations in Section 3) and (ii) Executive's continued compliance with the terms and conditions of Covenant Agreement.

(d) Termination following Change of Control. If the Employment Term is terminated by (i) the Company without Cause or by Executive following a material breach by the Company, (including, but not limited to, any material diminution in the scope of the Executive's duties or a reduction in the Base Salary payable hereunder), in either case within eighteen (18) months following a Change of Control (as defined below) of the Company, (a "Change of Control Termination") then (i) the Company shall pay to Executive in a lump sum payment (x) all Base Salary and Annual Incentive Compensation that have accrued but are unpaid as of the Termination Date, (y) an amount equal to the **fifty-two (52) weeks** of Base Salary in effect as of the date of termination date, less all applicable withholding taxes and any other amounts required by law to be withheld, payable in bi-weekly installments concurrently with Company's regularly scheduled pay periods (such separation benefit payable pursuant to this clause (z) hereinafter referred to as the "Change in Control Separation Benefit"). Payment by the Company of the Change in Control Separation Benefit shall be conditioned upon (i) Executive executing a general release in favor of the Company (which release shall be reasonably satisfactory to the Company and shall exclude the Company's obligations in this Section and its obligations in Section 3) and (ii) Executive's continued compliance with the terms and conditions of Covenant Agreement.

For purposes hereof, a “Change of Control” shall be deemed to occur upon:

(i) any “person” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than LEAI, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of LEAI in substantially the same proportions as their ownership of common stock of LEAI), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of LEAI representing fifty percent (50%) or more of the combined voting power of LEAI’s then outstanding securities;

(ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), (c), or (d) of this Section) whose election by the Board or nomination for election by LEAI’s shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(iii) a merger, consolidation, reorganization, or other business combination of LEAI with any other entity, other than a merger or consolidation which would result in the voting securities of LEAI outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of LEAI or such surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of LEAI (or similar transaction) in which no person acquires thirty percent (30%) or more of the combined voting power of LEAI’s then outstanding securities shall not constitute a Change in Control; or

(iv) the shareholders of LEAI approve a plan of complete liquidation of LEAI or the consummation of the sale or disposition by LEAI of all or substantially all of LEAI’s assets other than (x) the sale or disposition of all or substantially all of the assets of LEAI to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of LEAI at the time of the sale or (y) pursuant to a spin-off type transaction, directly or indirectly, of such assets to the shareholders of LEAI.

(e) Equity Grants. Upon the termination of employment of the Executive for any reason, all awards of common stock in the Company or other awards that are valued in whole or in part by reference to, or otherwise based on the common stock of the company, including, but not limited to, stock options, restricted stock or restricted stock units, stock appreciation rights, and performance shares or performance units, previously made to the Executive shall be governed by the respective terms of such awards and any agreements entered into between the Company and the Executive with respect to such awards, notwithstanding anything in this Agreement to the contrary.

(f) No Other Amounts. Executive hereby agrees that except as expressly provided in this Agreement (including any benefits expressly referenced herein as being generally available to Executive), no salary, incentive compensation, bonus, benefits, severance, or other compensation of any kind, nature, or amount shall be payable to Executive and except as expressly provided herein, Executive hereby irrevocably waives any claim for salary, incentive compensation, bonus, benefits, severance, or other compensation.

8. Restrictive Covenants. Executive hereby ratifies and affirms the Confidentiality, Non-Compete and Non-Solicitation Agreement (attached hereto as Appendix A) (“Covenant Agreement”) and agrees to comply with the Covenant Agreement. The restrictions provided for in the Covenant Agreement shall survive the termination of this Agreement and the termination of Executive’s employment with the Company.

9. Acceptance by Executive. Executive accepts all of the terms and provisions of this Agreement and agrees to perform all of the covenants on her part to be performed hereunder. The Company accepts all of the terms and provisions of this Agreement and agrees to perform all of the covenants on its part to be performed hereunder.

10. Equitable Remedies. Executive acknowledges that she has been employed for her unique talents and that her leaving the employ of the Company would seriously hamper the business of the Company and the parties acknowledge that any violation or breach of this Agreement, including, but not limited to, the Covenant Agreement, will cause the non-breaching party to suffer irreparable damage. The parties hereby expressly agree that the non-breaching party shall be entitled as a matter of right to injunctive or other equitable relief, in addition to all other remedies permitted by law, to prevent a breach or violation by the other party and to secure enforcement of the provisions of this Agreement, including, but not limited to, Sections 8 or 9 hereof. Resort to such equitable relief, however, shall not constitute a waiver of any other rights or remedies which the non-breaching party may have.

11. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and there are no other terms other than those contained herein. No variation hereof shall be deemed valid unless in writing and signed by the parties hereto and no discharge of the terms hereof shall be deemed valid unless by full performance of the parties hereto or by a writing signed by the parties hereto. No waiver by any party of any breach by the other party of any provision or condition of this agreement by it to be performed shall be deemed a waiver of a breach of a similar or dissimilar provision or condition at the same time or any prior or subsequent time.

