

**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, 2022

Commission file number: 000-55790



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

Nevada

(State or other jurisdiction of
incorporation or organization)

39-2079974

(I.R.S. Employer
Identification Number)

1490 NE Pine Island Rd. Suite 5D, Cape Coral, FL 33909
(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
N/A	N/A	N/A

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 ☐
Non-accelerated filer ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$3,459,508.

As of April 17, 2023, there were 38,182,697 shares of common stock outstanding.

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Year Ended December 31, 2022**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements made in this report involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” “would” or “continue” or the negative of these terms or other similar expressions. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, business strategy, prospective products, research and development costs, future revenue, timing and likelihood of success, plans and objectives of management for future operations, future results of anticipated products and prospects, plans and objectives of management are forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, the results projected from the introduction of new brands, products and services, expansion into new geographic markets, combinations with third parties, including, but not limited to our licensors; the development of ecommerce capabilities; projections of international growth; projected increase in profitability from our symposium-style course delivery model that should lead to increased margins; our ability to address or manage corruption concerns in certain locations in which we operate; our ability to address and manage cyber-security risks; our ability to protect our intellectual property, on which our business is substantially dependent; our expectations regarding future divided payments; our ability to manage our relationships with credit card processors, and our expectations regarding the impact of general economic conditions on our business; the ongoing effects of the COVID-19 pandemic on the global and national economies and on our business operations and financial results; and the estimates and matters described under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our assumptions used for the purposes of the forward-looking statements represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances, including the development, acceptance and sales of our products and our ability to raise additional funding sufficient to implement our strategy. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this report, including but not limited to under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and in our other filings with the Securities and Exchange Commission. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements.

Forward-looking statements are based on current plans, estimates, assumptions and projections, and therefore you should not place undue reliance on them, all of which are difficult or impossible to predict accurately and many of which are beyond our control.

Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein particularly in view of the current state of our operations, the inclusion of such information should not be regarded as a statement by us or any other person that our objectives and plans will be achieved. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the factors set forth herein under the headings “Business,” “Risk Factors” and elsewhere in this report.

The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

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:

- 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 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.

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, 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.

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 a 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 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 proprietary brands. In November 2020, the Company shifted its focus to five brands: Legacy Elite, Legacy Building Wealth Club, Legacy Degree (affordable, accredited degree completion), Legacy Capital, and non-profit division, Legacy Open Library.
- *Live Events Business.* We are restarting our live events business, building on the previous business with the addition of short-term rental education as well as expanding our core real estate, entrepreneurship and investment education offerings. We are also building out our online live events business. The hybrid events model, which combines in-person live events and online content, is an exciting direction for the business and its ability to serve new students as well as former students. These efforts will be led by short-term vacation rental and live events experts Jerry Conti and Brian Page.
- *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; and
 - Implemented an improved outreach program that involves contacting our customers to help them manage their course schedules.
- *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

ABCImpact Loans

Between June 2022 and March 17, 2023, we borrowed an aggregate of \$2,315,500 from ABCImpact I, LLC, evidenced by 10% Convertible Debentures. ABCImpact has the option to loan up to \$5 million.

ABCImpact is an entity in which an affiliate of Barry Kostiner, our Chief Executive Officer and sole director, has a non-controlling passive interest.

The then outstanding and unpaid principal and interest under the debentures shall be converted into shares of our common stock and an equal number of five-year common stock purchase warrants at the option of ABCImpact, at a conversion price per share of \$0.05, subject to adjustment. The debentures and underlying warrants are subject to a beneficial ownership limitation of 4.99% (or 9.99% in ABCImpact's discretion).

PPP Loan

On July 26, 2022, we received notice that \$932,455.90 in principal and interest under our April 2020 loan through the Small Business Administration Paycheck Protection Program established pursuant to the CARES Act, is due and owing as a result of a 60-day delinquency in payment. With the past due amount of \$85,969.14, the total amount due and owing is \$1,025,010 including accrued interest.

Forbearance Agreement

On July 15, 2022, we entered into a Forbearance Agreement with GLD Legacy Holdings, LLC, the holder of our 10% Senior Secured Convertible Debenture dated August 27, 2021, and Legacy Tech Partners, LLC, the holder of our 10% Senior Secured Convertible Debenture dated March 8, 2021. Mr. Kostiner is a manager of Legacy Tech Partners.

Pursuant to the Forbearance Agreement, GLD and Legacy Tech Partners each agreed to forbear from exercising its rights against us under the applicable note until the earlier of (i) a default under the Forbearance Agreement or a new default under such Note or (ii) October 15, 2022.

Prior to the expiration of this forbearance period, the Company agreed to cause a sale of the GLD Note to ABCImpact or as directed by ABCImpact, at a purchase price equal to the outstanding balance due and payable on the GLD note by no later than October 15, 2022, which shall be in full and complete satisfaction of our obligations to GLD under the GLD note.

As partial consideration for GLD entering into the Forbearance Agreement, the Company agreed to issue to GLD 2,100,000 shares of our common stock and to issue to LTP 1,600,000 shares of our common stock, and to file a registration statement with the SEC to register the GLD shares for resale on or prior to August 15, 2022 and use best efforts to have the registration statement declared effective no later than October 15, 2022. The Company did not file the registration statement. On October 7, 2022, GLD transmitted a Notice of Breach and Default under the Forbearance Agreement, notifying the Company that it intends to exercise all available rights and remedies at law and/or equity. The Company is in discussions with GLD to cure the default prior to any such exercise.

The Company also agreed to use its best efforts to effect a spin-off of an existing to-be-determined subsidiary of the Company, pursuant to the terms described in the Forbearance Agreement.

Impact from COVID-19 Pandemic

Historically, our operations have relied significantly 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. Following the outset of the COVID-19 pandemic, worldwide restrictions on travel, and social distancing, we temporarily ceased conducting live sales, fulfillment activities, and furloughed substantially all of our employees. After several months, we resumed the sale of our online, on-demand, and over-the-phone products and related fulfillment activities. In December 2021, we decided to suspend live in-person events. Following the impact of COVID-19 on our business, we decided to streamline our product offerings throughout 2022 and restructure our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that we will be effective in selling our products and services, or what impact these activities will have on our financial performance, although to date, these factors have had a material adverse effect on our results of operations and financial condition in 2022 and into the fiscal year ending December 31, 2023. We are not able to fully quantify the continued impact on our results of operations and financial condition for the remainder of the fiscal year ending December 31, 2023.

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, including investment 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. During the year ended December 31, 2022, our education operations were limited.

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 (i) our proprietary products delivered at time of sale and (ii) third party products. 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. Legacy Education has touched more than five million students from more than 150 countries and territories over the course of its operating history. Its curriculum is designed to help people progress from beginner to educated investor.

Historically, our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, and (iii) Other Foreign Markets. We no longer operate under our United Kingdom and Other Foreign Markets segments.

Since January 1, 2022, we have operated under five brands: Legacy Elite, Legacy Building Wealth Club, Legacy Degree (affordable, accredited degree completion), Legacy Capital, and non-profit division, Legacy Open Library.

We have recently commenced various strategic initiatives and are embarking on a number of transactions, which we expect will strengthen the Company’s balance sheet and strategic positioning, including relationships with Brian Page and multiple education guidance counselors, marketers and non-profits. Further, the foundation of our proposed Nasdaq uplisting includes the potential spinoff of the existing Legacy Education business, which was previously approved by shareholders, and the proposed acquisition of Coopersmith Career Consulting, each of which are in process but we can give no assurance at this time of success.

Our operations are managed through three operating segments: (i) North America, (ii) United Kingdom, and (iii) Other Foreign Markets. The United Kingdom and Other Foreign Markets segments are in liquidation and no longer active.

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

As a percentage of total revenue	Years Ended December 31,	
	2022	2021
North America	100%	65.1%
U.K.	—%	34.9%
Other foreign markets	—%	—%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2022	2021
	(In thousands)	
North America	\$ 1,084	\$ 5,021
U.K.	—	2,689
Other foreign markets	—	—
Total consolidated revenue	\$ 1,084	\$ 7,710

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. Historically, live onsite two-hour free preview workshops are offered weekly in multiple markets in North America. Legacy Education currently is focusing its marketing efforts on communicating with the network of students from its existing database, as well as affiliate relationships. Legacy Education currently does not have a significant allocation for marketing through social media and traditional media channels.

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 a basic training class receive reference materials relevant to the subject matter to be taught at the class. The basic training class 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 is an effective way to introduce our students to the underlying methodology of a full course, as well as to market and sell our three-day basic training courses. It is expected that our live event operations will be re-launched as early as January 2023.

Marketing efforts continue to those customers who choose to progress 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 course may choose to further 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 courses (live and online),
- Elite level training courses (live and online), and
- Individualized mentoring programs.

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	Elite Financial Markets Courses
<ul style="list-style-type: none">• Momentum• Tax and Asset Protection• Wholesale Buying• Discount Notes & Mortgages• Banking Relationships & Short Sale Systems• Mobile Homes• Foreclosure Strategies• Fund, Fix and Flip <ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• Master Trader™• Options 1• FOREX• Options 2• Elite Options• Asset Protection• Elite FOREX• FACT (Futures & Commodity Trading)

Elite Business Entrepreneurship Courses

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

The goal of our fulfillment strategy is to provide maximum flexibility to our students, allowing them to take any of their classes in their preferred format. 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 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 the Company schedules them, the On-Demand options provide the student with 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 is tailored to meet students’ individual goals and needs. Real Estate mentoring is offered on site at the student’s chosen location or remotely, 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. A set curriculum approach is generally used. Each module comes with assignments, exercises and reading materials to be completed between sessions.

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 and Mayflower Alliance Ltd. Some of our 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, 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.

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

On December 23, 2019, Legacy Education Alliance Holdings, Inc., or Holdings, our wholly owned subsidiary entered into a Real Estate Education Training Program Development Agreement, or Development Agreement with T&B Seminars, Inc., or 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.

The Company commenced sales activities pursuant to the Development Agreement under the Homemade Investor brand in January 2020 but as a result of the COVID-19 pandemic, we suspended conducting live in-persons sales events in March 2020. Subsequently, we suspended online sales events to focus on our new flagship brand *Building Wealth with Legacy*TM.

The Company currently does not have an active relationship with T&B Seminars, Inc.

Prior 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.

Effective September 1, 2013, we entered into a 2013 License Agreement with Rich Dad Operating Company, LLC, or RDOC.

On September 16, 2019, we received notice from RDOC, indicating that RDOC did not intend to extend the term of the 2013 License Agreement, as amended. Therefore, 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 2013 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 2013 License 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.

Human Capital Resources

As of December 31, 2022, we had approximately 17 full-time employees, all of whom were in our North America segment. 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. We are committed to providing competitive pay, healthcare, and a comprehensive benefits package in order to recruit and maintain employees. 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. We continue to build a diverse, inclusive, and safe work environment to attract, develop, and retain top talent. The COVID-19 pandemic provided an opportunity to build a remote workforce with resources and support to succeed.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

There is substantial doubt on our ability to continue as a going concern.

Our independent registered public accounting firm has issued a going concern qualification as part of its audit report that accompanies our 2022 audited financial statements included herein. As stated in the notes to our audited financial statements for the fiscal year ended December 31, 2022, we have a working capital deficit and have accumulated a significant deficit. Our continued existence is dependent upon our ability to continue to execute our operating plan and to obtain additional debt or equity financing. We do not have an established source of funds sufficient to cover operating costs and accordingly, there can be no assurance that the necessary debt or equity financing will be available, or will be available on terms acceptable to us, in which case we may be unable to meet our obligations or fully implement our business plan, if at all. Additionally, should we be unable to realize our assets and discharge our liabilities in the normal course of business, the net realizable value of our assets may be materially less than the amounts recorded in our financial statements.

The Company is attempting to implement a new business strategy and effect a Nasdaq uplisting, and there can be no assurances that these efforts will be successful.

We previously announced several strategic initiatives with the aim of expanding our customer base, launching real estate SPAC investment vehicles, improving our social media presence, entering into strategic relationships, spinning off our existing business and uplisting onto the Nasdaq Capital Markets. However, these initiatives are ongoing and there can be no assurance that any of these efforts will be successful or if any of them are in fact successful, that it or they will result in greater revenue, profitability, trading volume, stock price and/or other benefit to the Company or its stockholders.

The concentration of our business under one brand or a small number of brands could have a material adverse effect on our business, financial condition, and results of operation if we were unable to conduct business under such brands.

The alteration, or termination of any brand development or the suspension or termination of sales activities thereunder, would have a material adverse effect on our business, financial condition and results of operations.

Reliance on a Legacy Education Alliance focused branding strategy could result in a material adverse effect on our business, financial conditions and results of operations if consumer acceptance of such brand is insufficient to attract new customers.

Historically, our branding strategy has relied on using the goodwill and notoriety associated with third-party branding licensors, such as Rich Dad, Tarek El Moussa, and others, to attract new customers. Any shift to a branding strategy that focuses on the Company as a brand, rather than on a third party, could adversely affect our business if consumer acceptance of such proprietary brand is insufficient to drive sales.

The termination of our license agreement to Rich Dad Education brand has materially adversely impacted 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 had no revenue in 2022. Our 2013 License Agreement with Rich Dad®, as amended, 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.

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.

The inability of our customers to finance the purchase of our products through credit cards or third-party financing would materially adversely impact our business, financial condition, and results of operations.

Our customers rely on financing, whether through credit cards or third-party financing, to purchase our products. Any limitation on the ability of our customers to obtain access to credit may impact our customers' ability to purchase our products. This could materially adversely impact our business, financial condition, and results of operations.

The ability of any of our merchant processors to continue to operate and refund our merchant reserves pursuant to the terms of the agreements would materially adversely impact our business, financial condition, and results of operations.

Our merchant processors withhold a percentage of our sales as part of our restricted cash reserves. Release of the restricted cash is at the sole discretion of the merchant processor. Although we generally have been able to obtain releases from time to time, and pursuant to the terms of the merchant processor agreement, there can be no assurances that we will be able to do so in the future if the merchant processor's ability to continue to operate becomes doubtful, including, but not limited to, illiquidity or fraud. 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 have not been restored to pre-pandemic sales. 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.

Our management currently projects that our available cash balances will not be sufficient to maintain our operations during 2023. 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, potential claims against the Company related to the insolvency of certain its foreign subsidiaries, 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 are actively engaging in negotiations for bridge financing as part of a Nasdaq uplisting transaction. 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 or discontinue some or all of our operations.

Our ability to fulfill debt obligations could adversely affect working capital needs and financial condition.

If the business is unable to meet cash flow demands to fulfill debt obligations timely, there is a risk of default on the debt to creditors.

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

Traditionally, we have operated 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, including the ability to identify and obtain staff, sales speakers, trainers and suppliers;

- 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;
- Travel restrictions; 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;
- Adverse weather or natural or man-made disasters; and
- Regional, national and/or worldwide pandemics, or other public health risks.

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. With the departure of all of the board members and executives other than Mr. Kostiner, we do not yet know how having a sole executive officer and director will affect our business, financial condition, or results of operations in the near or long term.

In addition, our business model is predicated on our ability to provide our customers with qualified and experienced trainers, coaches, and mentors. The loss of services of Mr. Kostiner, any future other 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 public health risks, adverse weather, natural disaster, strikes or other unpredictable or uncontrollable 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.

Remote working conditions could materially adversely impact our business, financial condition and results of operations.

Following the COVID-19 pandemic, the Company has been operating with its entire workforce working remotely. As a result, we may experience different and additional risks, such as decreased worker productivity, supervision, or other factors that could materially adversely impact our business, financial conditions and results of operations. In addition, extended periods of remote working could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the remote working conditions.

Risks Related to Ownership of Our Common Stock

We may issue additional shares of common or 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 common or 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 common or 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 common or 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 common or 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.

We do not currently have enough authorized shares of common stock under our charter to meet all of our potential obligations to third parties.

Our Second Amended and Restated Articles of Incorporation provide for 200,000,000 authorized shares of our common stock. We currently have commitments to third parties, including pursuant to convertible debentures, warrants and options, to issue a number of shares in the aggregate that with the 38,182,697 shares currently outstanding, would result in us issuing more shares than what we have authorized. Accordingly, in order to meet all of such obligations, we will need to amend our charter to increase the authorized shares of our common stock. We can give no assurance that we will obtain the requisite affirmative vote of our shareholders to so amend our charter, in which case we may default under any such obligations to the extent we do not have the authorized shares to issue, which could adversely affect our financial condition and the market for our shares.

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, dilute your equity interests, and impair our ability to raise funds in future securities offerings.

We may decide to raise additional capital through the sale of our securities or through other instruments both of which could result in the issuance of additional shares of our Common Stock. The issuance by us of Common 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. In addition, future issuances 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 15c-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 15c-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 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, our Board of Directors approved an 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.

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.

On February 12, 2021, our Board of Directors approved an amendment to the Rights Agreement dated as of February 16, 2017 by and between the Company and Broadridge Corporate Issuer Solutions, Inc., successor to 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, 2023, 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 our 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth our office locations as of December 31, 2022:

Purpose	Location	Own/lease	Approximate footage	Lease expiration
Executive offices	Cape Coral, FL	Lease	1,605	9/30/2023
Executive offices	San Diego, CA	Lease	2,792	10/3/2023
			<u>4,397</u>	

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

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

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

ITEM 3. LEGAL PROCEEDINGS

See Note 16 “*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, 2022				
Fourth Quarter	\$	0.175	\$	0.1021
Third Quarter	\$	0.170	\$	0.0791
Second Quarter	\$	0.185	\$	0.1010
First Quarter	\$	0.190	\$	0.0560
Year ended December 31, 2021				
Fourth Quarter	\$	0.12	\$	0.06
Third Quarter	\$	0.14	\$	0.08
Second Quarter	\$	0.16	\$	0.06
First Quarter	\$	0.17	\$	0.08

Holders

As of December 31, 2022, there were approximately 378 registered 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.

Penny Stock Regulation

Shares of our Common Stock have been and will likely continue to be subject to rules adopted the SEC that regulate broker-dealer practices in connection with transactions in “penny stocks.” Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ or NYSE system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the SEC, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities’ laws;
- a brief, clear, narrative description of a dealer market, including “bid” and “ask” prices for penny stocks and the significance of the spread between the “bid” and “ask” price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the SEC shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our Common Stock may have difficulty selling those shares because our Common Stock will probably be subject to the penny stock rules.

ITEM 6. [RESERVED]

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, including investment 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. During the year ended December 31, 2022, our education operations were limited.

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 (i) our proprietary products delivered at time of sale and (ii) third party products. 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. Legacy Education has touched more than five million students from more than 150 countries and territories over the course of its operating history. Its curriculum is designed to help people progress from beginner to educated investor.

