

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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

Commission File Number: 000-55790



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

Nevada

(State or other jurisdiction of
incorporation or organization)

39-2079974

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

1612 Cape Coral Parkway East, Cape Coral, FL 33904

(Address of principal executive offices, including zip code)

(239) 542-0643

(Registrant's telephone number, including area code)

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

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

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

Large Accelerated filer:

Non-accelerated filer:

Emerging growth company:

Accelerated filer:

Smaller reporting company:

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

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

Number of shares of Legacy Education Alliance, Inc. Common Stock, \$0.0001 par value, outstanding as of November 13, 2018: 23,000,852.

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on Form 10-Q for
Quarter Ended September 30, 2018**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some of the statements in this Quarterly Report on Form 10-Q under the headings “Condensed Consolidated Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports on Forms 10-K, 10-Q and 8-K, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as “outlook,” “believes,” “estimates,” “expects,” “projects,” “may,” “intends,” “plans,” “anticipates,” “foresees,” “future,” or by discussions of strategy, plans or intentions; including, but not limited to, our discussions regarding the introduction of additional brands into the North American segment (e.g., *Woman in WealthTM*, *Building Wealth*, *Teach Me to TradeTM* and *Brick Buy Brick* along with other brands) which are expected to grow and diversify our North American segment revenue; the development of online courses which are expected to add revenue growth; projections of strong international growth; projected increase in profitability from our symposium-style course delivery model that should lead to increased margins; shortening of course package contracts that should accelerate revenue recognition; 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; and our expectations regarding the impact of general economic conditions on our business.

Our assumptions used for the purposes of the forward-looking statements represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances, including the development, acceptance and sales of our products and our ability to raise additional funding sufficient to implement our strategy. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this report, in our latest Annual Report on Form 10-K, including but not limited to “Part I, Item 1A. Risk Factors” and “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” therein, and in our other filings with the Securities and Exchange Commission (the “SEC”). There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. Although we believe the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions could themselves prove to be inaccurate. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior reports and other filings with the SEC, the information contained in this report updates and supersedes such information.

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

Presentation of Financial Statements

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

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

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,386	\$ 6,005
Restricted cash	3,684	2,899
Deferred course expenses	8,768	9,417
Prepaid expenses and other current assets	5,623	6,408
Inventory	276	330
Total current assets	21,737	25,059
Property and equipment, net	1,907	1,187
Deferred tax asset, net	363	441
Other assets	211	333
Total assets	<u>\$ 24,218</u>	<u>\$ 27,020</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,824	\$ 2,860
Royalties payable	307	188
Accrued course expenses	2,414	1,829
Accrued salaries, wages and benefits	671	1,506
Other accrued expenses	3,088	2,430
Short-term borrowings and current portion of long-term debt	512	11
Deferred revenue, current portion	58,138	57,151
Total current liabilities	67,954	65,975
Long-term debt, net of current portion	11	20
Deferred revenue, net of current portion	9	602
Other liabilities	37	1,188
Total liabilities	68,011	67,785
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 23,000,852 and 23,007,519 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	2	2
Additional paid-in capital	11,444	11,299
Cumulative foreign currency translation adjustment	875	(445)
Accumulated deficit	(56,114)	(51,621)
Total stockholders' deficit	(43,793)	(40,765)
Total liabilities and stockholders' deficit	<u>\$ 24,218</u>	<u>\$ 27,020</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 22,557	\$ 25,235	\$ 73,534	\$ 73,408
Operating costs and expenses:				
Direct course expenses	12,929	13,411	42,540	39,494
Advertising and sales expenses	5,691	5,010	17,261	14,732
Royalty expenses	1,172	1,119	4,381	3,651
General and administrative expenses	4,584	4,114	14,630	12,686
Total operating costs and expenses	<u>24,376</u>	<u>23,654</u>	<u>78,812</u>	<u>70,563</u>
Income/(loss) from operations	<u>(1,819)</u>	<u>1,581</u>	<u>(5,278)</u>	<u>2,845</u>
Other income (expense):				
Interest expense	(5)	(2)	(13)	(7)
Other income (expense), net	(194)	(67)	(242)	85
Total other income (expense), net	<u>(199)</u>	<u>(69)</u>	<u>(255)</u>	<u>78</u>
Income/(loss) before income taxes	<u>(2,018)</u>	<u>1,512</u>	<u>(5,533)</u>	<u>2,923</u>
Income tax (expense) benefit	797	(119)	1,040	107
Net income/(loss)	<u>\$ (1,221)</u>	<u>\$ 1,393</u>	<u>\$ (4,493)</u>	<u>\$ 3,030</u>
Basic earnings/(loss) per common share	\$ (0.05)	\$ 0.06	\$ (0.20)	\$ 0.13
Diluted earnings/(loss) per common share	\$ (0.05)	\$ 0.06	\$ (0.20)	\$ 0.12
Basic weighted average common shares outstanding	23,005	21,275	23,007	21,281
Diluted weighted average common shares outstanding	23,005	23,022	23,007	22,807
Comprehensive income/(loss):				
Net income/(loss)	\$ (1,221)	\$ 1,393	\$ (4,493)	\$ 3,030
Foreign currency translation adjustments, net of tax of \$0	334	(1,714)	1,320	(2,992)
Total comprehensive income/(loss)	<u>\$ (887)</u>	<u>\$ (321)</u>	<u>\$ (3,173)</u>	<u>\$ 38</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Cumulative foreign currency translation adjustment</u>	<u>Accumulated deficit</u>	<u>Total stockholders' deficit</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2017	23,008	\$ 2	\$ 11,299	\$ (445)	\$ (51,621)	\$ (40,765)
Share-based compensation expense	—	—	145	—	—	145
Cancellation of common stock	(7)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	1,320	—	1,320
Net Loss	—	—	—	—	(4,493)	(4,493)
Balance at September 30, 2018	<u>23,001</u>	<u>\$ 2</u>	<u>\$ 11,444</u>	<u>\$ 875</u>	<u>\$ (56,114)</u>	<u>\$ (43,793)</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ (4,493)	\$ 3,030
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	108	95
Gain on change in fair value of derivatives	(24)	(97)
Share-based compensation	145	168
Deferred income taxes	(1,072)	(145)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	577	(598)
Prepaid expenses and other receivable	622	(1,248)
Inventory	51	36
Other assets	(5)	(35)
Accounts payable-trade	37	(200)
Royalties payable	120	129
Accrued course expenses	619	1,041
Accrued salaries, wages and benefits	(832)	114
Other accrued expenses	868	719
Deferred revenue	1,636	1,813
	<u>(1,643)</u>	<u>4,822</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(839)	(114)
Net cash used in investing activities	<u>(839)</u>	<u>(114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(9)	(8)
Proceeds from issuance debt	500	—
Net cash provided by (used in) financing activities	<u>491</u>	<u>(8)</u>
Effect of exchange rate differences on cash	157	(1,050)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>(1,834)</u>	<u>3,650</u>
Cash and cash equivalents and restricted cash, beginning of period	\$ 8,904	\$ 4,859
Cash and cash equivalents and restricted cash, end of period	<u>\$ 7,070</u>	<u>\$ 8,509</u>
Supplemental disclosures:		
Cash paid during the period for interest	\$ 13	\$ 7
Cash paid during the period for income taxes, net of refunds received	(774)	30