12. Severability. In case any provision in this agreement shall be declared invalid, illegal or unenforceable by any court of competent jurisdiction, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

13. Notices. All notices, requests, demands and other communications provided for by this agreement ("Notices") shall be in writing and shall be deemed to have been given and to have been effective and deemed received at the time when hand delivered or delivered by Federal Express or other recognized overnight courier delivery service, such Notices to be addressed to the addresses of the respective parties stated below or to such changed addresses as such parties may fix by Notice given as aforesaid:

To the Company:

Legacy Education Alliance, Inc.
Attn: CEO
1612 E. Cape Coral Parkway
Cape Coral, FL 33904

with a copy to:

Legacy Education Alliance, Inc.
Attn: General Counsel
1612 E. Cape Coral Parkway
Cape Coral, FL 33904

To Executive:

Vanessa Guzmán-Clark
8815 Conroy Windermere, Suite 380
Orlando, FL 32835

with a copy to:

provided, however, that any Notice of change of address shall be effective only upon receipt.

14. Successors and Assigns. This agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this agreement or any rights or obligations hereunder (except for an assignment or transfer by the Company to a successor as contemplated by the following proviso); provided, however, that the provisions hereof shall inure to the benefit of, and be binding upon, any successor of the Company, whether by merger, consolidation, transfer of all or substantially all of the assets of the Company, or otherwise, and upon Executive, her heirs, executors, administrators, and legal representatives.

15. Governing Law. This agreement and its validity, construction and performance shall be governed in all respects by the internal laws of the State of Florida without giving effect to any principles of conflict of laws.

16. Headings. The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of this Agreement.

17. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the context may require.

18. Number and Gender. Words used in this Agreement, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.

19. Construction. The parties hereto and their respective legal counsel participated in the preparation of this Agreement; therefore, this agreement shall be construed neither against nor in favor of any of the parties hereto, but rather in accordance with the fair meaning thereof.

20. Enforcement. Should it become necessary for any party to institute legal action to enforce the terms and conditions of this Agreement, the successful party will be awarded reasonable attorneys' fees at all trial and appellate levels, and in insolvency, bankruptcy and regulatory proceedings, and all related expenses and costs. Any suit, action or proceeding with respect to this agreement shall be brought in the courts of Lee County in the State of Florida or in the U.S. District Court for the Central District of Florida. The parties hereto hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action, or proceeding.

Venue for any such action, in addition to any other venue permitted by statute, will be Lee County, Florida. The parties hereto hereby irrevocably waive, to the fullest extent permitted by law, any objection that any of them may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this agreement or any judgment entered by any court in respect thereof brought in Lee County, Florida, and hereby further irrevocably waive any claim that any suit, action or proceeding brought in Lee County, Florida has been brought in an inconvenient forum.

21. No Third-Party Beneficiaries. No person shall be deemed to possess any third-party beneficiary right pursuant to this Agreement. It is the intent of the parties hereto that no direct benefit to any third party is intended or implied by the execution of this Agreement.

22. Counterparts. This agreement may be executed in one or more facsimile or electronic counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have hereunder set their hands on the day and year first written above.

LEGACY EDUCATION ALLIANCE, INC.
a Nevada Corporation

By: /s/ JAMES E. MAY

Name: James E. May

Title: Chief Executive Officer and Director

EXECUTIVE:

/s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark

Appendix A

(Confidentiality, Non-Compete and Non-Solicitation Agreement)

List of Subsidiaries

Domestic Subsidiaries	Jurisdiction of Formation
Costa Rica Management, Inc.	Florida
Legacy Education Alliance Holdings, Inc.	Colorado
Real Market Masters Education, Inc.	Florida
Elite Legacy Education, Inc.	Florida
SCB Building LLC	Florida
Speaker Services of America Inc.	Florida
Tigrent Learning Inc.	Florida
Tigrent Enterprises Inc.	Nevada
LEA Brands Inc.	Colorado
LEAI Properties, Inc.	Nevada
Legacy Events, Inc.	Florida
Foreign Subsidiaries	Jurisdiction of Formation
Rich Dad Education Ltd. (Canada)	Canada
Elite Legacy Education Ltd. (UK)	United Kingdom
Tigrent Learning Canada Inc.	Canada
Legacy Education Alliance International Ltd.	United Kingdom
Tigrent South Africa Pty. Ltd	South Africa
Legacy Education Alliance Hong Kong Limited	Hong Kong
Whitney International (Singapore) PTE. LTD	Singapore
Legacy Education Alliance Australia (PTY) LTD	Australia
LEAI Properties UK Ltd.	United Kingdom
LEAI Property Development UK Ltd.	United Kingdom
LEAI Property Investment UK Ltd.	United Kingdom
Legacy Education Alliance UK Ltd	United Kingdom

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

I, James E. May, certify that:

1. I have reviewed this Form 10-K 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(s) 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(s) 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.

/s/ JAMES E. MAY

James E. May

Chief Executive Officer and Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

I, Vanessa Guzmán-Clark, certify that:

1. I have reviewed this Form 10-K 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(s) 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(s) 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.

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

- (1) The Form 10-K 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES E. MAY

James E. May

Chief Executive Officer

March 30, 2020

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 Annual Report on Form 10-K of Legacy Education Alliance, Inc. (the “Company”) for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”), 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-K 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ VANESSA GUZMÁN-CLARK

Vanessa Guzmán-Clark

Chief Financial Officer

March 30, 2020

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.