Historically, our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, and (iii) Other Foreign Markets. We no longer operate under our United Kingdom and Other Foreign Markets segments.

Since January 1, 2022, we have operated under five brands: Legacy Elite, Legacy Building Wealth Club, Legacy Degree (affordable, accredited degree completion), Legacy Capital, and non-profit division, Legacy Open Library.

We have recently commenced various strategic initiatives and are embarking on a number of transactions, which we expect will strengthen the Company's balance sheet and strategic positioning, including relationships with Brian Page and multiple education guidance counselors, marketers and non-profits. Further, the foundation of our proposed Nasdaq uplisting includes the potential spinoff of the existing Legacy Education business, which was previously approved by shareholders, and the proposed acquisition of Coopersmith Career Consulting, each of which are in process but we can give no assurance at this time of success.

Recent Developments

Impact from COVID-19 Coronavirus.

Historically, our operations have relied significantly 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. Following the outset of the COVID-19 pandemic, worldwide restrictions on travel, and social distancing, we temporarily ceased conducting live sales, fulfillment activities, and furloughed substantially all of our employees. After several months, we resumed the sale of our online, on-demand, and over-the-phone products and related fulfillment activities. In December 2021, we decided to suspend live in-person events. Following the impact of COVID-19 on our business, we decided to streamline our product offerings throughout 2022 and restructure our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that we will be effective in selling our products and services, or what impact these activities will have on our financial performance. We are not able to fully quantify the impact that these factors had on our financial performance throughout 2022 and what impact they may continue to have.

Results of Operations

Our financial results continue to be significantly impacted by the COVID-19 pandemic. Due to the severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gathering will ease, the rate at which historically large increases of unemployment rates will decrease, and the speed with which the economy recovers are all factors that impacted our financial results. In addition, our financial results were impacted due to the winding down our Rich Dad brand and other matters as disclosed in the litigation section of Note 16 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

Our Results of Operations in 2022 and 2021 were as follows:

	Years Ended December 31,	
	2022	2021
Revenue	1,084	7,710
Operating costs and expenses:		
Direct course expenses	456	2,294
Advertising and sales expenses	223	1,636
Royalty expenses	-	-
General and administrative expenses	2,647	4,195
Total operating costs and expenses	3,326	8,125
Income (loss) from operations	(2,242)	(415)
Other expense:		
Interest expense, net	(453)	(524)
Other expense, net	3	8
Gain on forgiveness of PPP Loan	1,148	910
Total other expense, net	698	394
Income (loss) from continuing operations before income taxes	(1,544)	(21)
Income tax (expense) benefit	(58)	(716)
Net income (loss) from continuing operations	(1,602)	(737)
Income from discontinued operations	0	171
Net income from discontinued operations	—	\$ 171
Less: Net Income attributable to Non controlling interest	\$ 91	
Net income (loss)	\$ (1,511)	\$ (566)
Basic earnings (loss) per common share - continuing operations	\$ (0.04)	\$ (0.02)
Basic earnings (loss) per common share - discontinued operations	—	—
Basic earnings (loss) per common share	\$ (0.04)	\$ (0.02)
Diluted earnings (loss) per common share - continuing operations	\$ (0.04)	\$ (0.02)
Diluted earnings (loss) per common share - discontinued operations	—	—
Diluted earnings (loss) per common share	\$ (0.04)	\$ (0.02)
Basic weighted average common shares outstanding	35,486	29,187
Diluted weighted average common shares outstanding	35,486	29,187
Comprehensive income:		
Net income (loss)	(1,511)	(566)
Foreign currency translation adjustments, net of tax of \$0	756	421
Total comprehensive income (loss)	(755)	(145)

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

	Years Ended December 31,	
	2022	2021
Revenue	100	100
Operating costs and expenses:		
Direct course expenses	42	30
Advertising and sales expenses	20.6	21.22
Royalty expenses	-	-
General and administrative expenses	244	54
Total operating costs and expenses	307	105
Income (loss) from operations	(207)	(5)
Other expense:	-	-
Interest expense, net	42	(7)
Other expense, net	(0)	0
Gain on forgiveness of PPP Loan	(106)	12
Total other expense, net	(64)	5
Income (loss) from continuing operations before income taxes	(142)	(0)
Income tax (expense) benefit	(5)	(9)
Net income (loss) from continuing operations	(148)	(10)
Income from discontinued operations	-	2
Net income from discontinued operations	-	-
Net income (loss)	(148)	(7)

Outlook

Cash sales were \$50 thousand for the year ended December 31, 2022 compared to \$1.9 million for the year ended December 31, 2021, a decrease of \$1.85 million or 97.4%. The decrease was driven by the temporary suspension of live in-person events and ongoing student fulfillment in the North America 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.

Due to the economic severity of the COVID-19 pandemic on the Company's results of operations, financial condition, and liquidity, live in-person events were suspended in December 2021 to assess the Company's strategic plan for fiscal year 2022 and beyond. The impact of the temporary suspension of live events has caused a material adverse effect on our operations and results of operations and the extent of its continuing impact is currently unknown.

Operating Segments

Historically, 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,	
	2022	2021
North America	100%	65.1%
U.K.	—%	34.9%
Other foreign markets	—%	—%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2022	2021
	(In thousands)	
North America	\$ 1,084	\$ 5,021
U.K.	—	2,689
Other foreign markets	—	—
Total consolidated revenue	\$ 1,084	\$ 7,710

North America

Revenue derived in the North America segment majorly pertained to real estate-related education, and also included the remaining to financial markets training. We are continuing to develop methods of connecting to our students, diversify products, and develop proprietary brands in order to increase the North America segment. Revenue derived from our Homemade Investor brand was \$0 and \$0.4 million and or as a percentage of total segment revenue was 0% and 8% for the year ended December 31, 2022 and 2021. There was no revenue derived from the Rich Dad brands in our North America segment for the year ended December 31, 2022 and \$2.5 million or as a percentage of total segment revenue at 50% for the year ended December 31 2021.

The North America segment revenue was \$1.1 million and \$5 million or as a percentage of total revenue was 100% and 65.1% for the years ended December 31, 2022 and 2021, respectively.

The decrease in revenue of \$3.9 million or 78% during the year ended December 31, 2022 compared to the same period in 2021, was due to the temporary suspension of events during the year ended December 31, 2022. We held no events in 2022, to generate any revenue from attendances.

U.K.

Revenue derived from the Rich Dad brands in our U.K. segment was \$0 and \$1.8 million or as a percentage of total segment revenue was 0% and 66.7% for the years ended December 31, 2022 and 2021, 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 \$0 and \$2.7 million or as a percentage of total revenue was 0% and 34.9% for the years ended December 31, 2022 and 2021, respectively. The decrease in revenue of \$2.7 million for the year ended December 31, 2022 compared to the same period in 2021 was due to decrease in revenue from expired contracts of \$2.7 million and satisfying all outstanding obligations to students of our subsidiary Elite Legacy Education UK Ltd within the U.K. segment. There is no current sales activity in this segment.

Other Foreign Markets

Historically, we have operated in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. As a result of the COVID-19 pandemic, we liquidated certain entities that operated in this segment, resulting in zero revenues and expenses from continuing operations in the other foreign markets segment for the year ended December 31, 2022 and December 31, 2021, respectively. We are no longer actively selling in these markets.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Revenue was \$1.1 million for the year ended December 31, 2022 compared to \$7.7 million for the year ended December 31, 2021, a decrease of \$6.6 million or 86%. The decrease in revenue was mainly due to restructuring the Company. We are looking at new partnerships along with restructuring how we hold events and distribute purchased material to students. We are planning on moving away from the deferred revenue process to instant revenue.

Cash sales were \$50 thousand for the year ended December 31, 2022 compared to \$1.9 million for the year ended December 31, 2021, a decrease of \$1.85 million or 97.4%. The decrease was driven by the temporary suspension of live in-person events and ongoing student fulfilment in the North America segment

Operating Expenses

Total operating costs and expenses were \$3.3 million for the year ended December 31, 2022 compared to \$8.1 million for the year ended December 31, 2021, a decrease of \$4.8 million or 59.1%. The decrease was due to a \$1.8 million decrease in direct course expenses, a \$1.45 million decrease in advertising and sales expenses, and a \$1.55 million decrease in general and administrative expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$0.5 million for the year ended December 31, 2022 compared to \$2.3 million for the year ended December 31, 2021, a decrease of \$1.8 million or 78.26%, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers.

Advertising and sales expenses

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

Advertising and sales expenses were \$0.2 million for the year ended December 31, 2022 compared to \$1.6 million for the year ended December 31, 2021, a decrease of \$1.4 million or 87.5%. As a percentage of revenue, advertising and sales expenses were 20.6% and 21.2% for the years ended December 31, 2022 and 2021, respectively. The increase is primarily related to the decrease in COVID-19 restrictions on our ability to operate and resuming live events.

Royalty expenses

We are required to pay royalties under the licensing and related agreements pursuant to which we develop, market, and sell Rich Dad and Homemade Investor branded live seminars, training courses, and related products worldwide. There were no royalty expenses for the years ended December 31, 2022 and 2021, respectively due to transitioning sales to our proprietary *Building Wealth with Legacy*TM.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were \$2.6 million for the year ended December 31, 2022, compared to \$4.2 million for the year ended December 31, 2021, a decrease of \$1.6 million, or 38%.

Gain on forgiveness of PPP Loan

During the year ended 2022 we were notified that our second draw PPP loan was forgiven, which amounts to \$1.15 million.

In March 2021, we were notified that Pacific Premier Bancorp Inc sold substantially all of its PPP loans, including ELE's loan, to The Loan Source, Inc. ("TLS"), which, together with its servicing partner, ACAP SME, LLC, took over the forgiveness and ongoing servicing process for ELE's PPP loan. On August 4, 2021, we received notice from TLS that its First Draw PPP Loan had been partially forgiven in the amount of \$899.0 thousand in principal and \$11.0 thousand in interest. Thus, during the year ended December 31, 2021, we recognized the gain on forgiveness of PPP Loan in the total amount of \$910.0 thousand (see Note 6 – "Short-Term and Long-Term Debt" to our Consolidated financial statements for further discussion).

Income tax expense

We recorded income tax expense \$0.06 million and \$0.7 million for the years ended December 31, 2022 and 2021, respectively, a \$0.64 million decrease in income tax expense.

Our effective tax rate was (3.8)% and (3409.5)% for the years ended December 31, 2022 and 2021, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21.0%, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions, and intercompany activities.

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. We have retained a full valuation allowances of \$3.5 million against the deferred tax assets of our Australian, Canadian, U.K., Hong Kong, and South Africa subsidiaries as of December 31, 2022 and December 31 2021. 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.

Net income (loss) from continuing operations

Net loss from continuing operations was \$1.6 million or (\$0.04) per basic and diluted common share for the year ended December 31, 2022, compared to net income from continuing operations of \$0.7 million or \$(0.02) per basic and diluted common share for the year ended December 31, 2021, a decrease in net income from continuing operations of \$0.9 million.

Net income from discontinued operations

Net income from discontinued operations was \$0.0 million or \$0.0 per basic and diluted common share for the year ended December 31, 2022, compared to net income from discontinued operations of \$0.1 million or \$0.0 per basic and diluted common share for the year ended December 31, 2021.

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. Historically, 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. We currently do not have an audit committee.

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 \$3.5 million and \$4.4 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, 2022 and 2021, respectively. The revenue associated with these performance obligations is recognized as the obligation is satisfied.

The following table disaggregates our segment revenue by revenue source:

Revenue Type:	Year Ended December 31, 2022				Year Ended December 31, 2021			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	\$ 1,082	—	\$ —	\$ 1,082	\$ 4,564	\$ 880	—	\$ 5,444
Products	2	—	—	2	199	—	—	199
Coaching and Mentoring	—	—	—	—	—	—	—	—
Online and Subscription	—	—	—	—	76	—	—	76
Other	—	—	—	—	182	1,809	—	1,991
Total revenue	\$ 1,084	—	\$ —	\$ 1,084	\$ 5,021	\$ 2,689	—	\$ 7,710

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 an increase in demand for our products and services compared to prior periods as we develop our *Building Wealth with Legacy*TM brand and other revenue streams. We believe that our products and services appeal to those who seek increased financial freedom. If we experience a prolonged decline in demand for our products and services, it could have a material adverse effect on our future operating results.

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our decreased operating cash flows during the past two years combined, it has been necessary for us to manage our cash position to ensure the future viability of our business. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, favorable terms from our merchant processors, seasonality, and fluctuations in foreign currency exchange rates.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2022 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will not be sufficient to fund our expected financial obligations and anticipated liquidity requirements for the fiscal year 2023. However, we are exploring alternative sources of capital, but there can be no assurances any such capital will be obtained. For the year ended December 31, 2022, we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations as well as reducing our costs and increasing our operating margins, and to sustain adequate working capital to finance our operations. The failure to achieve the necessary levels of profitability and cash flows would be detrimental to us.

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

	Years Ended December 31,	
	2022	2021
Net cash used in operating activities	(4,023)	(4,832)
Net cash provided by investing activities	—	—
Net cash provided by financing activities	1,916	3,102
Effect of exchange rate differences on cash	1,380	—
Net decrease in cash and cash equivalents and restricted cash	(727)	(1,730)

Operating Cash Flows and Liquidity

Net cash used in operating activities was \$4 million in the year ended December 31, 2022 compared to net cash used in operating activities of \$4.8 million in the year ended December 31, 2021, representing a period-over-period decrease of \$0.8 million. This decrease was primarily the result of a decrease in current liabilities for deferred course expense 2022 compared to 2021.

Investing Cash Flows

Net cash provided by investing activities totaled \$0.0 million for the years ended December 31, 2022 and 2021.

Financing Cash Flows

Our consolidated capital structure as of December 31, 2022 was 24% debt and 76% equity. As of December 31, 2021, our consolidated capital structure was 17% debt and 83% equity.

Net cash provided by financing activities totaled \$1.9 million during the year ended December 31, 2022, including our net proceeds from borrowings. Net cash provided by financing activities totaled \$3.1 million during the year ended December 31, 2021.

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, 2022, and 2021, our consolidated current deferred revenue was \$3.5 million and \$4.4 million, respectively.

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

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 Consolidated 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, 2022 and 2021, and the related consolidated statements of operations and comprehensive loss, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt About the Company’s Ability to Continue as a Going Concern

The accompanying consolidated 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 negative working capital, has an accumulated deficit and has negative operating cash flow 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 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Ram Associates

www.ramassociates.us

PCAOB ID: 5814

We have served as the Company’s auditor since 2021.

Hamilton, New Jersey

May 19, 2023

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

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112	\$ 576
Restricted cash	111	374
Deferred course expenses	163	304
Prepaid expenses and other current assets	342	607
Inventory	1	1
Discontinued operations current assets	—	—
Total current assets	729	1,862
Right-of-use assets	113	20
Other assets	6	6
Discontinued operations-other assets	32	33
Total assets	880	1,921
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,577	\$ 2,544
Royalties payable	110	110
Accrued course expenses	237	252
Accrued salaries, wages and benefits	195	202
Operating lease liability, current portion	67	20
Other accrued expenses	2,940	2,114
Deferred revenue	3,470	4,438
Short-term related party debt, net of unamortized debt discount of \$383	2,429	142
Current portion of long term debt, net of unamortized debt discount of \$0	1,184	1,011
Discontinued operations-current liabilities	9,243	9,845
Total current liabilities	22,452	20,678
Long-term debt, net of current portion and net of unamortized debt discount	558	1,933
Deferred tax liability, net	796	1493
Other long term liabilities	—	—
Operating lease liability, net of current portion	46	—
Total liabilities	23,852	24,104
Commitments and contingencies (Note 13)		
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; 38,182,697 and 37,867,697 shares issued and outstanding as of December 31, 2022 and December 31, 2021	3	3
Additional paid-in capital	13,217	13,161
Cumulative foreign currency translation adjustment	1,593	837
Accumulated deficit	(37,695)	(36,184)
Non Controlling Interest	(91)	—
Total stockholders' deficit	(22,973)	(22,183)
Total liabilities and stockholders' deficit	\$ 880	\$ 1,921

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2022	2021
Revenue	\$ 1,084	\$ 7,710
Operating costs and expenses:		
Direct course expenses	456	2,294
Advertising and sales expenses	223	1,636
Royalty expenses	—	—
General and administrative expenses	2,647	4,195
Total operating costs and expenses	3,326	8,125
Income (loss) from operations	(2,242)	(415)
Other expense:		
Interest expense, net	(453)	-524
Other expense, net	3	8
Gain on forgiveness of PPP Loan	1,148	910
Total other expense, net	698	394
Income (loss) from continuing operations before income taxes	(1,544)	(21)
Income tax (expense) benefit	(58)	(716)
Net income (loss) from continuing operations	(1,602)	(737)
Income from discontinued operations	0	171
Net income from discontinued operations	—	171
Less: Net Income attributable to Non controlling interest	91	—
Net income (loss)	\$ (1,511)	\$ (566)
Basic earnings (loss) per common share - continuing operations	\$ (0.04)	\$ (0.02)
Basic earnings (loss) per common share - discontinued operations	—	—
Basic earnings (loss) per common share	\$ (0.04)	\$ (0.02)
Diluted earnings (loss) per common share - continuing operations	\$ (0.04)	\$ (0.02)
Diluted earnings (loss) per common share - discontinued operations	—	—
Diluted earnings (loss) per common share	\$ (0.04)	\$ (0.02)
Basic weighted average common shares outstanding	35,486	29,187
Diluted weighted average common shares outstanding	35,486	29,187
Comprehensive income:		
Net income (loss)	(1,511)	(566)
Foreign currency translation adjustments, net of tax of \$0	756	421
Total comprehensive income (loss)	(755)	(145)

See Notes to Consolidated Financial Statements

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

	Common stock		Additional	Cumulative		Non	Total
	Shares	Amount	paid-in	foreign	Accumulated	controlling	stockholders'
			capital	currency	deficit	Interest	deficit
				translation			
				adjustment			
Balance at December 31, 2021	<u>33,918</u>	<u>\$ 3</u>	<u>\$ 13,161</u>	<u>\$ 837</u>	<u>\$ (36,184)</u>	<u>\$ —</u>	<u>\$ (22,183)</u>
Share-based compensation expense	—	—	10	—	—	—	10
Issuance of common stock	250	—	45	—	—	—	45
Shares issued as per forbearance agreement	4,015	—	1	—	—	—	1
Treasury stock	—	—	—	—	—	—	—
Issuance of common stock	—	—	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	756	—	—	756
Net loss	—	—	—	—	(1,511)	(91)	(1,602)
Balance at December 31, 2022	<u>38,183</u>	<u>\$ 3</u>	<u>\$ 13,217</u>	<u>\$ 1,593</u>	<u>\$ (37,695)</u>	<u>\$ (91)</u>	<u>\$ (22,972)</u>