See Notes to Unaudited Condensed Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - General

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

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

The accompanying unaudited Condensed Consolidated Financial Statements presented in this report are for us and our consolidated subsidiaries, each of which is a wholly-owned subsidiary. All significant intercompany transactions have been eliminated. These interim financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly our results of operations and financial position. Amounts reported in our Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) are not necessarily indicative of amounts expected for the respective annual periods or any other interim period.

We historically managed our business in four segments based on geographic location. These segments included our historical segments of the United States, Canada, and the United Kingdom, and Other Foreign Markets. During the three months ended December 31, 2017, the Company’s management decided to combine the previously reported United States and Canada segments into the North America segment effective for the 2017 year-end reporting and since such date our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, and, (iii) Other Foreign Markets.

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

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

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

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

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

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

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. All amounts recognized associated with the Tax Act as of September 30, 2018 are provisional. Given the complexity of the Tax Act, we are still evaluating the tax impact and obtaining the information required to complete the accounting. The date we expect to complete the accounting is not currently determinable while we continue to obtain the information required to complete the accounting. Given the provisional amounts recognized in 2017, and the fact that we have not changed our provisional estimates, the impact of measurement period adjustments was not material during the nine months ended September 30, 2018.

Note 2 - New Accounting Pronouncements

Accounting Standards Adopted in the Current Period

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

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," updated by ASU No. 2015-14 "*Deferral of the Effective Date*," which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. In August 2015, the effective date for the standard was deferred by one year and the standard is now effective for public entities for annual and interim periods beginning after December 15, 2017. Early adoption is permitted based on the original effective date. The standard allows companies to choose either full retrospective or modified retrospective adoption method.

We completed our analysis during 2017 and there is no material change to our financial position, results of operations, and cash flows. We adopted ASU No. 2014-09 and its amendment on a modified retrospective basis effective January 1, 2018. As a result, we have changed our accounting policy for revenue recognition and applied *Topic 606* using the modified retrospective basis. Typically, this approach would result in recognizing the cumulative effect of initially applying *Topic 606* as an adjustment to the opening balance of equity at January 1, 2018. The company did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity.

We have expanded disclosures in our notes to our condensed consolidated financial statements related to revenue recognition under the new standard. We have implemented changes to our accounting policies and practices, business processes, systems, and controls to support the new revenue recognition and disclosure requirements. (See Note 11, “*Revenue Recognition*” for further discussion).

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows: Restricted Cash*,” which provides guidance about the presentation of changes in restricted cash and restricted cash equivalents on the statement of cash flows. This standard is effective for fiscal years and interim periods beginning after December 15, 2017 and will be applied using a retrospective transition method to each period presented. Early adoption was permitted. Our analysis of ASU 2016-18 was completed during 2017 and there is no material change to our financial position, results of operations, and cash flows. We adopted ASU 2016-18 effective January 1, 2018.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows (Topic 230)*.” The ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. Our analysis of ASU 2016-15 was completed during 2017 and there is no material change to our financial position, results of operations, and cash flows. We adopted ASU 2016-15 effective January 1, 2018.

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*,” which removes the prohibition against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. This standard is effective for fiscal years and interim periods beginning after December 15, 2017 and will be applied using a modified retrospective basis. Early adoption was permitted. Our analysis of ASU 2016-16 was completed during 2017 and there is no material change to our financial position, results of operations, and cash flows. We adopted ASU 2016-16 effective January 1, 2018.

In January 2016, the FASB issued ASU No 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities*,” *Financial Instruments – Overall (Subtopic 825-10)*. The new guidance is intended to improve the recognition and measurement of financial instruments. This guidance requires that financial assets and financial liabilities must be separately presented by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. This guidance was effective for fiscal years and interim periods beginning after December 15, 2017. The standard includes a requirement that businesses must report changes in the fair value of their own liabilities in other comprehensive income/(loss) instead of earnings. Our analysis of ASU No 2016-01 was completed during 2017 and there is no material change to our financial position, results of operations, and cash flows. We adopted ASU No 2016-01 effective January 1, 2018.

In January 2017, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2017-01, “*Business Combinations*,” which clarifies the definition of a Business and improves the guidance for determining whether a transaction involves the purchase or disposal of a business or an asset. This standard was effective for fiscal years and interim periods beginning after December 15, 2017 and should be applied prospectively on or after the effective date. Early adoption is permitted only for the transactions that have not been reported in financial statements that have been issued or made available for issuance. We adopted this standard in the first quarter of 2018. The adoption of this guidance did not have a significant impact on our financial statements. The future impact of this guidance will depend on the nature of our future activities, and fewer transactions may be treated as acquisitions (or disposals) of businesses after adoption.

New Accounting Standards to be Adopted in Future Periods

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

In February 2016, the FASB issued ASU No 2016-02 “Leases.” The standard requires companies that lease valuable assets like aircraft, real estate, and heavy equipment to recognize on their balance sheets the assets and liabilities generated by contracts longer than a year. The standard also requires companies to disclose in the footnotes to their financial statements information about the amount, timing, and uncertainty for the payments they make for the lease agreements. This standard is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. We expect to adopt this standard when effective, and the impact on our financial statements is not currently estimable.

In July 2017, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2017-11, I “Accounting for Certain Financial Instruments With Down Round Features” and II “Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests With a Scope Exception”. This standard is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the effect that the adoption of this standard will have on our financial statements and expect to adopt this standard when effective.

Note 3 - Share-Based Compensation

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

Share-based compensation expenses related to our restricted stock grants were \$31.0 thousand and \$61.0 thousand for the three months ended September 30, 2018 and 2017, and \$145.0 thousand and \$168.0 thousand for the nine months ended September 30, 2018 and 2017, respectively, which are reported as a separate line item in the condensed consolidated statement of changes in stockholders’ deficit.

See Note 6 - *Share-Based Compensation*, in the Notes to Consolidated Financial Statements for the year ended December 31, 2017, included in our 2017 Annual Report for further discussion.

Note 4 – 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. For periods in which we recognize losses, the calculation of diluted loss per share is the same as the calculation of basic loss per share. We excluded unvested restricted stock awards from the diluted weighted-average number of shares used in our diluted EPS calculation of 667,915 for the three months ended September 30, 2018 and 968,264 for the nine months ended September 30, 2018 because we had a net loss in the periods.

Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock awards, are considered to be participating securities, and therefore, the two-class method is used for purposes of calculating EPS. Under the two-class method, a portion of net income is allocated to these participating securities and is excluded from the calculation of EPS allocated to common stock. Our restricted stock awards are subject to forfeiture and restrictions on transfer until vested and have identical voting, income and distribution rights to the unrestricted common shares outstanding. Our weighted average unvested restricted stock awards outstanding were 667,915 and 1,746,748 for the three months ended September 30, 2018 and 2017, and 968,264 and 1,525,502 for the nine months ended September 30, 2018 and 2017.

The calculations of basic and diluted EPS are as follows:

	<u>Three Months Ended September 30, 2018</u>			<u>Three Months Ended September 30, 2017</u>		
	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>	<u>Net Income</u>	<u>Weighted Average Shares Outstanding</u>	<u>Earnings Per Share</u>
<i>Basic:</i>						
As reported	\$ (1,221)	23,005		\$ 1,393	23,022	
Amounts allocated to unvested restricted shares	—	—		(106)	(1,747)	
Amounts available to common stockholders	\$ (1,221)	23,005	\$ (0.05)	\$ 1,287	21,275	\$ 0.06
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	—	—		106	—	
Non participating share units		—			1,747	
Amounts reallocated to unvested restricted shares	—	—		(114)	—	
Amounts available to stockholders and assumed conversions	\$ (1,221)	23,005	\$ (0.05)	\$ 1,279	23,022	\$ 0.06
	<u>Nine Months Ended September 30, 2018</u>			<u>Nine Months Ended September 30, 2017</u>		
	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>	<u>Net Income</u>	<u>Weighted Average Shares Outstanding</u>	<u>Earnings Per Share</u>
<i>Basic:</i>						
As reported	\$ (4,493)	23,007		\$ 3,030	22,807	
Amounts allocated to unvested restricted shares	—	—		(203)	(1,526)	
Amounts available to common stockholders	\$ (4,493)	23,007	\$ (0.20)	\$ 2,827	21,281	\$ 0.13
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	—	—		203	—	
Non participating share units		—			1,526	
Amounts reallocated to unvested restricted shares	—	—		(217)	—	
Amounts available to stockholders and assumed conversions	\$ (4,493)	23,007	\$ (0.20)	\$ 2,813	22,807	\$ 0.12

Note 5 - Fair Value Measurements

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

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

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

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

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

The following table presents the derivative financial instruments, our only financial liabilities measured and recorded at fair value on our condensed consolidated balance sheets on a recurring basis, and their level within the fair value hierarchy as of September 30, 2018 and December 31, 2017:

		Fair Value Measurements at Reporting Date Using			
		Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2018	Warrant derivative liabilities	\$ -	\$ -	\$ -	\$ -
As of December 31, 2017	Warrant derivative liabilities	\$ 24,233	\$ -	\$ -	\$ 24,233

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

See Note – 6 *Derivative Liability*, for further discussion.

Note 6 - Derivative Liability

In June 2015, we granted warrants to purchase 959,924 shares of the Company's common stock through a private offering of units ("Units"). Each Unit included one share of Common Stock, par value \$0.0001 per share, and a three-year Warrant to purchase one share of Common Stock at an initial exercise price per share equal to \$0.75, subject to adjustment for certain corporate transactions such as a merger, stock-split or stock dividend and, if the Company did not continue to be a reporting company under the Securities Exchange Act of 1934 during the two-year period after closing, the exercise price would be reduced to \$0.01 per share. Each Unit includes limited registration rights for the investors for the shares of Common Stock and the shares of Common Stock that would be issued upon the exercise of a Warrant ("Underlying Shares") when and if we register our shares of Common Stock in a different offering, subject to certain excluded registered offerings. The Company has also issued to the placement agent warrants to purchase our shares of Common Stock equal to 10% of the total shares sold in the offering, or 95,992 shares. The vesting period expired at June 30, 2018.

Because these warrants had full reset adjustments that would preclude the instrument from being considered as index to the Company's stock, it was subject to derivative liability treatment under *ASC 815-40-15*, which required as of the date the warrants were issued, the derivative liability to be measured at fair value and re-evaluated at the end of each reporting period.

Key assumptions used to determine the fair value of the warrants follows:

	At Issuance	September 30, 2018	December 31, 2017
Market value of stock on measurement date	\$ 0.55	\$ 0.38	\$ 0.48
Risk-free interest rate	1.12%	1.93%	1.53%
Dividend yield	0%	0%	0%
Volatility factor	55%	62.5%	63.5%
Term	3 years	0.0 year	0.5 year

As of September 30, 2018 and December 31, 2017, the fair value of the total warrants' derivative liability is \$0 and \$24,233, respectively, and were recorded in other accrued expenses in the Condensed Consolidated Balance Sheets. There was no gain or loss associated with the derivative liability recognized during the three months ended September 30, 2018. We recognized a gain on the derivative liability of \$9,573 for the three months ended September 30, 2017. We recognized a gain on the derivative liability of \$24,233 and \$ 96,998 for the nine months ended September 30, 2018 and 2017, which is recorded in other income, net in the Condensed Consolidated Statements of Operations and Comprehensive Income.

The following table summarizes the derivative liability included in other accrued expenses in the Condensed Consolidated Balance Sheets:

Balance at December 31, 2017	\$ 24,233
Gain on change of fair value	(24,233)
Balance at September 30, 2018	—

Note 7—Short-Term and Long-Term Debt

Below is the summary of short-term borrowings and current portion of long-term debt (in thousands):

	As of September 30, 2018	As of December 31, 2017
Promissory note	\$ 500	\$ -
Current portion of long-term debt	12	11
Total short-term borrowings and current portion of long-term debt	<u>\$ 512</u>	<u>\$ 11</u>

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

	As of September 30, 2018	As of December 31, 2017
Installment notes payable for equipment financing	\$ 23	\$ 31
Long-term debt	23	31
Less: current portion	(12)	(11)
Total long-term debt, net of current portion	<u>\$ 11</u>	<u>\$ 20</u>

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

2018	\$ 3
2019	512
2020	8
Total debt	<u>\$ 523</u>

On September 13, 2018, we entered into a Promissory Note and Mortgage and Security Agreement pursuant to which we borrowed the principal amount of \$500.0 thousand from USA Growth Fund LLC. At closing, we received \$459,269 in net proceeds after closing costs and other fees and costs. The Promissory Note, repayment of which is due on March 13, 2019, was issued in an aggregate principal amount of \$500.0 thousand and bears interest at a fixed rate of 12% per annum during the initial 120 days of the term of the Promissory Note, and a fixed rate of 30% per annum until all amounts due under the Promissory Note are paid in full. Pursuant to the Mortgage and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the property located at 1612 East Cape Coral Parkway, Cape Coral, FL. 33904.