	Common stock		Additional	Cumulative		Total
	Shares	Amount	paid-in	foreign	Accumulated	stockholders'
			capital	currency	deficit	deficit
				translation		
				adjustment		
Balance at December 31, 2020	<u>23,279</u>	<u>\$ 2</u>	<u>\$ 11,564</u>	<u>\$ 416</u>	<u>\$ (35,618)</u>	<u>\$ (23,636)</u>
Share-based compensation expense	2,900	—	122	—	—	122
Cancellation of common stock	(945)	—	(15)	—	—	(15)
Common stock issued for stock option purchase	1,600	—	13	—	—	13
Common stock and warrants issued for notes payable to related party from conversion of senior secured convertible debt – related party debt discount	7,084	1	354	—	—	355
Beneficial conversion feature for senior secured convertible debenture	—	—	500	—	—	500
Beneficial conversion feature for senior secured convertible debenture-related party	—	—	623	—	—	623
Foreign currency translation adjustment, net of tax of \$0	—	—	—	421	—	421
Net loss	—	—	—	—	(566)	(566)
Balance at December 31, 2021	<u>33,918</u>	<u>\$ 3</u>	<u>\$ 13,161</u>	<u>\$ 837</u>	<u>\$ (36,184)</u>	<u>\$ (22,183)</u>

See Notes to Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,602)	\$ (566)
Less net income from discontinued operations	—	171
Net loss from continuing operations	\$ (1,602)	\$ (737)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	—	4
Non-cash lease expense	20	27
Share-based compensation	56	122
Cancellation of common stock	—	(15)
Amortization of debt discount	344	453
Gain on debt extinguishment (PPP loan forgiveness)	(1,148)	(910)
Deferred income taxes	(605)	1,359
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	158	844
Prepaid expenses and other receivable	(67)	559
Inventory	—	9
Other assets	1	—
Accounts payable-trade	(307)	685
Royalties payable	-	(11)
Accrued course expenses	(72)	(25)
Accrued salaries, wages and benefits	(8)	129
Operating lease liability	(20)	(27)
Other accrued expenses	535	(1,503)
Deferred revenue	(1,308)	(5,782)
Net cash used in operating activities - continuing operations	(4,023)	(4,819)
Net cash (used in) provided by operating activities - discontinued operations	—	(13)
Net cash used in operating activities	(4,023)	(4,832)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investment property	—	—
Proceeds from sale property and equipment	—	—
Net cash provided by investing activities - continuing operations	—	—
Net cash used in investing activities - discontinued operations	—	—
Net cash provided by investing activities	—	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	1,888	(11)
Proceeds from borrowing Paycheck Protection Program loan	—	1,900.00
Proceeds from debentures including related parties	—	1,200
Issuance of common stock for stock option purchase	28	13
Net cash provided by financing activities - continuing operations	1,916	3,102
Net cash provided by financing activities - discontinued operations	—	—
Net cash provided by financing activities	1,916	3,102
Effect of exchange rate differences on cash	1,380	—
Net decrease in cash and cash equivalents and restricted cash	(727)	(1,730)
Cash and cash equivalents and restricted cash, beginning of period, including cash in discontinued operations	\$ 950	\$ 2,680
Cash and cash equivalents and restricted cash, end of period	\$ 223	\$ 950
Supplemental disclosures:		
Cash paid during the period for interest	\$ 11	\$ 3
Cash received during the period for income taxes, net of tax payments		(52.00)
Supplemental disclosure of non-cash activity:		
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	\$ —	\$ (1)
Non-cash disposal of property	\$ —	\$ -
Common stock and warrants issued from conversion of senior convertible debenture – related party		355.00
Initial recognition of beneficial conversion feature for senior secured convertible debt - related party		896
Note payable issued for insurance policy financing		26.00

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

Note 1—Business Description and Basis of Presentation

Business Description. Legacy Education Alliance, Inc. is 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. Legacy's 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. During the year ended December 31, 2022, Legacy marketed its products and services under *Building Wealth with Legacy*TM. During the year ended December 31, 2021, Legacy marketed its products and services under two brands: *Building Wealth with Legacy*TM and *Homemade Investor by Tarek El Moussa*TM.

The Company's 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"), the Company recognizes revenue upon the earlier of (i) when its 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. The Company recognizes revenue immediately when it sells (i) its proprietary products delivered at time of sale and (ii) third party products. The Company's symposiums and forums combine multiple advanced training courses in one location, allowing the Company 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 its students' experience, particularly, for example, through the opportunity to network with other students.

The Company also provides a richer experience for its students through one-on-one mentoring (two to four days in length, on site or remotely, although it has suspended providing on-site mentorships as a result of the COVID-19 pandemic) and telephone mentoring (10 to 16 weekly one-on-one or one-on-many telephone sessions). Mentoring involves a subject matter expert interacting with the student remotely or in person and guiding the student, for example, through his or her first real estate transaction, providing a real hands-on experience.

The Company was founded in 1996, and through a reverse merger, became a publicly held company in November 2014. Today, Legacy is a global company that has cumulatively served more than two million students from more than 150 countries and territories over the course of its operating history.

The Company's operations have traditionally relied heavily on the ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which it operates. As a result of the COVID-19 coronavirus pandemic, and the resulting worldwide restrictions on travel and social distancing, the Company temporarily ceased conducting live sales and fulfillment and furloughed substantially all of its employees. The Company resumed online operations in July 2020, and live operations in November 2020. The Company has simplified its product offerings and restructured its compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that the Company will be effective in selling its products and services, or what the impact such activities will have on its financial performance. Due to the continuing COVID-19 pandemic, the Company suspended live in-person events in December 2021 to assess the strategic plan and will continue the suspension into fiscal year 2022. The Company is not able to fully quantify the impact that these factors will have on our future financial results.

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

Since January 1, 2020, Legacy has operated under two brands:

- *Building Wealth with Legacy*TM: 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. During the fiscal year 2022, the Company marketed products and services exclusively under this brand.
- *Homemade Investor by Tarek El Moussa*TM 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. Homemade Investor events offered nationwide free workshops, 3-day trainings and large stage events with Tarek presenting as the keynote speaker, all selling into our advanced training products. In November 2020, the Company suspended conducting *Homemade Investor by Tarek El Moussa*TM sales events to focus on developing its proprietary *Building Wealth with Legacy*TM.

Merger. On November 10, 2014, the Company 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 a wholly owned subsidiary of the Company and the Company acquiring 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. We had a negative working capital, has an accumulated deficit and has negative operating cash flow for the years ended December 31, 2022 and December 31, 2021. 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, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
	(in thousands)	
Cash and cash equivalents	\$ 112	\$ 576
Restricted cash	111	374
Total cash, cash equivalents, and restricted cash shown in the cash flow statement	<u>\$ 223</u>	<u>\$ 950</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 due to length of maturity of these instruments, the majority of which is short-term. The carrying value of long-term debt approximates fair value since the related rates of interest approximate current market rates.

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. We no longer have any residential rental properties as these were transferred to the administrators in the UK in December 2020 (See Note 5—*Property and Equipment* below).

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.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815 “*Derivatives and Hedging Activities*”.

Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has been determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: The Company records when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

Stock Warrants

The Company accounts for stock warrants as equity in accordance with ASC 480 – *Distinguishing Liabilities from Equity*. Stock warrants are accounted for a derivative in accordance with ASC 815 – *Derivatives and Hedging*, if the stock warrants contain other terms that could potentially require “net cash settlement” and therefore, do not meet the scope exception for treatment as a derivative.

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.

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 \$3.5 million and \$4.4 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, 2022 and 2021, respectively. The revenue associated with these performance obligations is recognized as the obligation is satisfied.

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Year Ended December 31, 2022				Year Ended December 31, 2021			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	\$ 1,082	—	\$ —	\$ 1,082	\$ 4,564	\$ 880	—	\$ 5,444
Products	2	—	—	2	199	—	—	199
Coaching and Mentoring	—	—	—	—	—	—	—	—
Online and Subscription	—	—	—	—	76	—	—	76
Other	—	—	—	—	182	1,809	—	1,991
Total revenue	\$ 1,084	—	\$ —	\$ 1,084	\$ 5,021	\$ 2,689	—	\$ 7,710

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

Comprehensive income (loss). Comprehensive income (loss) includes changes to equity accounts that were not the result of transactions with stockholders. Comprehensive income (loss) is comprised of net income and other comprehensive income items. Our comprehensive income (loss) 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. The Company is also seeking liquidation of companies in Australia, Hong Kong, and Canada. See Note 4 “*Discontinued Operations*”, for additional disclosures regarding the details of these discontinued operations.

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

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06 – *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40) – Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU simplifies the guidance on the issuer’s accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was within the scope of those models before the adoption of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share, and the treasury stock method will be no longer available. The provisions of ASU 2020-06 are applicable for fiscal years beginning after December 15, 2023, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements.

In March 2021, the FASB issued ASU 2021-04, “Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The application of this guidance will not have a 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, 2022 and 2021, including foreign subsidiaries, without FDIC coverage was \$0.0 and \$0.0 million, respectively.

Note 4 — Discontinued Operations

On January 27, 2021, Legacy Australia, a wholly owned subsidiary of the Company, appointed Brent Leigh Morgan and Christopher Stephen Bergin, both of the firm of Rodgers Reidy, 326 William Street, Melbourne VIC 3000 Australia, as joint and several liquidators of Legacy Australia (“Australia Liquidators”), to supervise a Creditors Voluntary Liquidation of Legacy Australia. Subject to the approval of the creditors of Legacy Australia at a meeting held on February 23, 2021, Australian Eastern Daylight Time (“AEDT”) (February 22, 2021, EST), the Australia Liquidators will wind down the business of Legacy Australia and make distributions, if any, to its creditors in accordance with the applicable provisions of the Australian Corporations Act of 2001. The first meeting of creditors of Legacy Australia was held on February 24, 2021, (AEDT), at which no resolutions were proposed by the creditors, no nominations for a Committee of Inspection were made, and no alternative liquidator was proposed. On March 11, 2022, the proof of debt was rejected by the liquidator of Legacy UK and extended twenty-one days from the receipt of the notice to provide additional documentation supporting the claim to the Court of England. The additional information was submitted to the Legacy UK liquidators on March 21, 2022.

On March 2, 2021, Legacy Education Alliance Holdings, Inc. the sole shareholder of Legacy Hong Kong, a subsidiary of the Company, adopted a resolution to wind up voluntarily the affairs of Legacy Hong Kong and to appoint Cosimo Borrelli and Li Chung Ngai (also known as Anson Li), both of Borrelli Walsh Limited, Level 17, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong as joint and several liquidators of Legacy Hong Kong (“Hong Kong Liquidators”). At a meeting of the creditors of Legacy Hong Kong held on March 2, 2021, the creditors similarly approved the voluntary winding up of Legacy Hong Kong and the appointment of Cosimo Borrelli and Li Chung Ngai (also known as Anson Li), as the Hong Kong Liquidators. The Hong Kong Liquidators will wind up the business of Legacy Hong Kong and make distributions, if any, to its creditors in accordance with the applicable provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

On March 7, 2021, Tigrent Canada, a wholly owned subsidiary of Legacy Education Alliance, Inc., filed an assignment in bankruptcy under section 49 of the Canada Bankruptcy and Insolvency Act (the “Act”) in the Office of the Superintendent of Bankruptcy Canada, District of Ontario, Division of Toronto, Court No. 31-2718213. Also on March 7, 2021, A. Farber & Partners was appointed trustee of the estate of Tigrent Canada. The trustee will wind down the business of Tigrent Canada and make distributions, if any, to its creditors in accordance with the applicable provisions of the Act. At the first meeting of creditors held on March 23, 2021, the creditors of Tigrent Canada approved the appointment of A. Farber & Partners as trustee of the estate of Tigrent Canada.

On October 28, 2019, four creditors of 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 did not receive any proceeds from the sale of Legacy UK. Further details, including the resolution of claims and liabilities, and other information regarding the administration may not be forthcoming for several months. The impact of this transaction is reflected as a discontinued operation in the consolidated financial statements. We are awaiting outcome from the meeting of the creditors on March 25, 2022.

The major classes of assets and liabilities of the entities classified as discontinued operations were as follows:

	December 31,	December 31,
	2022	2021
	(in thousands)	
<i>Major classes of assets</i>		
Cash and cash equivalents	\$ —	\$ —
Deferred course expenses	—	—
Discontinued operations-current assets	—	—
Other assets	32	33
Total major classes of assets - discontinued operations	<u>\$ 32</u>	<u>\$ 33</u>
<i>Major classes of liabilities</i>		
Accounts payable	\$ 3,332	\$ 3,638
Accrued course expenses	526	587
Other accrued expenses	390	439
Deferred revenue	4,995	5,181
Total major classes of liabilities - discontinued operations	<u>\$ 9,243</u>	<u>\$ 9,845</u>

The financial results of the discontinued operations are as follows:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Revenue	\$ —	\$ 40
Total operating costs and expenses	—	907
Income (loss) from discontinued operations	—	(867)
Other income (expense), net	—	(80)
Income tax benefit (expense)	—	1,118
Net income from discontinued operations	<u>\$ —</u>	<u>\$ 171</u>

Note 5—Property and Equipment

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

	As of December 31,	
	2022	2021
Land	\$ —	\$ —
Building and residential properties	—	—
Software	—	—
Equipment	—	234
Furniture and fixtures	—	—
Building and leasehold improvements	—	—
Property and equipment	—	234
Less: accumulated depreciation	—	(234)
Property and equipment, net	\$ —	\$ —

Depreciation expense on the property and equipment in each of the years ended December 31, 2022 and 2021 was \$0.0 thousand and \$4.0 thousand, respectively.

Note 6 - Short-Term and Long-Term Debt

(in thousands)	As of December 31, 2022	As of December 31, 2021
Senior Secured Convertible Debenture	\$ -	\$ 500
EDIL Loan	200	—
Debt Discount	(383)	(467)
Senior Secured Convertible Debenture, net	(183)	33
Paycheck Protection Program loan	1,000	1,000
Paycheck Protection Program loan 2	742	1,900
IPFS Insurance Premium Note Payable	-	11
Total debt	1,559	2,944
Less current portion of long-term debt	(1,001)	(1,011)
Total long-term debt, net of current portion	\$ 558	\$ 1,933

(in thousands)	As of December 31, 2022	As of December 31, 2021
Senior Secured Convertible Debenture - related party	\$ 2,413	\$ 346
Debt Discount-related party	-	(204)
Senior Secured Convertible Debenture - related party, net	\$ 2,413	\$ 142

2023	\$ 2,566
2024	148
2025	148
2026	148
Thereafter	1,161
Total debt	\$ 4,171

First Draw Paycheck Protection Program Note Agreement.

On April 27, 2020, Elite Legacy Education, Inc. (“ELE”), a subsidiary of the Company, entered into a Promissory Note in favor of Pacific Premier Bank (“PPBI”), the lender, through the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) established pursuant to the CARES Act. The unsecured loan (the “First Draw PPP Loan”) proceeds were in the amount of \$1,899,832. The First Draw PPP Loan bears interest at a fixed rate of 1% per annum and is payable in 17 equal monthly payments of interest only and a final payment of the full principal plus interest for one month. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels.

In March 2021, ELE was notified that PPBI sold substantially all of its PPP loans, including the First Draw PPP Loan, to The Loan Source, Inc. (“TLS”), which, together with its servicing partner, ACAP SME, LLC, took over the forgiveness and ongoing servicing process for the First Draw PPP Loan. On August 4, 2021, ELE received notice from TLS that its First Draw PPP Loan had been partially forgiven in the amount of \$900 thousand in principal and \$11 thousand in interest. The remaining outstanding principal balance of \$1.0 million was originally due on April 24, 2022. On March 29, 2022, the documents to extend the maturity date to April 24, 2025 was signed. The extension agreement was executed on April 1, 2022. The loan is a term of sixty (60) months at 1.0% interest rate with monthly payments in the amount of \$29 thousand. Interest paid was \$16 thousand and \$0.0 for the year ended December 31, 2022 and 2021, respectively.

Senior Secured Convertible Debenture and Exercise of Conversion Rights.

On March 8, 2021, the Company issued a \$375 thousand Senior Secured Convertible Debenture (“LTP Debenture”) to Legacy Tech Partners, LLC (“LTP”), a related party. The LTP Debenture accrues interest at a rate of 10% and is due on the earlier of the occurrence of certain liquidity events with respect to the Company and March 8, 2022. The LTP Debenture may be converted at any time after the issue date into shares of the Company’s Common Stock (the “LTP Conversion Shares”) at a price equal to \$0.05 per share. Together with each LTP Conversion Share, a warrant will be issued with a strike price of \$0.05 per share and an expiration date of March 8, 2026 (the “LTP Warrants”). Under the term of the original LTP Debenture, LTP had an obligation to lend the Company an additional \$625 thousand under the same terms prior to June 30, 2022, and an option to fund an additional \$4 million under the same terms prior to March 8, 2024. LTP also has the option to extend the maturity date of each loan it makes to the Company, including the initial loan of \$375 thousand for a term not to exceed four years from the original maturity date of that loan. Net proceeds were \$314 thousand after legal fees of \$61 thousand, which are included in our consolidated statement of operations for the year ended December 31, 2021. The LTP Debenture is secured by a lien on all the Company’s assets. The Company’s U.S. subsidiaries entered into guaranties on March 9, 2021 in favor of LTP under which such subsidiaries guaranteed the Company’s obligations under the LTP Debenture and granted LTP a lien on all assets of such subsidiaries. The proceeds from the LTP Debenture were used to extinguish liabilities of the Company and to fund the development of the Education Technology (“EdTech”) business. The aggregate number of shares issuable upon conversion of the LTP Debenture and upon the exercise of the LTP Warrants may not exceed 19.9% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares upon conversion of the LTP Debenture and the exercise of the LTP Warrants. At the annual meeting of stockholders of the Company held on July 2, 2021, the stockholders approved the future issuance of shares to LTP upon conversion under the LTP Debenture in excess of the 19.9% limitation, but no such shares have been issued. On May 4, 2021, LTP exercised its conversion rights with respect to \$330 thousand of the outstanding principal at the conversion price resulting in the issuance of 6.6 million shares of common stock to LTP. In addition, an equal number of warrants were issued on June 11, 2021 (see *Note 7 – Stock Warrants*). The cash receipt date, March 10, 2021, was used for the market value of stock on measurement date, at \$0.155 per common share, resulting in the recognition of debt discount and additional paid-in capital of \$375 thousand, respectively, within the consolidated balance sheet for the year ended December 31, 2021, which represents the intrinsic value of the conversion option. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of \$375 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the years ended December 31, 2022 and 2021 were \$14 thousand and \$0.0 thousand, respectively.

On August 27, 2021, the Company amended the terms of the LTP Debenture to reduce LTP’s maximum funding obligation from \$1 million to \$675 thousand and to require LTP to fund the remaining principal balance of \$300 thousand no later than October 15, 2021. On October 15, 2021, the Company received \$100 thousand of the remaining \$300 thousand funding obligation of LTP. On October 27, 2021, LTP funded the remaining funding obligation of \$200 thousand. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of \$228 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the years ended December 31, 2022 and 2021 amounted to \$194 thousand and \$0.0 thousand, respectively.

On March 8, 2022, the Company defaulted on the LTP Debenture in the remaining amount left unconverted of \$46 thousand and \$9 thousand accrued interest. There was no acceleration of interest rate and no triggering of guarantees under the note agreement to increase any debt obligations.

Second Draw Paycheck Protection Program Note Agreement.

On April 20, 2021, ELE closed on an unsecured Paycheck Protection Program Note agreement (the “Promissory Note”) to borrow \$1,899,832 from Cross River Bank, the lender, pursuant to the PPP, and extended to “Second Draw” PPP loans as described below (the “Second Draw PPP Loan”). The PPP is intended to provide loans to qualified businesses to cover payroll and certain other identified costs. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent, utilities, and certain covered operating expenses. All or a portion of the loan may be forgivable, as provided by the terms of the PPP. The Second Draw PPP Loan has an interest rate of 1.0% per annum and a term of 60 months. Payments will be deferred in accordance with the CARES Act, as modified by the Paycheck Protection Program Flexibility Act of 2020; however, interest will accrue during the deferral period. If all or any portion of the loan is not forgiven in accordance with the terms of the program, ELE will be obligated to make monthly payments of principal and interest in amounts to be calculated after the amount of loan forgiveness, if any, is determined to repay the balance of the loan in full prior to maturity. The Promissory Note contains customary events of default relating to, among other things, payment defaults and breaches of representations. ELE may prepay the loan at any time prior to maturity with no prepayment penalties. ELE got forgiveness for this loan as of December 31, 2022 for an amount of \$1.14 million.

Debenture, Warrant and Guaranty Agreements, and Exercise of Conversion Rights.

On May 4, 2021, the Company issued a 10% Subordinated Secured Convertible Debenture (“Subordinated Debenture”) in the principal amount of \$25 thousand to Michel Botbol, the Company’s Chairman and Chief Executive Officer at the time. The Subordinated Debenture called for interest at a rate of 10% and would have been due on the earlier of the occurrence of certain liquidity events with respect to the Company and May 4, 2022. The Subordinated Debenture was convertible at any time after the issuance date into shares of the Company’s common stock (the “Botbol Conversion Shares”) at a price equal to \$0.05 per share (“Conversion Price”). Together with each Botbol Conversion Share, a warrant would be issued with a strike price of \$0.05 per share and an expiration date of May 4, 2026 (the “Botbol Warrants”). Mr. Botbol also had the option to extend the maturity date of the loan for a term not to exceed four years from the original maturity date of that loan. The Subordinated Debenture is secured by a lien on all the Company’s assets subordinated to the lien granted to LTP. The Company’s U.S. subsidiaries are required to enter into guaranties in favor of Botbol under which such subsidiaries guaranteed the Company’s obligations under the Subordinated Debenture and granted Botbol a lien on all assets of such subsidiaries subject to the lien held by LTP. The use of proceeds from the Subordinated Debenture was to extinguish liabilities of the Company and to fund working capital, general corporate purposes and the development of administrative functions. The aggregate number of shares issuable upon conversion of the Subordinated Debenture and upon the exercise of the Botbol Warrants may not exceed 19.9% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares upon conversion of the Subordinated Debenture and the exercise of the Botbol Warrants. On May 4, 2021, Mr. Botbol exercised his conversion rights with respect to the entire \$25 thousand of outstanding principal at the Conversion Price resulting in the issuance of 500 thousand shares of common stock to him. In addition, an equal number of warrants were issued on May 4, 2021 (see *Note 7 – Stock Warrants*). The Botbol Warrants will not be listed for trading on any national securities exchange. The Botbol Warrants and the shares issuable upon conversion of the Subordinated Debenture are not being registered under the Securities Act.

On August 27, 2021, the Company issued a \$500 thousand Senior Secured Convertible Debenture (the “GLD Debenture”) to GLD Legacy Holdings, LLC (“GLD”). The GLD Debenture accrues interest at a rate of 10% and is due on the earlier of the occurrence of certain liquidity events with respect to the Company or August 27, 2026. The GLD Debenture may be converted at any time after the issue date into shares of the Company’s common stock (the “GLD Conversion Shares”) at a price equal to \$0.05 per share. Together with each GLD Conversion Share, a warrant will be issued with a strike price of \$0.05 per share and an expiration date of August 27, 2026 (the “GLD Warrants”). The cash receipt date, August 27, 2021, was used for the market value of stock on measurement date, at \$0.10 per common share, resulting in the recognition of debt discount and additional paid-in capital of \$500 thousand, respectively, within the consolidated balance sheet for the year ended December 31, 2021, which represents the intrinsic value of the conversion option. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of \$500 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the year ended December 31, 2022 and 2021 was \$25 thousand and \$0.0 thousand, respectively. Net proceeds were \$485.2 thousand after legal fees and transaction expenses of \$14.8 thousand, which are included in our consolidated statement of operations for the year ended December 31, 2021. GLD has an option to lend the Company an additional \$500 thousand under the same terms prior to December 31, 2023. The GLD Debenture is secured by a lien on all the Company’s assets. The Company’s U.S. subsidiaries entered into guaranties on August 27, 2021, in favor of GLD under which such subsidiaries guaranteed the Company’s obligations under the GLD Debenture and granted GLD a lien on all assets of such subsidiaries. The proceeds from the GLD Debenture were used for working capital for the development of the Company’s Legacy EdTech business and for working capital for the operation of the Company’s seminar business. The GLD Warrants will not be listed for trading on any national securities exchange. The GLD Warrants and the shares issuable upon conversion of the GLD Debenture are not being registered under the Securities Act. The aggregate number of shares issuable upon conversion of the GLD Debenture and upon the exercise of the GLD Warrants may not exceed 19.9% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of shares upon conversion of the GLD Debenture and the exercise of the GLD Warrants. Under the terms of the GLD Debenture, and until all of the obligations of the Company under the GLD Debenture have been paid in full, GLD may appoint one member to the board of directors of the Company, subject to the review and approval of the GLD appointed candidate by the Nominating and Governance Committee of the Company. In lieu of cash compensation, the GLD appointed director will receive a grant of 150,000 restricted shares of common stock of the Company upon appointment to the board.

Pursuant to the terms of the GLD Debenture, on August 27, 2021, the Company entered into an Advisory Services Agreement with GLD Advisory Services, LLC (“GLDAS”), an affiliate of GLD. GLDAS will provide the Company and its subsidiaries with business, finance and organizational strategy, advisory, consulting and other services related to the business of the Company. In lieu of cash compensation, on the effective date of the agreement, August 27, 2021, GLDAS received fully vested 315,000 shares of common stock of the Company and will receive 315,000 shares of common stock thereafter on each anniversary until the GLD Debenture has been repaid in full.

On August 27, 2021, in connection with the GLD Debenture, the Company entered into an Intercreditor Agreement with GLD, LTP, and Barry Kostiner, a related party. LTP and GLD agreed that LTP’s and GLD’s respective rights under the LTP Debenture and GLD Debenture would rank equally and ratably in all respects to one another including, without limitation, rights in collateral, right and priority of payment and repayment of principal, interest, and all fees and other amounts (the “Intercreditor Agreement”). The Intercreditor Agreement also appoints Barry Kostiner as Servicing Agent (as defined therein) to act on behalf of GLD and LTP, subject to the terms of the agreement, with respect to (a) enforcing GLD’s and LTP’s rights and remedies, and the Company’s obligations, under the Debentures (as defined below).

The Company received a “Notice of Breach and Obligation to Cure to Avoid Event of Default” from GLD dated May 11, 2022 (the “Notice”). Pursuant to the Notice, GLD informed the Company of certain alleged breaches of the terms of the GLD Debenture by the Company, and that the Company has 30 days to cure or GLD would consider an event of default under the GLD Debenture to have occurred.

On July 15, 2022, the Company entered into a Forbearance Agreement (the “Forbearance Agreement”) with GLD with respect to the GLD Debenture, and LTP with respect to the LTP Debenture (with the GLD Debenture, the “Debentures” and each sometimes, a “Debenture”).

Pursuant to the Forbearance Agreement, GLD and LTP each agreed to forbear from exercising its rights against the Company under the applicable Debenture until the earlier of (i) a default under the Forbearance Agreement or a new default under such Debenture or (ii) October 15, 2022 (the “Forbearance Period”).

Prior to the expiration of the Forbearance Period, the Company agreed to cause a sale of the GLD Debenture to ABCImpact I, LLC, a Delaware limited liability company (“ABCImpact”), or as directed by ABCImpact, at a purchase price equal to the outstanding balance due and payable on the GLD Debenture by no later than October 15, 2022, which shall be in full and complete satisfaction of the Company’s obligations to GLD under the GLD Debenture.

The Company also paid \$25,000 in satisfaction of GLD's legal fees, pursuant to the terms of the Forbearance Agreement.

Until the date that the GLD Debenture is sold to ABCImpact and the LTP Debenture has been repaid in full, the Company shall cause Mayer and Associates LLC, a shareholder of the Company, to be restricted from exercising its existing option for 18,400,000 shares of Company common stock at \$.0001 per share.

As partial consideration for GLD entering into the Forbearance Agreement, the Company agreed to issue to GLD 2,100,000 shares of the common stock of the Company at a price per share of \$.0001 (the "GLD Consideration Shares"), which GLD Consideration Shares (i) at the time of their issuance thereafter shall be subject to all applicable restrictions under relevant securities laws and (ii) shall be registered for resale on a Registration Statement on Form S-1 (the "Form S-1"). In addition, as partial consideration for LTP entering into the Forbearance Agreement, the Company agreed to issue to LTP 1,600,000 shares of the common stock of the Company at a price per share of \$.0001 (the "LTP Consideration Shares"). The issuance of the GLD Consideration Shares and the LTP Consideration Shares are subject to restrictions as described in the Forbearance Agreement and will not trigger any anti-dilution provisions of any convertible securities of the Company that may be held by GLD or LTP or their affiliates in whatever form, including the Debentures.

The Company also agreed to use its best efforts to effect a spin-off of an existing to-be-determined subsidiary of the Company, pursuant to the terms described in the Forbearance Agreement.

Following the occurrence of any of the Events of Default (as defined in the Forbearance Agreement), each of LTP and GLD may exercise any or all remedies as provided under the Forbearance Agreement, the applicable Debenture or applicable law.

IPFS Premium Finance Agreement.

On July 30, 2021, the Company entered into a premium finance agreement for insurance coverage in the amount of \$26 thousand at an interest rate of 5.55% for 10 months. The balance remaining as of December 31, 2022, is \$4.0 thousand.

Economic Injury Disaster Loan.

On April 25, 2022, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the SBA under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the business operations. Pursuant to that certain Loan Authorization and Agreement (the "SBA Loan Agreement"), the principal amount of the EIDL Loan was \$200,000, with proceeds to be used for working capital purposes disbursed on May 3, 2021. Interest accrues at a rate of 3.75% per annum. Installment payments, including principal and interest, are due monthly beginning 24 months from the date of the EIDL Loan in the amount of \$1 thousand. The balance of principal and interest is payable 30 years from the date of the SBA note.

Convertible Promissory Note.

On May 17, 2022 the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") and issued and sold to TLC Management & Consulting LLC (the "Investor"), a Convertible Promissory Note (the "May Note") in the principal amount of \$110,000 (the "May Loan"), less an original issue discount of \$10,000. Also pursuant to the Purchase Agreement, in connection with the issuance of the May Note, the Company issued a common stock purchase warrant (the "May Warrant") to the Investor, pursuant to which the Investor has the right to purchase Company common stock at 100% coverage as provided in the May Warrant.

The maturity date of the May Note is 12 months from the issue date with an option to extend for up to 6 months in the sole discretion of the Company and is the date upon which the principal sum as well as interest and other fees, shall be due and payable. The May Note bears interest commencing on May 17, 2022, at a fixed rate of 6% per annum.

The Company intends to use the net proceeds from the sale of the May Note for business development, including for acquisitions, general corporate and working capital.

The then outstanding and unpaid principal and interest shall be converted into fully paid and non-assessable shares of Company common stock on the 10th trading day after the effective date of a registration statement registering the shares (the “Mandatory Conversion Date”). The per share conversion price into which principal and interest under the May Note shall be convertible into shall be a 20% discount to the VWAP (as defined in the May Note) for the ten trading day period ending on the latest complete trading day prior to the Mandatory Conversion Date (the “May Note Conversion Price”). The May Note Conversion Price is subject to adjustment pursuant to customary terms described in the May Note.

The Company may prepay the May Note, provided that it shall pay an amount in cash equal to the sum of 110% multiplied by the principal then outstanding plus interest.

The May Note contains customary events of default for a transaction such as the May Loan which entitle the Investor, among other things, to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the May Note. Any principal and interest on the May Note which is not paid when due shall bear interest at the rate of the lesser of (i) 12% per annum; and (ii) the maximum amount permitted by law from the due date thereof until the same is paid.

Pursuant to the Purchase Agreement, the Company granted to the Investor registration rights whereby the Company shall register for resale all of the common stock underlying the May Note and May Warrant, as set forth on Exhibit C to the Purchase Agreement.

The May Warrant has an exercise price of 125% of the offering price per share of Company common stock (or unit, if units are offered in the Uplist Offering (as defined in Exhibit C of the Purchase Agreement)) at which the Uplist Offering is made, subject to adjustment as provided in the May Warrant. The exercise period of the May Warrant commences on the consummation of the Uplist Offering and ending on the five year anniversary thereof.

The exercise of the May Warrant is subject to a beneficial ownership limitation of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise.

ABCImpact Loans.

Between June 9, 2022 and December 30, 2022, the Company borrowed an aggregate of \$1.8 million from ABCImpact, evidenced by a series of 10% Convertible Debentures. Pursuant to the debentures, ABCImpact has the option to loan up to an additional \$3.18 million to the Company.

ABCImpact is a recently-formed entity in which an affiliate of Barry Kostiner, the Company’s Chief Executive Officer and sole director, has a non-controlling passive interest.

The maturity date of each debenture is the earlier of 12 months from the issue date and the date of a Liquidity Event (as defined in the debentures), and is the date upon which the principal and interest shall be due and payable. The debentures each bear interest at a fixed rate of 10% per annum. Any overdue accrued and unpaid interest shall entail a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law, which shall accrue daily from the date such interest is due through and including the date of actual payment in full.

The Company uses the net proceeds from the loans from ABCImpact for general corporate purposes and working capital.

The then outstanding and unpaid principal and interest shall be converted into shares of Company common stock and an equal number of common stock purchase warrants at the option of ABCImpact, at a conversion price per share of \$0.05, subject to adjustment (including pursuant to certain dilutive issuances) pursuant to the terms of the each debenture. The debentures are subject to a beneficial ownership limitation of 4.99% (or 9.99% in ABCImpact’s discretion).

The Company may not prepay the debentures without the prior written consent of ABCImpact.

See Note 18 “*Subsequent Events*”, for additional disclosures regarding subsequent borrowings.

The debentures each contain customary events of default for a transaction such as the transactions contemplated therein. If any event of default occurs, the outstanding principal amount under a debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing through the date of acceleration, shall become, at ABCImpact's election, immediately due and payable in cash at the Mandatory Default Amount. "Mandatory Default Amount" means the sum of (a) the greater of (i) the outstanding principal amount of the subject debenture, plus all accrued and unpaid interest, divided by the conversion price on the date the Mandatory Default Amount is either (A) demanded or otherwise due or (B) paid in full, whichever has a lower conversion price, multiplied by the VWAP (as defined in each debenture) on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) 130% of the outstanding principal amount of the subject debenture, plus 100% of accrued and unpaid interest hereon, and (b) all other amounts, costs, expenses and liquidated damages due in respect of the subject debenture.

The warrants underlying each debenture has an exercise price per share of \$0.05, subject to adjustment (including pursuant to certain dilutive issuances) pursuant to the terms of the warrant. The exercise period of each warrant is for five years from the issue date.

The exercise of the warrant is subject to a beneficial ownership limitation of 4.99% (or 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise.

The shares underlying the debentures and the warrants have "piggy-back" registration rights afforded to them.

Note 7 - Stock Warrants

On May 4, 2021, the Company issued 500,000 warrants to M. Botbol, a related party, in connection with conversion of a 10% subordinated convertible debenture in the amount of \$25,000 (see Note 6 – "*Short-Term and Long-Term Debt*"). The warrants entitle the holder to purchase one share of common stock at an exercise price of \$0.05 per share at any time on or after the inception date, May 4, 2021, through May 4, 2026, the expiration date. The warrants will not be listed for trading on any national securities exchange.

On June 11, 2021, the Company issued 6,583,500 warrants to Legacy Tech Partners, LLC (LTP), a related party, in connection with conversion of a 10% subordinated convertible debenture in the amount of \$330,000 of outstanding principal (see Note 6 – "*Short-Term and Long-Term Debt*"). The warrants entitle the holder to purchase one share of common stock at an exercise price of \$0.05 per share at any time on or after the inception date, June 11, 2021, through March 8, 2026, the expiration date. The warrants are not listed for trading on any national securities exchange.

A summary of the warrant activities for the year ended December 31, 2022, is as follows:

	Warrants Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in 000's) ¹
Balance as of January 1, 2021	—	—	—	—
Granted	7,083,500	\$ 0.05	—	—
Balance as of December 31, 2021	7,083,500	\$ 0.05	4.3	850
Exercisable as of December 31, 2022	7,083,500	\$ 0.05	4.1	659

¹ The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of \$0.1430 for our common stock on December 31, 2022.