Note 8 - Income Taxes

We recorded an income tax benefit of \$797.0 thousand and income tax expense of (\$119.0) thousand for the three months ended September 30, 2018 and 2017, respectively. We recorded an income tax benefit of \$1,040.0 thousand and \$107.0 thousand for the nine months ended September 30, 2018 and 2017, respectively. Our effective tax rate was 39.5% and 7.9% for the three months ended September 30, 2018 and 2017, and 18.8% and (3.7)% for the nine months ended September 30, 2018 and 2017, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% and 35%, for the same periods, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of September 30, 2018 and December 31, 2017, valuation allowances of \$4.7 million have been provided against net operating loss carryforwards and other deferred tax assets, respectively. There were no significant changes in our valuation allowance during the three months ended September 30, 2018. Our valuation allowance decreased \$0.4 million for the nine months ended September 30, 2017.

As of September 30, 2018 and December 31, 2017, we had total unrecognized tax benefits of \$1.7 million, related to foreign and domestic tax positions. Of this amount, the Company estimates that \$0.04 million, of the unrecognized tax benefits, if recognized, would impact the effective tax rate. A substantial portion of our liability for uncertain tax benefits is recorded as a reduction of net operating losses and tax credit carryforwards.

During the three and nine months ended September 30, 2018 and 2017, we had no material changes in uncertain tax positions. We record interest and penalties related to unrecognized tax benefits within the provision for income taxes. We believe that no current tax positions that have resulted in unrecognized tax benefits will significantly increase or decrease within one year. We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions.

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

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

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. As of September 30, 2018, we have not completed our assessment of the accounting impact of the tax effects on the Company due to the Act; however, we have made a reasonable estimate of the effects on our existing deferred tax balances. We will continue to refine our estimate as additional analysis is completed and additional guidance is issued, however we do not expect a significant net impact on our underlying financial statements as we have cumulative losses in our foreign subsidiaries.

All amounts recognized associated with the Tax Act as of September 30, 2018 are provisional. Given the complexity of the Tax Act, we are still evaluating the tax impact and obtaining the information required to complete the accounting. The date we expect to complete the accounting is not currently determinable while we continue to obtain the information required to complete the accounting. Given the provisional amounts recognized in 2017, and the fact that we have not changed our provisional estimates, the impact of measurement period adjustments was not material during the nine months ended September 30, 2018.

Note 9 - Concentration of Risk

Cash and cash equivalents. We maintain deposits in banks in amounts that might exceed the federal deposit insurance available. Management believes the potential risk of loss on these cash and cash equivalents to be minimal. Cash balances as of September 30, 2018 and December 31, 2017, including foreign subsidiaries, without FDIC coverage were \$2.6 million and \$5.3 million, respectively.

Revenue. A significant portion of our revenue is derived from the Rich Dad brands. Revenue derived from the Rich Dad brands as a percentage of total revenue was 72.3% and 71.8% for the three months ended September 30, 2018 and 2017, and 71.4% and 71.7% for the nine months ended September 30, 2018 and 2017, respectively. In addition, we have operations in the North America, the United Kingdom and other foreign markets (see Note 10 — *Segment Information*).

Note 10 - Segment Information

We historically managed our business in four segments based on geographic location for which operating managers are responsible to the Chief Executive Officer. Our historical segments were the United States, Canada, the United Kingdom, and Other Foreign Markets. During the three months ended December 31, 2017, the Company's management decided to combine the United States and Canada segments into the North America segment effective for the 2017 year-end reporting and since such date, our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, (iii) Other Foreign Markets. Operating results, as reported below, are reviewed regularly by our Chief Executive Officer, or Chief Operating Decision Maker and other members of the executive team.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
As a percentage of total revenue				
North America	56.1%	59.8%	56.9%	58.6%
U.K.	23.0%	21.6%	22.3%	22.6%
Other foreign markets	20.9%	18.6%	20.8%	18.8%
Total consolidated revenue	100%	100%	100%	100%

Operating results for the segments are as follows:

Segment revenue (In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
North America	\$ 12,662	\$ 15,091	\$ 41,848	\$ 43,035
U.K.	5,191	5,457	16,400	16,598
Other foreign markets	4,704	4,687	15,286	13,775
Total consolidated revenue	\$ 22,557	\$ 25,235	\$ 73,534	\$ 73,408

Segment gross profit contribution * (In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
North America	\$ 1,621	\$ 4,224	\$ 5,018	\$ 8,738
U.K.	845	1,222	3,691	5,015
Other foreign markets	299	249	643	1,778
Total consolidated gross profit	\$ 2,765	\$ 5,695	\$ 9,352	\$ 15,531

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Depreciation and amortization expenses				
<i>(In thousands)</i>				
North America	\$ 26	\$ 24	\$ 79	\$ 80
U.K.	11	5	25	14
Other foreign markets	1	1	4	1
Total consolidated depreciation and amortization expenses	<u>\$ 38</u>	<u>\$ 30</u>	<u>\$ 108</u>	<u>\$ 95</u>

	September 30,	December 31,
	2018	2017
Segment identifiable assets		
<i>(In thousands)</i>		
North America	\$ 11,263	\$ 15,364
U.K.	7,468	9,090
Other foreign markets	5,565	2,566
Total consolidated identifiable assets	<u>\$ 24,296</u>	<u>\$ 27,020</u>

Note 11 – Revenue Recognition

We recognize revenue when our customers obtain control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services, in accordance with implemented Topic 606 - an update to Topic 605, which was the revenue recognition standard in effect for each of the two years in the period ended December 31, 2017.

We adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Revenue amounts presented in our condensed consolidated financial statements are recognized net of sales tax, value-added taxes, and other taxes.

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We have deferred revenue of \$58.1 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 September 30, 2018. The revenue associated with these performance obligations is recognized as the obligation is satisfied. We did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity.