Note 8— 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, 2022, pursuant to the 2015 Incentive Plan, we awarded 550,000 shares of restricted stock to the independent members of the Board of Directors, which are subject to a two-year cliff vesting. The grant date price per share was \$0.06 for a total grant date fair value of \$34.7 thousand. In addition, we granted 1,735,000 shares of restricted stock to employees, which are subject to three-year cliff vesting. During the year ended December 31, 2021, 945,000 restricted employee shares were forfeited. The grant price per share was \$.06 for a total fair grant value of \$49.8 thousand. We also granted 100,000 shares each of restricted stock to three external consultants for a total of 300,000 shares, which were fully vested at a grant date. The grant date price per share was \$0.06 for a total grant date fair value of \$6.3 thousand. We granted another 315,000 shares of restricted stock to an external consultant, which were fully vested at the grant date. The grant date price per share \$.10 for a total grant date fair value of \$31.5 thousand.

During the year ended December 31, 2020, pursuant to the 2015 Incentive Plan, we awarded 80,000 shares of restricted stock to the independent members of the Board of Directors, which are subject to a two-year cliff vesting. The grant date price per share was \$0.10 for a total grant date fair value of \$8.0 thousand. We also granted 100,000 shares of restricted stock to an external consultant in the amount of 100,000, which were fully vested at a grant date. The grant date price per share was \$0.07 for a total grant date fair value of \$7.0 thousand.

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, 2019	456	\$ 0.25
Granted	180	0.08
Forfeited	(64)	0.28
Vested	(480)	0.20
Unvested at December 31, 2020	92	\$ 0.11
Granted	2,900	0.07
Forfeited	(945)	0.06
Vested	(1,257)	0.08
Unvested at December 31, 2021	790	\$ 0.06
Unvested at December 31, 2022	790	\$ 0.06

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 and non-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 \$56 thousand and \$122 thousand at December 31, 2022 and 2021, respectively. This cost is expected to be recognized over a weighted-average period of 1.3 years.

Our stock-based compensation expense was \$56 thousand and \$122 thousand in the years ended December 31, 2022 and 2021, respectively, and is included in general and administrative expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income. There were no related income tax effects in either year.

Note 9—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 \$9.6 thousand and \$55 thousand during the years ended December 31, 2022 and 2021, respectively.

Note 10—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 the deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset.

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

	Years ended December 31,	
	2022	2021
Income/(loss) from continuing operations before income taxes:		
U.S.	\$ (1,543)	\$ (1,211)
Non-U.S.	-	1,190
Total income/(loss) from continuing operations before income taxes:	\$ (1,543)	\$ (21)
Provision (benefit) for taxes:		
Current:		
Federal	\$ 764	\$ (887)
State	(6)	244
Non-U.S.	0	0
Penalties		
Total current	756	(643)
Deferred:		
Federal	(661)	1,139
State	(52)	220
Non-U.S.	-	-
Total deferred	(698)	1,359
Noncurrent		
Federal	-	-
State	-	-
Non-U.S.	-	-
Total noncurrent	0	0
Total income tax expense (benefit)	\$ 58	\$ 716
Effective income tax rate	-3.8%	-3409.5%

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,	
	2022	2021
Computed expected federal tax benefit (expense)	\$ 324	\$ 4
(Decrease) Increase in valuation allowance	0	0
State income, net of federal benefit	(46)	367
Non-U.S. income taxed at different rates	22	(205)
Intercompany Gain	0	738
Unrecognized tax benefits	0	0
Other	(241)	(189)
Income tax benefit (expense)	\$ 58	\$ 716

We recorded income tax expense (benefit) of \$0.06 million and \$0.7 million for the years ended December 31, 2022 and 2021, respectively.

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, 2022 and 2021 are negative. Accordingly, no U.S. federal or state income taxes have been provided thereon.

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,	
	2022	2021
Deferred tax assets:		
Net operating losses	\$ 800	\$ 136
Depreciation	0	-
Valuation allowance	0	-
Total deferred tax assets	\$ 800	\$ 136
Deferred tax liabilities:		
Deferred course expenses	\$ 0	\$ (34)
Intercompany Debts	(1,596)	(1,596)
Total deferred tax liabilities	(1,596)	(1,630)
Net deferred tax asset (liability)	\$ (796)	\$ (1,494)

We have retained a full valuation allowances of \$3.5 million against the deferred tax assets of our Australian, Canadian, U.K., Hong Kong, and South Africa subsidiaries as of December 31, 2022. We have retained full valuation allowances of \$3.5 million against the deferred tax assets of our Australian, Canadian, U.K., Hong Kong, and South Africa subsidiaries as of December 31, 2021. 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.

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

The liability pertaining to uncertain tax positions was \$0.3 million at December 31, 2022 and 2021. 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 \$0.17 million at December 31, 2022 and \$0.04 at December 31, 2021 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,	
	2022	2021
Unrecognized tax benefits - January 1	\$ 309	\$ 309
Gross increases - tax positions in prior period	—	—
Gross decreases - tax positions in prior period	—	—
Unrecognized tax benefits - December 31	\$ 309	\$ 309

The total liability for unrecognized tax benefits at December 31, 2022, is included in other liabilities in the Consolidated Balance Sheets. The total liability for unrecognized tax benefits at December 31, 2022 and 2021, are as follows:

	As of December 31,	
	2022	2021
Reduction of net operating loss carryforwards	\$ —	\$ —
Noncurrent tax liability (reflected in Other long-term liabilities)	309	309
Total liability for unrecognized tax benefits	\$ 309	\$ 309

We do not expect any significant changes to unrecognized tax benefits in the next year. We estimate \$0.3 million of the unrecognized tax benefits, if recognized, would impact the effective tax rate at December 31, 2022 and 2021.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act included several provisions that provide economic relief for individuals and businesses. The CARES Act, among other things, included tax provisions relating to refundable payroll tax credits, the deferral of employer's social security payments, and modifications to net operating loss carryback provisions. On December 27, 2020, the Consolidated Appropriations Act of 2021 (the "CAA"), which includes the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and the American Rescue Plan Act of 2021, was signed into law and provided further COVID-19 economic relief with an expansion of the employee retention credit. In March 2021, the Internal Revenue Service ("IRS") released Notice 2021-20, which retroactively eliminated the restriction that prevented employers who received a PPP loan from qualifying for the Employee Retention Credit ("ERC"), which is a refundable tax credit against certain employment taxes. Upon determination that the employer has complied with all of the conditions required to receive the credit, a receivable is recognized, and the credit reduces payroll expense. In connection with the CARES Act, the Company adopted a policy to recognize the employee retention credit when earned. For the year ended December 31, 2021, we determined that we qualify for the employee retention credit as it relates to wages paid during the twelve months ended December 31, 2020, as well as wages paid during the first, second, and third fiscal quarters of 2021. As a result, we recorded a net benefit of \$292 thousand to the employee retention credit as a reduction to payroll expense for the year ended December 31, 2021 and recorded a gross receivable of \$292 thousand within Prepaid expenses and other current assets as of December 31, 2021. On March 11, 2022 the Company received \$201 thousand of the accrued balance.

Note 11—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. In November 2020, we suspended conducting *Homemade Investor by Tarek El Moussa* sales events to focus on our proprietary brand.

We do not expect to generate significant revenues under this license going forward as we continue to fulfill student contracts.

Note 12—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, 2022, 38,182,697 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 approved an 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.

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.

On February 12, 2021, the Board of Directors approved an amendment to the Rights Agreement dated as of February 16, 2017 by and between the Company and Broadridge Corporate Issuer Solutions, Inc., successor to VStock, as Rights Agent, to (i) extend the Final Expiration Date, as defined in the Rights Agreement, to the close of business on February 15, 2023, 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.

On November 18, 2021, the Company entered into a Stock Purchase and Option Agreement (the “Purchase Agreement”) with Mayer and Associates, LLC pursuant to which Mayer purchased (i) 1,600,000 shares of common stock of the Company for a total aggregate price of \$160.00, or \$.0001 per share and (ii) in exchange for an aggregate purchase price of \$13,840, an option to purchase, from time to time, up to an additional 138,400,000 shares of common stock. The Option is exercisable at a per share exercise price of, for the first 18,400,000 option shares, \$.0001, and \$.05833 for the remaining option shares. Mayer’s option to purchase the option shares shall expire on November 18, 2023. Mayer’s right to acquire any of the option shares is subject to limitation so that no time may Mayer beneficially own more than 4.99% (or 9.99% under certain circumstances) of the total issued and outstanding shares of Company’s common stock. The option price is subject to adjustments upon the occurrence of certain events as more fully described in the Purchase Agreement. The purchase shares and option shares are subject to piggyback registration rights under the Purchase Agreement. The issuance of the purchase shares and proposed issuance of the option shares have not been registered under the Securities Act of 1933 (The “Securities Act”) in reliance on the exemption.

Preferred Stock

As of December 31, 2022 and 2021, 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 13—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.

Weighted average unvested restricted stock awards outstanding for the year ended December 31, 2022 were not included in the computation of our diluted EPS, as inclusion would have been anti-dilutive.

The calculations of basic and diluted EPS are as follows:

	Years Ended December 31, 2022			Years Ended December 31, 2021		
	Net	Weighted	Loss	Net	Weighted	Earnings
	Loss	Average	Per	Loss	Average	Per
	<u>Outstanding</u>	<u>Shares</u>	<u>Share</u>	<u>Outstanding</u>	<u>Shares</u>	<u>Share</u>
	(in thousands, except per share data)			(in thousands, except per share data)		
<i>Basic:</i>						
As reported	\$ (1,511)	35,486	\$ (0.04)	\$ (566)	29,187	
Amounts allocated to unvested restricted shares and warrants	—	—				
Amounts available to common stockholders	\$ (1,511)	35,486	\$ (0.04)	\$ (566)	29,187	\$ (0.02)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	—	—		—	—	
Stock warrants	—	—		—	—	
Shares of common stock to be issued for convertible note	—	—		—	—	
Amounts reallocated to unvested restricted shares	—	—		—	—	
Amounts available to stockholders and assumed conversions	\$ (1,511)	35,486	\$ (0.04)	\$ (566)	29,187	\$ (0.02)

Note 14—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).

The Company does 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, 2022 and 2021.

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 its financial instruments approximates their fair value either to the length of maturity interest rates that approximate prevailing market rates.

Note 15—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,	
	2022	2021
North America	100%	65.1%
U.K.	—%	34.9%
Other foreign markets	—%	—%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

Segment revenue	Years Ended December 31,	
	2022	2021
	(In thousands)	
North America	\$ 1,084	\$ 5,021
U.K.	—	2,689
Other foreign markets	—	—
Total consolidated revenue	\$ 1,084	\$ 7,710

Segment gross profit contribution *	Years Ended December 31,	
	2022	2021
	(In thousands)	
North America	\$ 406	\$ 1,586
U.K.	—	2,194
Other foreign markets	—	—
Total consolidated gross profit	\$ 406	\$ 3,780

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

Depreciation and amortization expenses	Years Ended December 31,	
	2022	2021
	(In thousands)	
North America	\$ —	\$ 2
U.K.	—	2
Other foreign markets	—	—
Total consolidated depreciation and amortization expenses	\$ -	\$ 4

Segment identifiable assets	December 31,	
	2022	2021
	(In thousands)	
North America	\$ 384	\$ 1,348
U.K.	\$ 55	\$ 126
Other foreign markets	\$ 163	\$ 175
Total consolidated identifiable assets	\$ 602	\$ 1,649

Note 16—Commitments and Contingencies

Licensing agreements.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including T&B Seminars, Inc., and Rich Dad. There were no royalty expenses included in our Consolidated Statement of Operations and Comprehensive Income for the years ended December 31, 2022 and 2021. Our License Agreement with our Rich Dad brand licensor expired on September 30, 2019. Notwithstanding the expiration of the License Agreement, the Company may continue to use the 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.

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 for the years ended December 31, 2022 and 2021.

Litigation.

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

Tranquility Bay of Pine Island, LLC v. Tigrent, Inc., et al. On March 16, 2017, suit was filed in the Twentieth Judicial Circuit In and For Lee County, Florida (the “Court”) 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 General Counsel and former Chief Executive Officer were named as defendants to a civil conspiracy count. The suit, as originally filed, primarily related to the alleged obligation of Tigrent to indemnify the Plaintiff pursuant to an October 6, 2010 Forbearance Agreement. The suit, as originally filed, included 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 with the Court against Tigrent Inc. (“Tigrent”), Legacy Education Alliance Holdings, Inc. (“Holdings”), and certain shareholders of the Company. The Second Amended Complaint included 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, which included 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 current General Counsel, James E. May. On June 23, 2020, the Court entered summary judgment in favor of Tigrent with respect to TBPI’s claims against Tigrent alleging (i) breach of fiduciary duty, (ii) violation of the Florida Deceptive and Unfair Trade Practices Act, and (iii) indemnification against certain attorney’s fees claimed to have been incurred by TBPI. On September 17, 2020, the Court (i) granted summary judgment in favor of Tigrent and Holdings on TBPI’s claim for conspiracy; (ii) denying TBPI’s motion for summary judgment against Tigrent in which TBPI sought a declaration by the Court that claims against TBPI in a lawsuit to which neither Tigrent nor Holdings is a party (“Third Party Lawsuit”) were within the scope of Tigrent’s indemnity obligations under the Forbearance Agreement; and (iii) denying TBPI’s motion for summary judgment in which TBPI sought a declaration by the Court that TBPI’s attorney’s fees incurred the Third Party Lawsuit were also within the scope of Tigrent’s indemnity obligations under the Forbearance Agreement. On August 18, 2020, TBPI voluntarily dismissed all shareholder defendants, other than Mr. May and Steven Barre, Tigrent’s former Chief Executive Officer. On January 4, 2021, a Settlement Agreement and Mutual Release was entered into by and between TBPI, M. Barry Strudwick, Carl Weiss and Susan Weiss (the “Strudwick Parties”) and Tigrent Inc., Legacy Education Alliance, Inc., Legacy Education Alliance Holdings, Inc., Mr. May, and Steven Barre (Defendants) pursuant to which the Strudwick Parties agreed to dismiss the lawsuit with prejudice against all parties and the Company agreed to pay the aggregate sum of \$400,000 payable in one installment of \$100,000 on February 18, 2021 and five quarterly installments of \$60,000 commencing on May 19, 2021, which the Company has accrued for within accounts payable as of December 31, 2021, and within accounts payable and other long-term liability for the current and long-term portions as of December 31, 2021, within the Consolidated Balance Sheets. The parties also exchanged mutual releases as part of the Settlement Agreement. The lawsuit was dismissed by order of the Court on January 12, 2021. Through June 30, 2022, the Company has paid \$340,000 of the total settlement. The final settlement payment was due 450 days after February 18, 2021 in the amount of \$60,000 and is in default. On May 25, 2022, a Motion for Judgement after default of settlement agreement was filed which triggered and entitled immediate entry of judgement of \$160,000.

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 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 £300,000 (British pounds) to Mayflower Alliance LTD. We will not receive any proceeds from the sale of Legacy UK. On November 19, 2020, the administrators filed notice of their proposal to move from administration to a creditors’ voluntary liquidation and on December 9, 2020, notice was filed with Companies House that Paul Zalkin and Nicholas Simmonds were appointed as liquidators of Legacy UK to commence its winding up. 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. On December 8, 2020 we paid \$390,600 in cash and transferred our residential properties in the value of \$363,000 as settlement of intercompany debts of two of our subsidiaries, LEAI Property Development UK, Ltd. and LEAI Property Investment UK, Ltd., totaling \$924,000 to Legacy UK.

In the Matter of Elite Legacy Education UK Ltd. On March 18, 2020, a Winding-Up Petition, CR-2020-001958, was filed in the High Court of Justice, Business and Property Courts of England and Wales (the “High Court”) against one of our UK subsidiaries, Elite Legacy Education UK Ltd. (“ELE UK”), by one of its creditors (“Petitioner”) pursuant to which the Petitioner was claiming a debt of £461,459.70 plus late payment interest and statutory compensation was due and owing. The Petitioner sought an order from the High Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. ELE UK has disputed the claim of the Petitioner and on June 11, 2020, ELE UK obtained a court order vacating the hearing on the Petition originally set for June 24, 2020. On July 24, 2020, the High Court entered an order finding that there was a genuine dispute on substantial grounds with respect to £392,761.70 of the Petitioner’s claim, and that only £68,698 plus late payment interest and statutory compensation was due and owing. The High Court further restrained the Petitioner from advertising its Winding-Up Petition until August 14, 2020 and, provided ELE UK pays the Petitioner the sums awarded under the High Court’s order, plus late payment interest and statutory compensation on or before August 14, 2020, the Petitioner’s Winding-Up Petition would be dismissed. On August 10, 2020, ELE UK filed its Notice of Appeal in which it sought permission to appeal the High Court’s ruling. On October 23, 2020, the Court denied ELE UK permission to appeal whereupon ELE UK filed an application to renew its application for permission to appeal (“Renewal Application”), which Renewal Application would be heard at a subsequent Oral Hearing on a date not yet determined. On October 27, 2020, ELE UK filed an application with the High Court of Appeal, Royal Courts of Justice (“Court of Appeals”) for a hearing to renew its application for permission to appeal the High Court’s order and a hearing was set for February 11, 2021. On October 30, 2020, the High Court entered a Consent Order restraining Petitioner from advertising its Winding Up Petition until ELE UK’s Renewal Application is determined at the Oral Hearing or until further order of the Court, whichever is earlier. At a hearing held on December 16, 2020, the High Court issued an order lifting the restraint on advertising the petition for a winding up order and that the matter be listed on January 13, 2021 for winding up and awarding costs to the creditor. However, at a meeting held on January 11, 2021 (“Creditors’ Meeting”), the creditors of Elite Legacy Education UK Ltd (“ELE UK”), a wholly owned subsidiary of Legacy Education Alliance, Inc. (“LEAI”), approved a Proposal for a Company Voluntary Arrangement (the “Arrangement”) under the UK Insolvency Act 1986 (the “IA”) and the UK Insolvency Rules 2016 (the “IR”). As a result, the Petitioner’s claims will be administered under the terms of the CVA and, at the request of ELE UK, the hearing on its application to renew its appeal of the High Court’s order was lifted.

In the Matter of Elite Legacy Education UK Ltd., Proposal for a Company Voluntary Arrangement. At a meeting held on January 11, 2021 (“Creditors’ Meeting”), the creditors of Elite Legacy Education UK Ltd (“ELE UK”), a wholly owned subsidiary of Legacy Education Alliance, Inc. (“LEAI”), approved a Proposal for a Company Voluntary Arrangement (the “CVA”) under the UK Insolvency Act 1986 (the “IA”) and the UK Insolvency Rules 2016 (the “IR”). Under the terms of the CVA, CVR Global LLP has been appointed as Supervisor of ELE UK for the purposes of administering the Arrangement. At the Creditors Meeting, the creditors also approved a modification to the CVA whereby any tax refunds due to ELE UK would be paid to the Supervisor and made available for distribution to creditors. The Supervisor will wind down the business of ELE UK and make distributions to ELE UK’s non-student creditors in accordance with the applicable provisions of the IA and the IR, on and subject to the terms and conditions set forth in the CVA in satisfaction of the non-student creditors’ respective claims against ELE UK. Pursuant to the CVA, student creditors of ELE UK were provided the opportunity to receive trainings from an independent training provider in satisfaction of their respective claims against ELE UK; as a result, all obligations of ELE UK to student creditors have been satisfied. Pursuant to the CVA, and at its conclusion, the remaining assets of ELE UK, if any, would be distributed to LEAI. As a result of the CVR, the Winding-Up Petition, CR-2020-001958, filed in the High Court of Justice, Business and Property Courts of England and Wales has been dismissed. At this time, LEAI management is unable to anticipate any distributions that would be received from ELE UK.

In the matter of GLD Legacy Holders LLC Index No. 651638/2023. An Affidavit in Opposition to the Plaintiff’s Motion for Summary Judgment in lieu of Complaint and in support of Defendant’s Cross-Motion to Dismiss the Action was filed by Barry Kostiner. Pursuant to New York Civil Practice Law Rules (hereinafter “CPLR”) Section 3213, the presiding judge has discretion to either grant or deny the motion. We have not yet received a ruling from the court regarding this matter but we believe that the plaintiff’s motion is technically deficient and we have, therefore, provided the court with documents and memorandum that we believe are sufficient to support a denial of the plaintiff’s motion.

In the Matter of DMG Productions LLC. CASE NO: 50-2022-CA007610 the court issued a judgment of \$97,112.25 on October 5, 2022 related to the default on an invoice for \$53,500 dated April 29, 2022. It is the Company’s view that the default under the agreement with DMG Productions and the subsequent judgment was not validly issued. The Company intends to dispute this judgment.

There are approximately 60 students of ELE that have not received complete fulfilment of the Company’s contractual obligations. The total revenue collected from these students is approximately \$1.1M. It is the intention of the Company to use best efforts to fulfil these students, although most of these contractual obligations have expired. Some of these students have litigation that has been filed, with potential additional litigation expected. Cases filed include: William Thayer Case No.22-CC-005571, Brent Rawlings Case No. 2021 CA-004771 and Harris Case No. 21-SC-02083. It is expected that our total cost of fulfilling our student obligations, including expenses of fulfilments, settlements and judgements will range between \$100,000 and \$500,000.

Mr. Kostiner, our Chairman, Chief Executive Officer, and Interim Principal Financial and Accounting Officer is a named defendant in three legal proceedings which are described below.

In Re Argon Credit, LLC, et al., Debtors, Case No. 16-39654 (U.S. Bankruptcy Court Northern District of Illinois Eastern Division).

On December 16, 2016, Argon Credit, LLC and Argon X, LLC (collectively the “Debtors”) filed petitions for relief under chapter 11 of title 11 of the United States Code. On January 11, 2017, Debtors’ bankruptcy cases were converted to chapter 7 cases. On December 14, 2018, the chapter 7 trustee filed an adversary proceeding as case number 18-ap-00948 (the “Bankruptcy Complaint”) against multiple defendants, including Barry Kostiner, asserting claims for aiding and abetting breach of fiduciary duty. As to Mr. Kostiner, the Bankruptcy Complaint alleged that, while an employee of the Debtor, he aided and abetted the former CEO of Argon Credit, Raviv Wolfe, in breaching his fiduciary duties to Argon Credit, by, among other things, knowingly participating in a scheme to funnel assets away from the Debtors and their creditors, double pledging Argon Credit’s assets, and knowingly submitting false or misleading financial reports to the Debtors’ secured lender to conceal the transfer of Argon Credit’s assets. On July 11, 2019, Mr. Kostiner, appearing through counsel, filed an answer denying all allegations against him set forth in the Bankruptcy Complaint.

On August 12, 2021, the trustee filed a Motion for the Entry of an Order Pursuant to Bankruptcy Rule 9019 Approving Settlement with Mr. Kostiner. Under the terms of the proposed settlement, Mr. Kostiner would pay the trustee \$35,000 in exchange for dismissal with prejudice from the suit and the exchange of mutual releases (the “Proposed Settlement”). Each of the trustee and Mr. Kostiner concluded that the Proposed Settlement was in their respective best interests in light of the contested nature of the Complaint, the costs that both parties would incur in connection with the litigation of same the uncertain outcome from protracted litigation. The trustee argued that the Proposed Settlement was reasonable based upon: (a) the range of potential outcomes taking into account the defenses that Mr. Kostiner could assert; (b) the likelihood of recovering more given Mr. Kostiner’s financial condition; (c) Argon Credit’s director and officers’ liability insurance policy had been exhausted; and (d) the Debtors’ pre-petition lender had recently filed a complaint against many of the parties originally named by the trustee in its adversary proceeding, including Mr. Kostiner, and this action further reduces the likelihood of recovery against Mr. Kostiner, because at a minimum, he will be forced to pay to defend that action. On September 3, 2021, the Bankruptcy Court issued an order approving the settlement, and on November 18, 2021, the Bankruptcy Court issued an order granting the motion to voluntarily dismiss the proceeding against Mr. Kostiner.

Fund Recovery Services, LLC v. RBC Capital Markets, LLC, et al., Case No. 1:20-cv-5730 (U.S. District Court for the Northern District of Illinois Eastern Division).

On September 25, 2020, Fund Recovery Services, LLC (“Fund”), as assignee of Princeton Alternative Income Fund, L.P. (“PAIF”) filed a complaint in the above-referenced action asserting a variety of claims against 37 defendants, including Mr. Kostiner. On May 15, 2021, Fund filed an amended complaint against 34 of the defendants, including Mr. Kostiner (the “Amended Complaint”). The claims against Mr. Kostiner in the Amended Complaint include: (i) violation of 18 U.S.C. 1962(2) by the conduct and participation in a RICO enterprise through a pattern of racketeering activity; (ii) violation of 18 U.S.C. 1962(d) by conspiracy to engage in a pattern of racketeering activity; (iii) fraud/intentional misrepresentation; (iv) aiding and abetting fraud/intentional misrepresentation; (v) fraudulent concealment; (vi) aiding and abetting fraudulent concealment; (vii) fraudulent/intentional inducement; (viii) conversion; (ix) aiding and abetting conversion; (x) civil conspiracy; and (xi) tortious interference with contractual relations. The Amended Complaint seeks damages of approximately \$240 million jointly and severally against all defendants, together with treble and punitive damages, among other relief.

The Amended Complaint, as it pertains to Mr. Kostiner, covers much of the same conduct that is the subject of the Bankruptcy Complaint described above and stems from a transaction that Argon Credit entered into with Spartan Specialty Finance, LLC (“Spartan”). Argon, a consumer finance platform that made high-interest, unsecured loans to credit-impaired borrowers, financed its loans through a revolving credit facility provided by PAIF. Mr. Kostiner was the sole member of Spartan and was also, for a period of time, the Vice President of Capital Markets at Argon. Argon and Spartan entered into an agreement whereby Spartan agreed to purchase a portfolio of loans from Argon. Spartan financed the acquisition by obtaining a loan from Hamilton Funding (“Hamilton”). The Amended Complaint alleges that PAIF had a perfected security interest in the loans that Argon improperly sold to Spartan (which were financed by Hamilton Funding), and that defendants, including Mr. Kostiner, engaged in a scheme to induce PAIF to initially lend funds, later to increase its credit line, and ultimately convert and deprive PAIF of its property by numerous acts of fraud.

On July 1, 2021, defendants, including Mr. Kostiner, filed a consolidated motion to dismiss the Amended Complaint in its entirety against them, based on the following arguments: (a) the RICO claims (Counts 1)-(2)) are time-barred; (b) Fund lacks standing to bring Counts 1-11; (c) Fund is collaterally estopped from litigating the issues that are the subject of the Amended Complaint; (d) the allegations in the Amended Complaint fail to satisfy the requirements of Rules 8 and 9(b) of the Federal Rules of Civil Procedure; (e) the Amended Complaint failed to allege a duty sufficient to support its allegations in Counts 1-7; (f) Fund failed to adequately plead the elements of a valid RICO claim; and (g) Fund failed to adequately plead the elements of any of its state law claims (Counts 3-13). This motion is fully briefed and awaits resolution by the Court.

On February 22, 2022, PAIF filed a Revised Second Amended Complaint (“RSA Complaint”) against 25 defendants, including Mr. Kostiner. The RSA Complaint incorporates information from witness statements and journal entries from alleged Argon insiders. The claims against Mr. Kostiner in the RSA Complaint include: (i) fraud/intentional misrepresentation; (ii) aiding and abetting fraud/intentional misrepresentation; (iii) fraudulent concealment; (iv) aiding and abetting fraudulent concealment; (v) fraudulent/intentional inducement; (vi) conversion; (vii) aiding and abetting conversion; (viii) civil conspiracy; and (ix) tortious interference with contractual relations. The Amended Complaint seeks damages of approximately \$240 million jointly and severally against all defendants, together with treble and punitive damages, among other relief.

On September 30, 2022, the Court denied PAIF’s motion for leave to file the RSA Complaint and ruled that since plaintiff cannot assert a viable RICO claim, the Court directed the Clerk to enter judgment dismissing plaintiff’s civil RICO claims with prejudice and dismissing plaintiff’s state-law claims for lack of supplemental jurisdiction.

In re Spartan Specialty Finance I SPV, LLC, Case No. 16-22881-rdd (U.S. Bankruptcy Court for the Southern District of New York White Plains Division)

On June 29, 2016, Spartan filed a petition for relief under chapter 11 of title 11 of the United States Code. It did so in order to resolve a loan dispute that it had with Hamilton, including Hamilton’s alleged right to access cash accounts that Spartan had pledged as collateral. On May 26, 2017, the bankruptcy court approved a Stipulation and Agreement Resolving Debtor’s Motion for Use of Cash Collateral and Fixing Amount of Secured Claim, between Hamilton, Spartan, and Mr. Kostiner, in his individual capacity. Spartan’s bankruptcy petition was dismissed as part of the Court’s approval of the Settlement.

Except for the actions set forth above, there is no material litigation, arbitration or governmental proceeding currently pending against us or any members of our management team in their capacity as such, and we and our officers and directors have not been subject to any such proceeding in the 12 months preceding the date of this report.

Note 17 - Leases

Right-of-Use Assets and Leases Obligations

We lease office space and office equipment under non-cancellable 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 non lease 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, 2022

The table below presents the lease related assets and liabilities recorded on the Consolidated Balance Sheets as of December 31, 2022 and 2021:

Balance Sheet Line	Classification on the Balance Sheet	December 31, 2022	December 31, 2021
(in thousands)			
Assets			
Operating lease assets	Operating lease right of use assets	\$ 113	\$ 20
	Total lease assets	<u>\$ 113</u>	<u>\$ 20</u>
Liabilities			
Current liabilities:			
Operating lease liabilities	Current operating lease liabilities	\$ 67	\$ 20
Noncurrent liabilities:			
Operating lease liabilities	Long-term operating lease liabilities	\$ 46	\$ —
	Total lease liabilities	<u>\$ 113</u>	<u>\$ 20</u>

Lease cost for the year ended December 31, 2022

The table below presents the lease related costs recorded on the Consolidated Statement of Operation and Comprehensive Income for the years ended December 31, 2022 and 2021:

		Years Ended December 31,	
Lease cost	Classification	2022	2021
(in thousands)			
Operating lease cost	General and administrative expenses	\$ 20	\$ 27
	Total lease cost	\$ 20	\$ 27

Other Information

The table below presents supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2021	2020
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 20	\$ 27
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	\$ —	\$ 1

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, 2022:

	December 31, 2022	December 31, 2021
Weighted average remaining lease term - operating leases	0.50 years	0.75 years
Weighted average discount rate - operating leases	12.00%	12.00%

Note 18—Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the consolidated balance sheet date up to May 19, 2023, the date that the financial statements were issued. Other than those listed below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

Between January 20, 2023 and March 17, 2023, Legacy Education Alliance, Inc. (the “Company”) borrowed an aggregate of \$638,000 (collectively, the “Loan”) from ABCImpact I, LLC, a Delaware limited liability company (the “Lender”), evidenced by one or more 10% Convertible Debentures (the “Debentures”). Pursuant to the Debentures, the Lender has the option to loan up to an additional \$2,684,500 to the Company.

The Lender is a recently-formed entity in which an affiliate of Barry Kostiner, the Company’s Chief Executive Officer and sole director, has a non-controlling passive interest. The Lender previously loaned an aggregate of \$2,315,500 to the Company pursuant to convertible debentures substantially similar to the Debentures.

The maturity date of each Debenture is the earlier of 12 months from the issue date and the date of a Liquidity Event (as defined in the Debentures), and is the date upon which the principal and interest shall be due and payable. The Debentures bear interest at a fixed rate of 10% per annum. Any overdue accrued and unpaid interest shall entail a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law, which shall accrue daily from the date such interest is due through and including the date of actual payment in full.

The Company intends to use the net proceeds from the Loan for general corporate purposes and working capital.

The then outstanding and unpaid principal and interest under each Debenture shall be converted into shares of Company common stock and an equal number of common stock purchase warrants (the “Warrant”) at the option of the Lender, at a conversion price per share of \$0.05, subject to adjustment (including pursuant to certain dilutive issuances) pursuant to the terms of the Debenture. The Debentures are subject to a beneficial ownership limitation of 4.99% (or 9.99% in the Lender’s discretion).

The Company may not prepay the Debentures without the prior written consent of the Lender.

The Debentures contain customary events of default for transactions such as the Loan. If any event of default occurs, the outstanding principal amount under the Debentures, plus accrued but unpaid interest, liquidated damages and other amounts owing through the date of acceleration, shall become, at the Lender’s election, immediately due and payable in cash at the Mandatory Default Amount. “Mandatory Default Amount” means the sum of (a) the greater of (i) the outstanding principal amount of the Debenture, plus all accrued and unpaid interest, divided by the conversion price on the date the Mandatory Default Amount is either (A) demanded or otherwise due or (B) paid in full, whichever has a lower conversion price, multiplied by the VWAP (as defined in the Debenture) on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) 130% of the outstanding principal amount of the Debenture, plus 100% of accrued and unpaid interest hereon, and (b) all other amounts, costs, expenses and liquidated damages due in respect of the Debenture.

The Warrant has an exercise price per share of \$0.05, subject to adjustment (including pursuant to certain dilutive issuances) pursuant to the terms of the Warrant. The exercise period of the Warrant is for five years from the issue date.

The exercise of the Warrant is subject to a beneficial ownership limitation of 4.99% (or 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise.

The shares underlying the Debenture and the Warrants have “piggy-back” registration rights afforded to them.

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. As of December 31, 2022, based upon that evaluation, the Chief Executive 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, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of December 31, 2022 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, 2022, 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 have been no changes in our internal controls over financial reporting during the year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Our Board of Directors currently consists of one member. The directors are elected at the annual meeting of stockholders to serve until the next annual meeting and until their successors are elected and qualified.

Our Board of Directors oversees and monitors our operations and develops and directs the implementation of our business strategy. In connection with these endeavors, our Board of Directors will rely on information, opinions, reports, books of account or statements, including financial statements and other financial data, that are prepared or presented by one or more of our directors, officers, or employees reasonably believed to be reliable and competent in the matters prepared or presented; legal counsel, public accountants, financial advisers, valuation advisers, investment bankers, or other persons as to matters reasonably believed to be within the preparer's or presenter's professional or expert competence; or a committee on which the director or officer relying thereon does not serve, as to matters within the committee's designated authority and matters on which the committee is reasonably believed to merit confidence, but a director is not entitled to rely on such information, opinions, reports, books of account or statements if the director has knowledge concerning the matter in question that would cause reliance thereon to be unwarranted.

Our Board of Directors operates by majority vote. In the 2022 fiscal year, our Board of Directors held no meetings, as Barry Kostiner is our sole director. Any director may call a special meeting of our Board of Directors upon proper notice. In addition, our Board of Directors may take action by unanimous written consent in accordance with our Bylaws.

Set forth in the table below is the name, age and position with the Company of our sole director. Additional information about our sole director is provided below the table and in "Security Ownership of Certain Beneficial Owners and Management." There are no family relationships among our sole director and executive officers.

Name	Age	Position
Barry Kostiner	51	Chairman of the Board, Interim Chief Executive Officer, Interim Principal Financial and Accounting Officer and Manager of Capital Markets

Barry Kostiner was appointed to the Board on May 3, 2021 and has also been a Manager of Capital Markets at the Company since March 2021, interim principal financial and accounting officer since November 8, 2021 and interim Chief Executive Officer since December 1, 2021. Mr. Kostiner is serving as the Chief Executive and Chairman of Sagaliam Acquisition Corp. Additionally, Mr. Kostiner has served as the President of Legacy Tech Partners, LLC (LTP), a microcap -focused EdTech investment vehicle, since February 2021. Mr. Kostiner was the CFO of Ameri Holdings Inc. (Nasdaq: AMRH) from October 2018 through December 2020. The operations of AMRH, including its global IT services business focused on SAP with operations in both the US and India, was acquired by management, with the residual Nasdaq vehicle acquired by Enveric Biosciences (Nasdaq: ENVB), an evidence-based cannabinoid pharma company focused on palliative therapies for cancer patients. Mr. Kostiner has been a consultant to ENVB since January 2021. From May 2016 through October 2018, Mr. Kostiner was a consultant to Cypress Skilled Nursing, a healthcare facility operator and from May 2017 through October 2018 he was a consultant to LinKay Technologies Inc., an artificial intelligence incubator with a portfolio of intellectual property focused on AI and LiDAR/geospatial technology, with a research staff in India and New York. Mr. Kostiner's 20-year career in energy includes eight years at Goldman Sachs and Merrill Lynch and their affiliates, with a focus on energy trading and portfolio management, as well as serving as the CEO of an oil & gas SPAC (Nasdaq: PGRI) from 2005 through 2009. Mr. Kostiner earned a Bachelor's of Science degree in Electrical Engineering and a Master's of Science in Operations Research from MIT. His thesis on the mathematics of electric industry deregulation was sponsored by Harvard's Kennedy School of Government. Mr. Kostiner is the President of, and holds a 25% membership interest in, Legacy Tech Partners, LLC, a Delaware limited liability company ("LTP"). On March 8, 2021, the Company issued a Senior Secured Convertible Debenture in the principal amount of \$375 thousand to LTP.