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	<i>(In thousands)</i>							
Seminars	\$ 7,369	\$ 3,611	\$ 3,143	\$ 14,123	\$ 11,255	\$ 3,901	\$ 1,687	\$ 16,843
Products	2,916	984	643	4,543	3,218	1,186	1,188	5,592
Coaching and Mentoring	1,408	579	911	2,898	737	412	1,811	2,960
Online and Subscription	86	9	7	102	37	12	—	49
Other	883	8	—	891	(156)	(54)	1	(209)
Total revenue	<u>\$ 12,662</u>	<u>\$ 5,191</u>	<u>\$ 4,704</u>	<u>\$ 22,557</u>	<u>\$ 15,091</u>	<u>\$ 5,457</u>	<u>\$ 4,687</u>	<u>\$ 25,235</u>

Revenue Type:	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 2017			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)							
Seminars	\$ 25,685	\$ 11,731	\$ 9,740	\$ 47,156	\$ 28,561	\$ 11,193	\$ 5,682	\$ 45,436
Products	8,768	3,366	2,647	14,781	9,052	3,923	4,104	17,079
Coaching and Mentoring	4,156	1,223	2,882	8,261	3,763	1,383	3,988	9,134
Online and Subscription	1,038	33	17	1,088	93	22	—	115
Other	2,201	47	—	2,248	1,566	77	1	1,644
Total revenue	\$ 41,848	\$ 16,400	\$ 15,286	\$ 73,534	\$ 43,035	\$ 16,598	\$ 13,775	\$ 73,408

Note 12 - Commitments and Contingencies

Licensing agreements. We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including Rich Dad, Robbie Fowler, Martin Roberts and Kathy Ireland. Total royalty expenses included in our Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) were \$1.2 million and \$1.1 million for the three months ended September 30, 2018 and 2017, and \$4.4 million and \$3.7 million for the nine months ended September 30, 2018 and 2017, respectively.

Custodial and Counterparty Risk. We are subject to custodial and other potential forms of counterparty risk in respect to a variety of contractual and operational matters. In the course of ongoing Company-wide risk assessment, management monitors our arrangements that involve potential counterparty risk, including the custodial risk associated with amounts prepaid to certain vendors and deposits with credit card and other payment processors. Deposits held by our credit card processors at September 30, 2018 and December 31, 2017, were \$3.7 million and \$2.8 million, respectively. These balances are included on the Condensed Consolidated Balance Sheets in restricted cash. While these balances reside in major financial institutions, they are only partially covered by federal deposit insurance and are subject to the financial risk of the parties holding these funds. When appropriate, we utilize Certificate of Deposit Account Registry Service (CDARS) to reduce banking risk for a portion of our cash in the United States. A CDAR consists of numerous individual investments, all below the FDIC limits, thus fully insuring that portion of our cash. At September 30, 2018 and December 31, 2017, we did not have a CDAR balance.

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

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

INTRODUCTION

You should read the following discussion of our financial condition and results of operations with our audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. This discussion contains forward-looking statements and involves numerous risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Information."

Business Overview

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

Our students pay for their courses in full up-front or through payment agreements with independent third parties. Under United States of America generally accepted accounting principles ("U.S. GAAP"), we recognize revenue when our students take their courses or the term for taking their course expires, which could be several quarters after the student purchases a program and pays the fee. Over time, we have taken steps to shorten many of our course contracts from two-year contracts to one-year contracts, which is expected to accelerate revenue recognition as services are delivered faster and/or contract terms expire sooner. We also continue to expand our innovative symposium-style course delivery model into other markets. Our symposiums combine multiple advanced training courses in one location, allowing us to achieve certain economies of scale that reduce costs and improve margins while also accelerating U.S. GAAP revenue recognition, while at the same time, enhancing our student's 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 became a public reporting company in November 2014. Today we are a global company with approximately 200 employees that has cumulatively served more than two million students from more than 150 countries and territories over the course of our operating history.

We historically managed our business in four segments based on geographic location. These segments included our historical segments of the United States, Canada, and the United Kingdom, and Other Foreign Markets. During the three months ended December 31, 2017, the Company's management decided to combine the previously reported United States and Canada segments into the North America segment effective for the 2017 year-end reporting and since such date our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, and, (iii) Other Foreign Markets.

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

- Brick Buy Brick™: Initially launched in the UK, Brick Buy Brick is now also available in the North America and the other foreign markets in which we operate. The program introduces our students to the tools and strategies used by successful investors to make money work for them through real estate investing.
- Building Wealth: A program that offers students training on how to build and preserve wealth, start or manage a business, and benefit through investing in property regardless of market conditions.
- Making Money from Property with Martin Roberts™: A property-based curriculum focused on how and why to buy property at auction in the U.K. Based on the teachings of Martin Roberts, renowned U.K. TV personality, property expert, journalist, and author of *Making Money from Property*, our Making Money from Property program is designed to show investors tested strategies to buy at auction, as well as the difference between income and capital growth strategies, negotiating transactions, and buying properties overseas.
- Perform in Property™ is the first British training program of its kind. Joining forces with gallant Olympians, Legacy sets out to empower students to take control of their financial future by providing three tiers of reality-based training and time-tested resources. The Perform in Property brand is designed to help students achieve the level of performance and financial independence they desire.
- Rich Dad® Education: Our flagship brand based on the teachings of Robert Kiyosaki, an entrepreneur, investor, educator, and author of the best-selling personal finance books of all time, *Rich Dad Poor Dad*. Mr. Kiyosaki has written more than 15 books with combined sales of more than 26 million copies.
- Rich Dad® Stock Education: In our Rich Dad Stock Education program, we teach students how to become savvy investors who can potentially create winning trades and profits in any market condition through the development of personal trading plans that are compatible with their current financial situation, the level of risk they are comfortable with, and their long-term financial goals.
- Robbie Fowler Property Academy™: Designed to teach investment strategies individuals can use to achieve a potential clear path towards long-term wealth, the goal of our Property Academy training program is to provide a comprehensive property investment education. We teach our students the investment strategies currently implemented throughout the UK, such as Social Housing, Buy-To-Let, Lease Options, and Land Development.
- Teach Me to Trade™ is a brand designed for students who want to learn the core concepts of trading in the financial markets. Beginners and veteran traders alike can benefit from the Teach Me to Trade brand as it focuses on broad market concepts aimed at helping traders gain an understanding of the foundations for success in a new trading business. It teaches how to develop a game plan, develop a business-minded approach to trading and appreciate the vital skills needed to invest in the financial markets.
- Trade Up Investor Education™: Built on the belief that a successful investor is an educated investor and developed in partnership with Investor's Business Daily®, a leading financial news and research organization since 1984, students are offered educational training designed to help them increase their knowledge of stock and options trading.
- Women In Wealth™: Created to inspire women of all ages and backgrounds to potentially achieve financial security, Women In Wealth seeks to empower women with a strong financial education and help them learn the potential benefits of real estate investing to create cash flow and build financial independence.

Recent Developments

In June 2018, we entered into an agreement to join forces with kathy ireland® Worldwide (kiWW®) to promote our respective brands. Under the agreement, Kathy Ireland®, world famous and widely respected fashion model, businessperson and entrepreneur, will act as Brand Ambassador promoting our world class suite of real estate and financial markets education products and services in alignment with Ms. Ireland's message of entrepreneurship and social responsibility. Ms. Ireland was the keynote speaker at Legacy Education Alliance's 2018 Hall of Fame Award Ceremony in Las Vegas that was held on October 20, 2018.

On September 13, 2018, we entered into a Promissory Note and Mortgage and Security Agreement pursuant to which we borrowed the principal amount of \$500.0 thousand from USA Growth Fund LLC. At closing, we received \$459,269 in net proceeds after closing costs and other fees and costs. The Promissory Note, repayment of which is due on March 13, 2019, was issued in an aggregate principal amount of \$500.0 thousand and bears interest at a fixed rate of 12% per annum during the initial 120 days of the term of the Promissory Note, and a fixed rate of 30% per annum until all amounts due under the Promissory Note are paid in full. Pursuant to the Mortgage and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the property located at 1612 East Cape Coral Parkway, Cape Coral, FL. 33904.

RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<i>(in thousands, except per share data)</i>				
Revenue	\$ 22,557	\$ 25,235	\$ 73,534	\$ 73,408
Operating costs and expenses:				
Direct course expenses	12,929	13,411	42,540	39,494
Advertising and sales expenses	5,691	5,010	17,261	14,732
Royalty expenses	1,172	1,119	4,381	3,651
General and administrative expenses	4,584	4,114	14,630	12,686
Total operating costs and expenses	<u>24,376</u>	<u>23,654</u>	<u>78,812</u>	<u>70,563</u>
Income/(loss) from operations	<u>(1,819)</u>	<u>1,581</u>	<u>(5,278)</u>	<u>2,845</u>
Other income (expense):				
Interest expense	(5)	(2)	(13)	(7)
Other income (expense), net	(194)	(67)	(242)	85
Total other income (expense), net	<u>(199)</u>	<u>(69)</u>	<u>(255)</u>	<u>78</u>
Income/(loss) before income taxes	<u>(2,018)</u>	<u>1,512</u>	<u>(5,533)</u>	<u>2,923</u>
Income tax (expense) benefit	797	(119)	1,040	107
Net income/(loss)	<u>\$ (1,221)</u>	<u>\$ 1,393</u>	<u>\$ (4,493)</u>	<u>\$ 3,030</u>
Basic earnings/(loss) per common share	\$ (0.05)	\$ 0.06	\$ (0.20)	\$ 0.13
Diluted earnings/(loss) per common share	\$ (0.05)	\$ 0.06	\$ (0.20)	\$ 0.12
Basic weighted average common shares outstanding	23,005	21,275	23,007	21,281
Diluted weighted average common shares outstanding	23,005	23,022	23,007	22,807
Comprehensive income/(loss):				
Net income/(loss)	\$ (1,221)	\$ 1,393	\$ (4,493)	\$ 3,030
Foreign currency translation adjustments, net of tax of \$0	334	(1,714)	1,320	(2,992)
Total comprehensive income/(loss)	<u>\$ (887)</u>	<u>\$ (321)</u>	<u>\$ (3,173)</u>	<u>\$ 38</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue	100%	100%	100%	100%
Operating costs and expenses:				
Direct course expenses	57.3	53.1	57.9	53.8
Advertising and sales expenses	25.2	19.9	23.5	20.1
Royalty expenses	5.2	4.4	5.9	4.9
General and administrative expenses	20.3	16.4	19.9	17.3
Total operating costs and expenses	<u>108.0</u>	<u>93.8</u>	<u>107.2</u>	<u>96.1</u>
Income/(loss) from operations	<u>(8.0)</u>	<u>6.2</u>	<u>(7.2)</u>	<u>3.9</u>
Other income (expense):				
Other income (expense), net	(0.9)	(0.3)	(0.3)	0.1
Total other income (expense), net	<u>(0.9)</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>0.1</u>
Income/(loss) before income taxes	(8.9)	5.9	(7.5)	4.0
Income tax (expense) benefit	3.5	(0.1)	1.4	0.1
Net income/(loss)	<u>(5.4)%</u>	<u>5.8%</u>	<u>(6.1)%</u>	<u>4.1%</u>

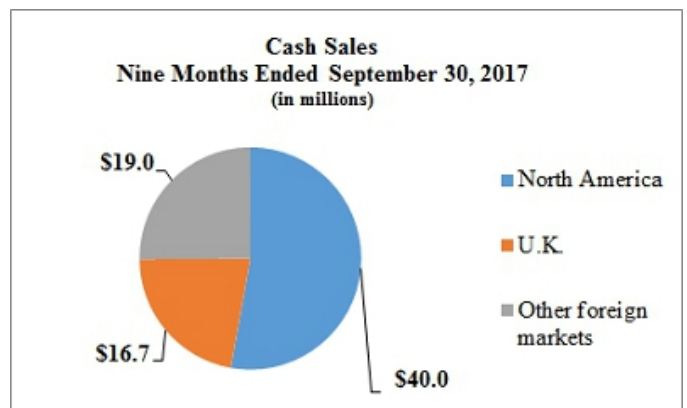
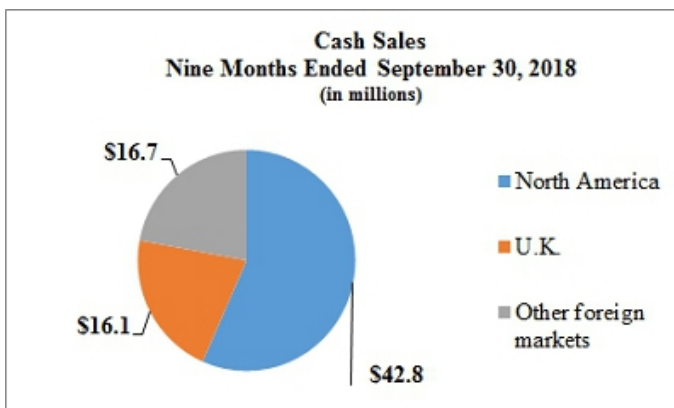
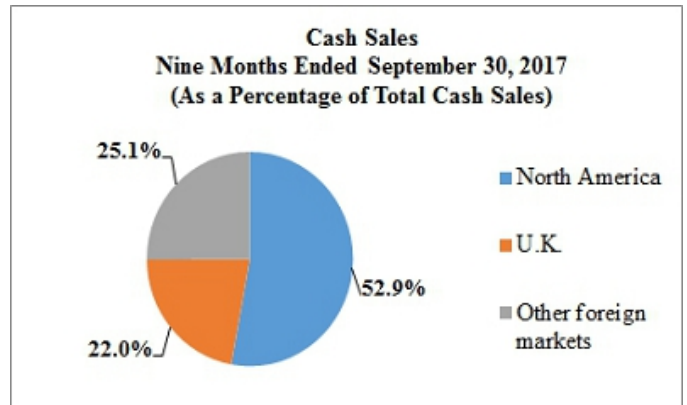
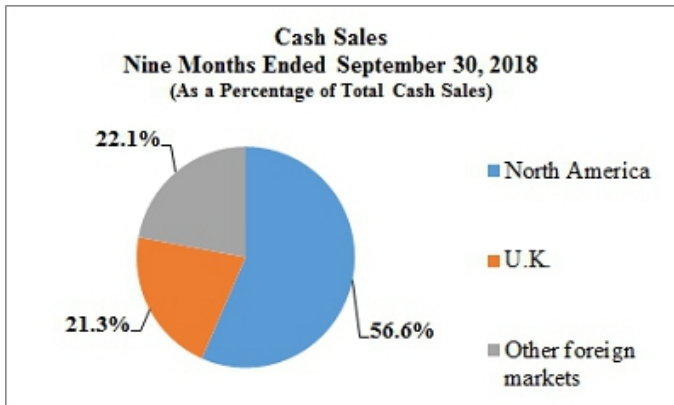
Outlook