The Board of Directors believes Mr. Kostiner's qualification to serve as a director includes his experience in working with publicly traded companies as well as his experience and expertise in emerging growth sectors.

Mr. Barry Kostiner was a named defendant in three litigations. See "Note 16-Commitments and Contingencies" for further details.

Corporate Governance

Director Nomination Process

The Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) will consider director candidates who have relevant business experience, are accomplished in their respective fields, and who possess the skills and expertise to make a significant contribution to the Board of Directors, the Company and its stockholders. Subject to the requirements of our Bylaws, the Nominating and Corporate Governance Committee will consider nominees for election to the Board of Directors who are recommended by stockholders, provided that a complete description of the nominees' qualifications, experience and background, together with a statement signed by each nominee in which he or she consents to act as such, accompany the recommendations.

The Board of Directors considers several diversity factors in evaluating director candidates including, without limitation, professional experience, education, race, gender and national origin, but does not assign any particular weight or priority to any particular factor.

In identifying prospective director candidates, the Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) may seek referrals from other members of the Board of Directors, management, stockholders and other sources. The Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) also may, but need not, retain a search firm in order to assist it in identifying candidates to serve as directors of the Company. The Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) utilizes the same criteria for evaluating candidates regardless of the source of the referral. When considering director candidates, the Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) seeks individuals with backgrounds and qualities that, when combined with those of our incumbent directors, provide a blend of skills and experience to further enhance the Board of Director's effectiveness.

In connection with its annual recommendation of a slate of nominees, the Nominating and Corporate Governance Committee (or the full Board if no members have been appointed to such committee) may also assess the contributions of those directors recommended for re-election in the context of the Board of Directors evaluation process and other perceived needs of the Board of Directors.

Board Meetings and Committees

We are not required under the Exchange Act to maintain any committees of our Board of Directors. We have formed certain committees of our board as a matter of preferred corporate practice, including an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee; however, as we only have one director, we do not have any members on such committees.

Committees

We are not required under the Exchange Act to maintain any committees of our Board of Directors. Historically, we have formed certain committees of our board as a matter of preferred corporate practice; however, as of the date of this report, there are no members appointed to any of such committees. We have an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

- **Audit Committee.** The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee the quality and integrity of the accounting, auditing, and reporting practices of the Company. The Committee shall also oversee the Company's systems of internal controls regarding finance, accounting, information technology, legal and regulatory compliance and ethical behavior, the audits of the Company's financial statements, the qualifications of the accounting firm engaged as the Company's independent auditor, and the performance of the Company's independent auditors.

We currently do not have any members on our Audit Committee, as all of the prior members resigned in 2021. Our Audit Committee has a written charter available on our website in the "Corporate Governance" section under the "Investors" link at www.legacyeducationalliance.com.

- **Compensation Committee.** The purpose of the Compensation Committee is to oversee the Company's compensation and benefits programs; establish, review, revise and interpret the Company's compensation philosophy, policies and objectives; and evaluate the performance of the Company's executive officers and set compensation levels for all executive officers, including any performance-based compensation.

We currently do not have any members on our Compensation Committee, as all of the prior members resigned in 2021. Our Compensation Committee has a written charter available on our website in the “Corporate Governance” section under the “Investors” link at www.legacyeducationalliance.com.

- **Nominating and Corporate Governance Committee.** The purpose of the Nominating and Corporate Governance Committee is to provide support for the governance role of the Board of Directors in reviewing and making recommendations on the composition of the Board of Directors, oversee the evaluation of the Board of Directors and management of the Company, periodically assess the functioning of the Board of Directors and its committees and make recommendations to the Board of Directors regarding corporate governance matters and practices. On at least an annual basis, the Nominating and Corporate Governance Committee reviews overall compensation of the Board of Director. Any changes made to the compensation of the Board of Directors resulting from these reviews requires full ratification from the Board of Directors.

We currently do not have any members on our Compensation Committee, as all of the members resigned in 2021. Our Nominating and Corporate Governance Committee has a written charter available on our website at www.legacyeducationalliance.com.

Risk Oversight

The Board of Directors takes an active role in risk oversight. The Board of Directors exercises its risk oversight function through the full Board of Directors and each of its committees. The Audit Committee of the Board of Directors (or the full Board if no members have been appointed to such committee) takes an active risk oversight role by meeting with the Company’s senior management team on a regular basis and reviewing and approving key risk policies and risk tolerances. The Audit Committee (or the full Board if no members have been appointed to such committee) is responsible for ensuring that the Company has in place a process for identifying, prioritizing, managing, and monitoring its critical risks. Furthermore, the Board of Directors, with input from the Audit Committee, regularly evaluates our management infrastructure, including personnel competencies and technologies and communications, to ensure that key risks are being properly evaluated and managed. Finally, the Compensation Committee of the Board of Directors (or the full Board if no members have been appointed to such committee) reviews any risks associated with the Company’s compensation practices. In the Compensation Committee’s view, our compensation policies encourage a balanced approach to risk-taking, by structuring compensation packages that includes both long-term vesting equity awards in addition to cash bonuses.

Code of Business Conduct and Ethics

We adopted a Code of Business Conduct and Ethics on November 10, 2014, that applies to our directors, officers and employees, including the Company’s principal executive officer, principal financial officer and principal accounting officer. This Code of Business Conduct and Ethics may be found on our website in the “Corporate Governance” section under the “Investors” link at www.legacyeducationalliance.com.

Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC reports of ownership of our securities and changes in reported ownership. Executive officers, directors, and greater than 10% beneficial owners are required by SEC rules to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such forms furnished to us, or written representations from the reporting persons that no Form 5 was required, we believe that, during the fiscal year ended December 31, 2022, with the exception of seventeen untimely Form 4s (each detailing a single transaction), three untimely Form 4s (each detailing two transactions), one untimely Form 4 (detailing three transactions), and one untimely Form 4 (detailing four transactions) for Mr. Kostiner and one untimely Form 4 (detailing a single transaction) for Legacy Tech Partners, LLC, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners have been met.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation Program

Our executive compensation program has historically been determined and proposed by our Compensation Committee and is approved by our Board of Directors. None of the Named Executive Officers had been or currently is a member of the Compensation Committee or otherwise had any role in determining the compensation of other Named Executive Officers, although the Compensation Committee has historically considered the recommendations of our Chief Executive Officer in setting compensation levels for our other executive officers.

Executive Employment Agreements

Set forth below is a description of the employment agreements of Barry Kostiner, Chairman and CEO,

Barry Kostiner Employment Agreement.

On March 9, 2021, the Company entered into an employment agreement with Barry Kostiner in the capacity of Manager, Capital Markets, and now its Chief Executive Officer, for no specific term. The Employment Agreement provides Mr. Kostiner with the following compensation and benefits:

- Annual base salary of no less than \$120,000, which may be increased at the discretion of the Board from time to time.
- Participation in any annual or long-term bonus or incentive plans maintained by the Company for its senior executives;
- Participation in any stock option, stock ownership, stock incentive or other equity-based compensation plans maintained by the Company for its senior executives; and
- Participation in all compensation or employee benefit plans or programs, and all benefits or perquisites, for which any member of the Company’s senior management is eligible under any existing or future Company plan or program;

The Employment Agreement further provides that if the Board determines that Mr. Kostiner has engaged in gross negligence or willful misconduct in a manner that caused or contributed to the need for a material restatement of the Company’s financial results, and if the performance-based compensation paid under the Employment Agreement would have been lower if based on such restated results, then the Board and the Company may seek recoupment from Mr. Kostiner of any portion of such performance-based compensation deemed appropriate.

Mr. Kostiner's employment may be terminated by either party at any time. If Mr. Kostiner's employment is terminated (i) other than for cause or (ii) upon Mr. Kostiner's death, permanent disability, or voluntary resignation, Mr. Kostiner will be entitled to receive (i) any unearned and unpaid base salary and annual incentive compensation that has accrued but is paid as of the date of termination, (ii) a pro rata portion of any annual incentive compensation that Mr. Kostiner would have been entitled to receive and, (iii) a separation benefit in an amount equal to twenty-six (26) weeks of base salary payable in biweekly installments. If Mr. Kostiner's employment is terminated other than for cause or due to his voluntary resignation within 18 months of a "change in control" event, he will be entitled to receive (i) any unearned and unpaid base salary and annual incentive compensation that has accrued but is paid as of the date of termination, (ii) a separation benefit in an amount equal to one year of base salary payable in bi-weekly installments. Mr. Kostiner's entitlement to receive any separation benefit described in this paragraph is conditioned on Mr. Kostiner executing a general release satisfactory to the Company.

Under the terms of the Employment Agreement, Mr. Kostiner will be subject to certain confidentiality, non-solicitation, and other restrictive covenants described in the Agreement.

As of August 2022, Mr. Kostiner has been receiving incremental compensation of \$5,000 per month.

Executive Compensation Program Objectives and Overview

The Compensation Committee conducts an annual review of our executive compensation programs to ensure that:

- The program is designed to achieve our goals of promoting financial and operational success by attracting, motivating and facilitating the retention of key employees with outstanding talent and ability; and
- The program adequately rewards performance which is tied to creating stockholder value.

Our current executive compensation program is based on three components, which are designed to be consistent with our compensation philosophy: (1) base salary; (2) annual incentive bonuses; and (3) grants of stock options and restricted stock.

In structuring executive compensation packages, the Compensation Committee considers how each component promotes retention and/or motivates performance by the executive. Base salaries, perquisites and personal benefits, and severance and other termination benefits are primarily intended to attract and retain highly qualified executives. We believe that in order to attract and retain top executives, we need to provide them with compensation levels that reward their continued productive service. Annual incentive bonuses are primarily intended to motivate our executive officers to achieve specific strategies and operating objectives, although we believe they also help us to attract and retain top executives. We may also provide discretionary bonuses to our executives to incentivize or reward them for performance resulting in significant benefit to the Company or its stockholders. Our long-term equity incentives are primarily intended to align executive officers' long-term interests with stockholders' long-term interests, although we believe they also play a role in helping us to attract and retain top executives. Annual bonuses and stock option or restricted stock grants are the elements of our executive compensation program designed to reward performance and thus the creation of stockholder value.

We view our current executive compensation program as one in which the individual components combine together to create a total compensation package for each executive officer that we believe achieves our compensation objectives. In determining our current executive compensation program and the amounts of compensation for each component of our program, the Compensation Committee evaluates the current executive compensation data for companies in our industry. The Compensation Committee believes that our current executive compensation program is appropriate based on the evaluation of the compensation paid by companies in our industry for similarly situated employees.

Role of Compensation Committee and Executive Officers in Compensation Decisions

The role of our Compensation Committee (or the full Board if no members have been appointed to such committee) is to oversee our compensation programs and retirement plans and policies and review and approve all compensation decisions relating to the Company's Named Executive Officers, including our Chief Executive Officer. Our Compensation Committee has historically reviewed, and in consultation with the entire Board of Directors and our Chief Executive Officer (other than with respect to his own compensation), made all compensation decisions for the Named Executive Officers. The Compensation Committee has historically reviewed and recommended the annual compensation package of our Chief Executive Officer, the adoption of which requires the approval of the independent members of the Board of Directors.

Our Compensation Committee historically met with our Chief Executive Officer at least annually to review the performance of the other executive officers, received the recommendations of the Chief Executive Officer on the executive officers' compensation and approved their annual compensation packages. This meeting is intended to include a review by the Chief Executive Officer of the performance of each Named Executive Officer who reports directly to our Chief Executive Officer.

Setting Executive Compensation

In furtherance of the philosophy and objectives described above, in setting compensation for our executive officers, our Compensation Committee historically considered data obtained from the consulting firm of Pearl Meyer & Partners, in addition to other factors, to assess competitive pay levels and establish compensation targets for base salary, annual incentives and long-term incentives. The data from the Pearl Meyer & Partners surveys reflects compensation practices of companies in the education industry with annual revenue and free cash flow that are comparable to our own, and includes data for executives with responsibilities cutting across the entire enterprise ("Survey Group").

Base Salary

We have historically provided our executive officers and other employees with a base salary designed to compensate them for the day-to-day services rendered to us during the fiscal year. Our Compensation Committee has historically reviewed each executive officer's salary and performance annually. Market data from the Survey Group is used to determine base salary ranges for our executive officers based on the position and responsibility. An executive officer's actual salary relative to this competitive salary range varies based on the level of his or her responsibility, experience, individual performance and internal pay-equity considerations. Specific salary increases take into account these factors and the current market for management talent. Salary increases have historically been considered by the Compensation Committee each year.

Annual Incentive Compensation

We have an Executive Incentive Plan, or Bonus Plan for our executive officers and other participating employees. The Bonus Plan, administered by the Compensation Committee (or the full Board if no members have been appointed to such committee), provides that the Compensation Committee (or the full Board, if applicable) will determine the total amount of performance incentive bonuses to be paid to participants under the Bonus Plan. Bonuses are based upon specific measures of our financial performance and achievement of each participant's agreed upon annual goals.

Specifically, the Bonus Plan provides for target bonuses as a percent of each participant's yearly salary. The target bonuses for our executive officers are as follows:

Chief Executive Officer — 50%

Senior Executive Officers — 50%

Vice Presidents and key employees — 20% to 50%, as specified.

Junior employees may participate in the plan as designated.

Payouts under the Bonus Plan are subject to the approval of the Compensation Committee (or the full Board if no members have been appointed to such committee) following the finalization of our annual financial results and are based upon the following metrics: (i) Total Annual Cash Sales, (ii) Overall Adjusted EBITDA, (iii) increase in Adjusted EBITDA and (iv) achievement of the participant's individual goals.

Equity Incentive Compensation

The Company's 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. 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 the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 16, 2015.

Discretionary Performance Bonuses

In addition to compensation available under the Bonus Plan, which are intended to compensate executives based upon specific measures of our financial performance and achievement of each participant's agreed upon annual goals, we may also provide, on a case-by-case basis, discretionary transaction bonuses to executives who have accomplished goals or results of significant benefit to the Company or its stockholders not included in the Bonus Plan. Payment of such Discretionary Performance Bonuses are subject the approval of the Compensation Committee and ratification by the full Board.

Deferred Compensation Plans

We do not have a deferred compensation plan.

Retirement Benefits

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. The Company made matching contributions in 2022.

Medical, Dental, Life Insurance and Disability Coverage

We provide other benefits such as medical, dental and life insurance, and disability coverage to each Named Executive Officer in benefits plans that are also provided to all eligible U.S. based salaried employees. Eligible employees can purchase additional life, dependent life and accidental death and dismemberment coverage as part of their employee benefits package.

Deductibility of Executive Compensation

The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for tax years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1.0 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. Due to the ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will.

For 2022, the annual salary paid to any of our Named Executive Officers did not exceed \$1.0 million. Restricted stock granted under the terms of long-term incentives are exempt as performance-based compensation for purposes of calculating the \$1.0 million limit. To maintain flexibility in compensating the Named Executive Officers in a manner designed to promote varying corporate goals, the Compensation Committee reserves the right to recommend and award compensation that is not deductible under Section 162(m).

Executive Compensation Tables

The following table sets forth information regarding compensation earned by, awarded to or paid to our Named Executive Officers during the two fiscal years ended December 31, 2022 and 2021:

Summary Executive Compensation Table
For the Years Ended December 31, 2022⁽¹⁾ and 2021

Name and Principal Position	Year	Salary⁽¹⁾ \$	Bonus⁽¹⁾ \$	Stock Awards²⁾⁽³⁾ \$	Other⁽⁴⁾ \$	Total (\$)
Barry Kostiner	2022	134,231	22,500	—	26,126	182,857
<i>Chief Executive Officer and Director (since 12/01/2021)</i>	2021	87,231	—	—	26,126	113,357
Michel Botbol	2022	—	—	—	—	—
<i>Former Chief Operating Officer</i>	2021	130,769	—	—	26,691	157,460
<i>(03/08/2021 through 12/01/2021)</i>						
James E .May	2022	—	—	—	—	—
<i>Former Chief Executive Officer (through 03/08/21)</i>	2021	184,554	50,000	—	26,843	261,397
<i>Former General Counsel (03/08/2021 through 11/04/2021)</i>						
Vanessa Guzmán-Clark	2022	—	—	—	—	—
<i>Chief Financial Officer (through 11/08/2021)</i>	2021	153,473	50,000	—	29,273	232,746

(1) 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 reflected in our consolidated financial statements presented herein.

(2) Stock awards are valued based on the closing price per share on the grant date.

(3) Includes 401(k) match, employer portion of employee's health, vision, dental and life insurance benefits paid by the Company as part of the Company's Employee Benefits Programs.

As of December 31, 2022, there were no outstanding option awards for any of our Named Executive Officers.

Potential Payments Upon Termination or Change in Control

There are no currently existing potential payments upon termination or change of control with any of our Named Executive Officers. We did not pay any such amounts to any of our former executive officers upon their resignations in November and December 2022.

DIRECTOR COMPENSATION

On at least an annual basis, the Compensation Committee has historically reviewed overall board of director's compensation. Any changes made to Board compensation as a result of these reviews requires full ratification by the Board of Directors. We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board of Directors. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill-level required of the Board of Directors.

Our employee directors have historically not received any additional compensation for serving on the Board. During 2022, the only employees who served as a director was Barry Kostiner.

In addition to receiving quarterly retainers, directors have been generally eligible to receive sign-on and annual equity awards through stock or options. We have adopted an equity incentive plan that was approved by the stockholders at our annual meeting of stockholders on July 16, 2015 for equity-based incentives under the Company's 2015 Equity Plan (the "2015 Incentive Plan").

Total compensation attributable to each non-employee director during 2022, which excludes reimbursable expenses, was NIL

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

Security Ownership Information

The following table sets forth the beneficial common stock ownership as of January 10, 2023 (i) of each person or entity known by us to be the beneficial owner of five percent or more of our common stock, (ii) by each of our directors, Named Executive Officers and nominee for director and (iii) by all directors and executive officers as a group.

As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934 as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, including a right to acquire such power(s) during the next 60 days.

Unless otherwise noted, beneficial ownership consists of sole ownership, voting and investment rights. This table is based upon information supplied to us by our Named Executive Officers, directors and principal stockholders and/or contained in reports filed by these persons with the SEC.