Cash sales were \$75.6 million for the nine months ended September 30, 2018 compared to \$75.7 million for the nine months ended September 30, 2017, a slight decrease of \$0.1 million or 0.1%. The decrease was driven primarily by a \$2.3 million decrease in our Other Foreign Markets segment and a \$0.6 million decrease in our U.K. segment, which was partially offset by a \$2.8 million increase in our 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 when our students take their courses or the term for taking their course expires, 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.

Our financial results were impacted by expenses incurred in executing on our strategy of brand and product diversification, including significant upfront sales and advertising expense and direct course expenses to develop, test, and market these new brands and product offerings and to fund our U.K. property development activities. Our financial results also were impacted by increases in professional fees and software costs in connection with our new ERP system which was placed into production in January 2018. In early Q3 of this year we took steps to reduce our expenses to improve profitability and cash flow. Because of these actions, our net loss improved by \$1.2 million or 49.4% and our operating cash flow improved by \$0.6 million or 28.3% this quarter as compared with the prior quarter. We anticipate this trend to continue in Q4.

We anticipate consolidated cash sales to increase throughout 2018, particularly as new brands gain greater traction in our more established markets, and as we continue to expand internationally and hone our selling and marketing strategy in new markets.

Cash Sales 2018 and 2017 in Percentages and Dollars



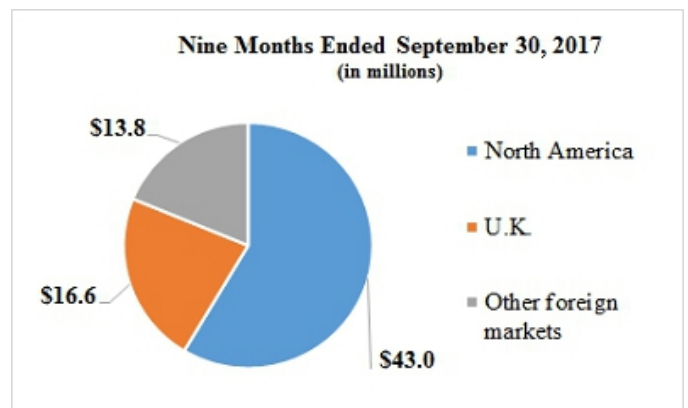
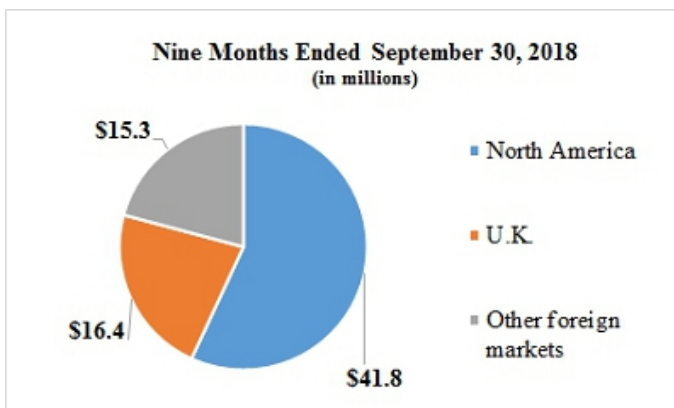
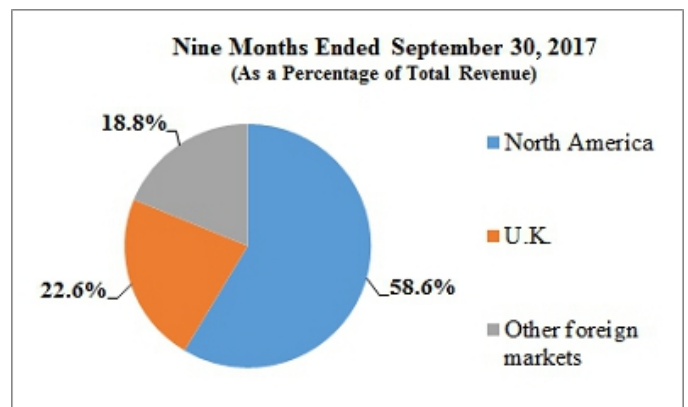
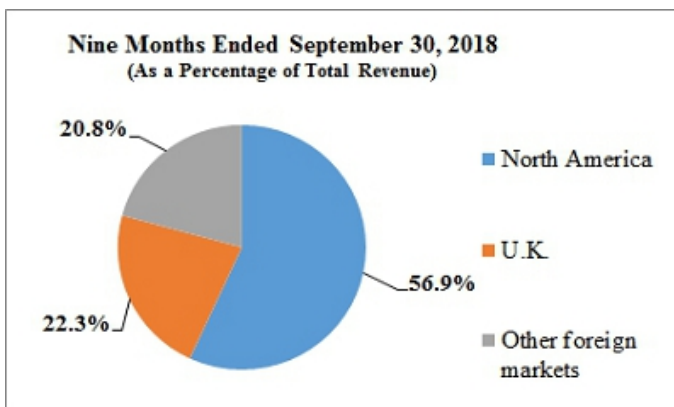
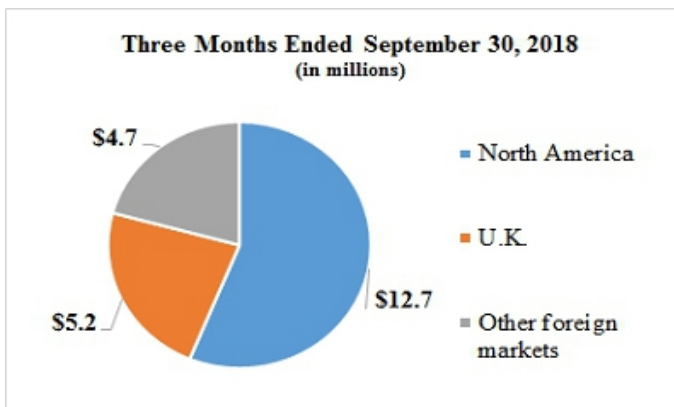
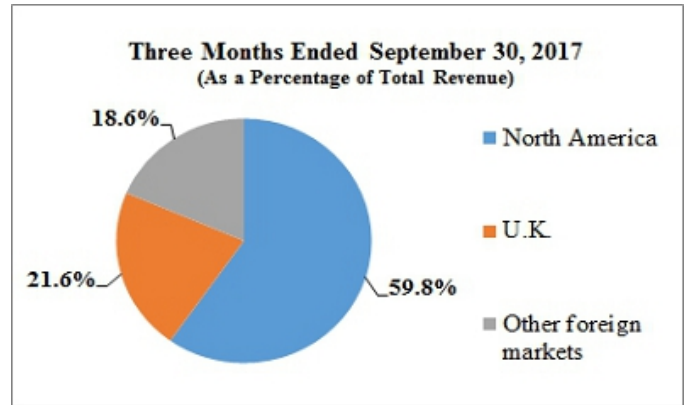
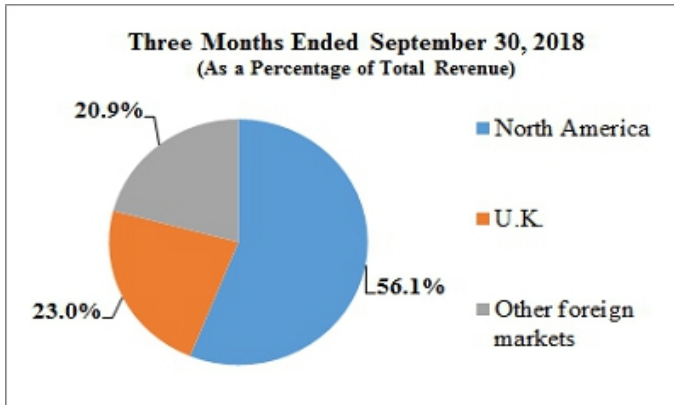
OPERATING SEGMENTS