Name	Amount of Beneficial Ownership of Common Stock	Percent of Common Stock ⁽¹⁾
Barry Kostiner ⁽²⁾	15,415,000	34.18%
All directors and executive officers as a group (1 person)	15,415,000	34.18%
Other owners of more than 5% of outstanding Common Stock		
GLD Legacy Holdings, LLC ⁽³⁾	22,100,000	37.98%
Legacy Tech Partners LLC ⁽⁴⁾	15,100,000	33.48%
Anthony C. Humpage ⁽⁵⁾	3,969,312	10.43%
Pemberton Holdings, LLC ⁽⁵⁾	2,842,819	7.45%
Day One, LLC ⁽⁶⁾	2,411,368	6.32%
Ingrid Whitney ⁽⁷⁾	2,279,799	5.97%
David S. Nagelberg ⁽⁸⁾	2,102,054	5.51%
International Securities 3, LLC ⁽⁷⁾	397,310	1.04%
McDowell Sonoran, LLC ⁽⁵⁾	196,000	*

* Less than 1%

(1) Based on 38,182,697 shares of Common Stock issued and outstanding as of January 10, 2023.

(2) Represents (i) 315,000 restricted shares held directly by Mr. Kostiner, (ii) 8,186,500 issued and outstanding shares of our common stock held by LTP and (iii) 6,913,500 shares of our common stock underlying an outstanding 10% senior secured convertible debenture due March 8, 2022 held by LTP (the "LTP Debenture"). Mr. Kostiner, sole member of our Board of Directors and CEO, is the president of LTP and has voting and dispositive power over these shares. Does not include (a) up to an additional 90,000,000 shares of our common stock that may be issued upon conversion of the LTP Debenture (assuming we borrow all amounts under the LTP Debenture), (b) up to an additional 100,000,000 shares of our common stock underlying warrants issued or to be issued to the Selling Shareholder upon conversion of the LTP Debenture, and (c) up to 28,000,000 shares of our common stock and a like number of warrants that may be issuable under outstanding convertible debentures held by ABCImpact I, LLC, of which an affiliate of Mr. Kostiner has a non-controlling beneficial interest, all of which are subject to a 4.99% beneficial ownership blocker. Mr. Kostiner disclaims beneficial ownership except to the extent of his pecuniary interests therein.

- (3) Daniel Gordon has voting and dispositive control over these shares, as the 100% owner of GLD Management, Inc., the General Partner of GLD Partners, LP, sole member of GLD Legacy Holdings, LLC. Represents 20,000,000 shares of our common stock underlying an outstanding debenture held by the Selling Shareholder (the “GLD Debenture”) and an additional 2,100,000 shares of issued and outstanding common stock. Does not include up to 20,000,000 shares of our common stock underlying warrants that would be issued to the Selling Shareholder upon the conversion of the GLD Debenture, or 315,000 shares of our common stock held by an affiliate of GLD.
- (4) Represents (i) 8,186,500 issued and outstanding shares of our common stock held by LTP and (iii) 6,913,500 shares of our common stock underlying an outstanding 10% senior secured convertible debenture due March 8, 2022 held by LTP (the “LTP Debenture”). Mr. Kostiner is the president of LTP and has voting and dispositive power over these shares. Does not include (a) up to an additional 90,000,000 shares of our common stock that may be issued upon conversion of the LTP Debenture (assuming we borrow all amounts under the LTP Debenture) and (b) up to an additional 100,000,000 shares of our common stock underlying warrants issued or to be issued to the Selling Shareholder upon conversion of the LTP Debenture, all of which are subject to a beneficial ownership blocker.
- (5) Based on a Schedule 13G jointly filed by Anthony C. Humpage, Pemberton Holdings, LLC and McDowell Sonoran LLC on February 14, 2020. The shares of Pemberton Holdings, LLC and McDowell Sonoran LLC are beneficially owned by Anthony C. Humpage. The address of Pemberton Holdings LLC and McDowell Sonoran LLC is 3225 McLeod Drive, Suite 100, Las Vegas, NV 89121.
- (6) Based on information available from the Company’s Record Shareholder list as of January 10, 2023. Upon information and belief, the shares of Day One, LLC and International Securities 3, LLC are beneficially owned by Russell A. Whitney. The address of Day One LLC and International Securities 3 LLC is 4818 Coronado Parkway, Cape Coral, FL 33904.
- (7) Upon information and belief based on information available from the Company’s Record Shareholder list as of January 10, 2023. The address of Ingrid Whitney is 1217 Cape Coral Parkway East, Cape Coral, FL 33904.
- (8) Based on a Schedule 13G filed by David Nagelberg on January 30, 2020. The address of David Nagelberg is c/o Thompson Hine LLP, 335 Madison Avenue, 12th Floor, New York, New York, 10017.

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 8 “Share-Based Compensation” of our consolidated financial statements, presented herein.

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

Related Person Transactions Policy

Our Board has adopted a written policy for the review and the approval or ratification of any related person transaction. Under the policy, a “related person” is any (1) director, nominee for director or executive officer of the Company and any Immediate Family Member of such person, and (2) any holder of 5% or more of any class of outstanding equity securities of the Company and any Immediate Family Member such person. The policy defines an “Interested Transaction” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may reasonably be expected to exceed \$120,000 in any calendar year, (2) the Company or its subsidiaries or affiliates is a participant, and (3) any Related Person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

The policy requires the Audit Committee to review the material facts of all Interested Transactions that require the Committee’s approval and either approve or disapprove of the entry into the Interested Transaction, subject to certain exceptions described in the Policy.

Since January 1, 2021, the Company issued \$675 thousand in Senior Secured Convertible Debenture to LTP, a related party. Barry Kostiner, chief executive officer, chairman of the board, and interim principal financial and accounting officer holds a 25% membership interest in LTP. On May 4, 2021, LTP exercised its conversion rights with respect to \$330 thousand and the company issued an equal amount of stock warrants on June 11, 2021. There have been no other transactions between the Company and its executive officers, directors, nominees, principal stockholders and other related parties involving amounts in excess of \$120,000. There are currently no proposed transactions of the type mentioned in the preceding sentence.

Between June 2022 and March 17, 2023, we borrowed an aggregate of \$2,315,500 from ABCImpact I, LLC, evidenced by 10% Convertible Debentures. ABCImpact has the option to loan up to \$5 million. An affiliate of Mr. Kostiner has a non-controlling passive interest in ABCImpact.

On July 15, 2022, we entered into a Forbearance Agreement with GLD Legacy Holdings, LLC, the holder of our 10% Senior Secured Convertible Debenture dated August 27, 2021, and Legacy Tech Partners, LLC, the holder of our 10% Senior Secured Convertible Debenture dated March 8, 2021. Mr. Kostiner is a manager of LTP. Pursuant to the Forbearance Agreement, GLD and LTP each agreed to forbear from exercising its rights against us under the applicable Note until the earlier of (i) a default under the Forbearance Agreement or a new default under such Note or (ii) October 15, 2022 (the “Forbearance Period”). Prior to the expiration of the Forbearance Period, the Company agreed to cause a sale of the GLD Note to ABCImpact or as directed by ABCImpact, at a purchase price equal to the outstanding balance due and payable on the GLD Note by no later than October 15, 2022, which shall be in full and complete satisfaction of our obligations to GLD under the GLD Note. As partial consideration for GLD entering into the Forbearance Agreement, the Company agreed to issue to GLD 2,100,000 shares of our common stock and to issue to LTP 1,600,000 shares of our common stock. The Company also agreed to use its best efforts to effect a spin-off of an existing to-be-determined subsidiary of the Company, pursuant to the terms described in the Forbearance Agreement.

Director Independence

The Board of Directors has determined that none of our directors qualify as an “independent director”. Because our Common Stock is not currently listed on a national securities exchange, we have used the definition of independence of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an independent director is a person other than an officer or employee of the Company or any other individual having a relationship with the Company that, in the opinion of the Company’s Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be independent if:

- The director is, or at any time during the past three years was, an employee of the Company;
- The director or a family member of the director accepted any compensation from the Company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- A family member of the director is, or at any time during the past three years was, an executive officer of the Company;
- The director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the Company made, or from which the Company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- The director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the Company served on the compensation committee of such other entity; or
- The director or a family member of the director is a current partner of the Company’s outside auditor, or at any time during the past three years was a partner or employee of the Company’s outside auditor, and who worked on the Company’s audit.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Our Board of Directors has appointed Ram Associates as our independent registered public accounting firm for our fiscal year ended December 31, 2022. Services provided to Legacy Education Alliance, Inc. by Ram Associates for fiscal year 2022 are described under “Fees to Independent Registered Public Accounting Firm for Fiscal Years 2022” below.

	Years ended December 31,	
	2022	2021
Audit fees – Ram Associates (1)	\$ 87	\$ 95
Audit fees - MaloneBailey LLP (1)	—	52
Tax fees – Baker Tilly LLP (2)		
Tax fees - Hacker Johnson & Smith PA (1)	—	82
Tax fees – Crowe Horwath LLP (3)	—	—
Tax fees - Harris Trotter LLP	—	20
Tax fees - Durward Jones Barkwell & Company LLP	4	3
Total fees	\$ 91	\$ 252

(1) Audit fees includes approximately \$67 thousand of accrued audit fees pertaining to our 2022 fiscal year audit to be billed in 2023 by Ram Associates.

(2) Tax fees include fees related to GST or VAT audits in various international markets.

Audit Fees

This category includes the review of three interim quarterly financial statements of Legacy Education Alliance, Inc.’s quarterly financial statements, for the nine-month periods ended September 30, 2022 and the annual audit for the fiscal year December 31, 2022 of Legacy Education Alliance, Inc.’s financial statements, paid to Ram Associates. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, and the preparation of an annual “management letter” on internal control matters.

Tax Fees

This category consists of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, return preparation, tax audits and customs and duties.

Pre-Approval Policies

Historically, our Audit Committee operated under a written charter adopted by the Board. The Audit Committee Charter is available on our website at the “Governance Docs” link under the “Corporate Governance” link under the “Investors” tab at www.legacyeducationalliance.com. The purpose of the Audit Committee has been to assist the Board in fulfilling its responsibility to oversee the quality and integrity of the accounting, auditing, and reporting practices of the Company. The Committee oversaw the Company’s systems of internal controls regarding finance, accounting, information technology, legal and regulatory compliance and ethical behavior, the audits of the Company’s financial statements, the qualifications of the accounting firm engaged as the Company’s independent auditor, and the performance of the Company’s independent auditors. Historically, the Audit Committee has the sole authority and responsibility to appoint, compensate, evaluate and, when appropriate, replace the Company’s independent auditor. When making such determinations, the Audit Committee considered, among other things, the recommendations of management of the Company. We currently do not have any members on our Audit Committee, as all of the prior members resigned in 2021. Barry Kostiner, our sole director, does not qualify as independent under the applicable independence standards of the Exchange Act.

Historically, our Audit Committee served in an oversight capacity and was not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, and the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The Company's independent auditor, Ram Associates, LLP, is responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States and expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Historically, the Audit Committee's responsibility was to oversee the financial reporting process and the Company's internal control over financial reporting. The Audit Committee relied, without independent verification, on the information provided to it and on the representations made by management, the internal auditor and the independent auditor. As we do not currently have an Audit committee, all such matters are currently overseen by Mr. Kostiner, the sole member of our Board of Directors.

The Board of Directors discussed with Ram Associates matters that independent registered public accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board, including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Public Company Accounting Oversight Board AU 380 (Communications with Audit Committees). These reviews included discussions with management and the independent auditor of the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's consolidated financial statements, including the disclosures relating to critical accounting policies.

Ram Associates also provided to the Board of Directors the written disclosures and the letter required by applicable requirements of PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, regarding its communications with the Board concerning independence, and represented that it is independent from the Company. The Board discussed with Ram Associates their independence from the Company and considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's consolidated financial statements, and reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q compromise independence.

During 2022, the Board received regular updates on the amount of fees and scope of audit and audit-related services provided. In addition, the Board reviewed and approved audit and non-audit services provided by Ram Associates pursuant to the preapproval policies and procedures set forth in the Audit Committee Charter related to the provision of audit and non-audit services by the independent auditors.

Based on the Board of Directors' review and these meetings, discussions and reports discussed above, and subject to the limitations referred to above and in the Audit Committee Charter, the Board approved the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

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.
2.2	<u>Elite Legacy Education UK LTD, Proposal for Company Voluntary Arrangement</u>	Incorporated by reference to Exhibit 99.1 in the Company's Form 8-K filed with the SEC on January 15, 2021.
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>Amendment to Rights Agreement dated as of February 11, 2021, between Legacy Education Alliance, Inc. and Broadridge Corporate Issuer Solutions, Inc.</u>	Incorporated by reference to Exhibit 4.1 in the Company's Form 8-K filed with the SEC on February 12, 2021.
4.4	<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.
4.5	<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>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.
10.4	<u>Employment Agreement, dated March 18, 2021, by and between Legacy Education Alliance, Inc., and Vanessa Guzmán-Clark.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on March 20, 2021.
10.5	<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.
10.6	<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.
10.7	<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.
10.8	<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.
10.9	<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.
10.10	<u>Talent Endorsement Agreement with Robbie Fowler, dated January 1, 2015</u>	Incorporated by reference to Exhibit 10.9 in the Company's Form 10 filed with the SEC on May 12, 2017.

Exhibit No.	Title	Method of filing
10.12	<u>2015 Incentive Plan</u>	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.
10.13	<u>Form of Registration Rights Agreement</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on June 17, 2015.
10.14	<u>Form of Warrant</u>	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on June 17, 2015.
10.15 +	<u>Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement (2015 Incentive Plan)</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on July 22, 2015.
	<u>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.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on November 1, 2017.
10.16	<u>December 23, 2019 Real Estate Education Training Program Development Agreement by and between Legacy Education Alliance Holdings, Inc., and T&B Seminars, Inc.</u>	Incorporated by reference to the Company's Form 10-K filed with the SEC on March 30, 2021.
10.17	<u>Bankruptcy or Receivership of Legacy UK</u>	Incorporated by reference to the Company's Form 10-K filed with the SEC on March 30, 2021.
10.18	<u>Commercial Contract dated July 24, 2021, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 10-Q filed with the SEC on August 14, 2021.
10.19	<u>First Amendment to Commercial Contract dated August 20, 2021, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-k filed with the SEC on August 20, 2021.
10.20	<u>Second Amendment to Commercial Contract dated September 24, 2021, between 1612 E. Cape Coral Parkway Holding Co., LLC, a subsidiary of the Company and Daniel Thom, as Trustee of Torstonbo Trust.</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on September 29, 2021.
10.21	<u>Promissory Note and Mortgage, Assignment of Rents and Security Agreement, dated August 6, 2021, by and between 1612 E. Cape Coral Parkway Holding Co., LLC and Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC.</u>	Incorporated by reference to Exhibit 10.2 in the Company's Form 10-Q filed with the SEC on August 14, 2021.
10.22	<u>Senior Secured Convertible Debenture Agreement dated March 8, 2021</u>	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on March 12, 2021.
10.23	<u>Form of Guaranty.</u>	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on March 12, 2021.
10.24	<u>Form of Warrant</u>	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on March 12, 2021.

Exhibit No.	Title	Method of filing
10.25	Employment Agreement dated March 9, 2021, between Legacy Education Alliance, Inc., and Michel Botbol	Incorporated by reference to Exhibit 10.4 in the Company's Form 8-K filed with the SEC on March 12, 2021.
10.26	Non-Binding Term Sheet, dated February 11, 2021	Incorporated by reference to Exhibit 10.5 in the Company's Form 8-K filed with the SEC on March 12, 2021.
10.27	Subordinated Secured Convertible Debenture Agreement dated May 4, 2021	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on May 7, 2021.
10.28	Form of Guaranty	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on May 7, 2021.
10.29	Form of Warranty	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on May 7, 2021.
10.30	Paycheck Protection Program Note, dated April 19, 2021, by and between Cross River Bank and Elite Legacy Education, Inc.	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on April 27, 2021.
10.31	Amendment to Senior Secured Convertible Debenture Agreement dated August 27, 2021	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on September 2, 2021.
10.32	Senior Secured Convertible Debenture Agreement dated August 27, 2021	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on September 2, 2021.
10.33	Form of Guaranty	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on September 2, 2021.
10.34	Form of Warranty	Incorporated by reference to Exhibit 10.4 in the Company's Form 8-K filed with the SEC on September 2, 2021.
10.35	Intercreditor Agreement dated August 27, 2021	Incorporated by reference to Exhibit 10.5 in the Company's Form 8-K filed with the SEC on September 2, 2021.
10.36	Stock Purchase and Option Agreement dated November 18, 2021 with Mayer and Associates, LLC	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on November 23, 2021.
10.37	Form of Securities Purchase Agreement	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on May 26, 2022
10.38	Form of convertible Promissory Note	Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on May 26, 2022
10.39	Form of Common Stock Purchase Warrant	Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on May 26, 2022
10.40 +	Employment Agreement with Barry Kostiner dated March 9, 2021	Incorporated by reference to Exhibit 10.43 in the Company's Registration Statement on Form S-1 filed with the SEC on October 14, 2022
10.41	Convertible Debenture, with form of Common Stock Warrant	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on June 15, 2022
10.42	Forbearance Agreement	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on July 21, 2022
10.43	Convertible Debenture, with form of Common Stock Warrant	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on August 12, 2022
10.44	Form of Convertible Debenture, with form of Common Stock Warrant	Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on August 25, 2022
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	Inline XBRL Instance Document	Filed herewith.

101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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, 2022 to be signed on its behalf by the undersigned, thereunto duly authorized.

LEGACY EDUCATION ALLIANCE, INC.

By: /s/ BARRY KOSTINER

Barry Kostiner

Chairman of the Board and Chief Executive Officer

Dated: May 19, 2023

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ BARRY KOSTINER</u> Barry Kostiner	Chairman of the Board, Chief Executive Officer (principal executive, financial and accounting officer)	May 19, 2023

List of Subsidiaries

Domestic Subsidiaries	Jurisdiction of Formation
Legacy Education Alliance Holdings, Inc.	Colorado
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
1612 E. Cape Coral Parkway Holding Co., LLC.	Florida
Legacy Edtech, Inc.	Delaware
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 THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Kostiner, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 19, 2023

/s/ BARRY KOSTINER

Barry Kostiner

Chairman of the Board and Chief Executive Officer (principal executive officer)

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

I, Barry Kostiner, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 19, 2023

/s/ BARRY KOSTINER

Barry Kostiner

Chairman of the Board and Chief Executive Officer (principal financial and accounting 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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”), I, Barry Kostiner, Chairman of the Board and 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.

Dated: May 19, 2023

/s/ BARRY KOSTINER

Barry Kostiner

Chairman of the Board and Chief Executive Officer (principal executive officer)

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

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

In connection with the Annual Report on Form 10-K of Legacy Education Alliance, Inc. (the “Company”) for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”), I, Barry Kostiner, Interim Principal Financial and Accounting 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 19, 2023

/s/ BARRY KOSTINER

Barry Kostiner

Chairman of the Board and Chief Executive Officer (principal financial and accounting officer)

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