We historically managed our business in four segments based on geographic location. These segments included our historical segments of the United States, Canada, and the United Kingdom, and Other Foreign Markets. During the three months ended December 31, 2017, the Company's management decided to combine the previously reported United States and Canada segments into the North America segment effective for the 2017 year-end reporting and since such date our operations have been managed through three operating segments: (i) North America, (ii) United Kingdom, and, (iii) Other Foreign Markets. The proportion of our total revenue attributable to each segment is as follows:

As a percentage of total revenue	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
North America	56.1%	59.8%	56.9%	58.6%
U.K.	23.0%	21.6%	22.3%	22.6%
Other foreign markets	20.9%	18.6%	20.8%	18.8%
Total consolidated revenue	100%	100%	100%	100%

Segment revenue (In thousand)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
North America	12,662	15,091	41,848	43,035
U.K.	5,191	5,457	16,400	16,598
Other foreign markets	4,704	4,687	15,286	13,775
Total consolidated revenue	\$ 22,557	\$ 25,235	\$ 73,534	\$ 73,408

Revenue 2018 and 2017 in Dollars and Percentages



North America

Over the past several years, our North America business shifted its focus to consist primarily of *Rich Dad™ Education* brand offerings. Revenue derived from the Rich Dad brands was \$10.6 million and \$13.3 million or as a percentage of total segment revenue was 83.7% and 87.5% for the three months ended September 30, 2018 and 2017, and \$33.3 million and \$38.0 million or as a percentage of total segment revenue was 79.6% and 88.4% for the nine months ended September 30, 2018 and 2017. The majority pertained to real estate-related education, with the balance pertaining to financial markets and entrepreneurial education. We are continuing to develop non-Rich Dad brands, such as *Woman in Wealth™*, *Building Wealth*, *Teach Me to Trade™* and *Brick Buy Brick™* along with other brands to diversify our business, although our business to date in these brands has not been material to our Company as a whole.

The North America segment revenue was \$12.7 million and \$15.1 million or as a percentage of total revenue was 56.1% and 59.8% for the three months ended September 30, 2018 and 2017, \$41.8 million and \$43.0 million or as a percentage of total revenue was 56.9% and 58.6% for the nine months ended September 30, 2018 and 2017. The decrease in revenue of \$2.4 million or 15.9% during the three months ended September 30, 2018 compared to the same period in 2017, was due to a decrease in revenue from expired contracts of \$2.1 million or 47.7% and a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of \$0.3 million or 3.5%. The decrease in revenue of \$1.2 million or 2.8% during the nine months ended September 30, 2018 compared to the same period in 2017, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of \$1.7 million or 4.6%, partially offset by an increase in revenue from expired contracts of \$0.5 million or 6.8%.

U.K.

In contrast to our North America segment, our U.K. segment is more diversified amongst several different brands. Revenue derived from the Rich Dad brands was \$1.1 million and \$1.0 million or as a percentage of total segment revenue was 20.9% and 19.0% for the three months ended September 30, 2018 and 2017, and \$4.5 million and \$3.8 million or as a percentage of total segment revenue was 27.4% and 22.7% for the nine months ended September 30, 2018 and 2017. The majority pertained to real estate-related education, with the balance pertaining to financial markets education.

The U.K. segment revenue was \$5.2 million and \$5.4 million or as a percentage of total revenue was 23.0% and 21.6% for the three months ended September 30, 2018 and 2017, and \$16.4 million and \$16.6 million or as a percentage of total revenue was 22.3% and 22.6% for the nine months ended September 30, 2018 and 2017. The decrease in revenue of \$0.2 million or 3.7% for the three months ended September 30, 2018 compared to the same period in 2017, was due to a decrease in recognition of revenue from expired contracts of \$0.4 million or 32.7%, partially offset by an increased attendance (i.e. fulfillment) of \$0.2 million or 5.4%. The decrease in revenue of \$0.2 million or 1.2% for the nine months ended September 30, 2018 compared to the same period in 2017, was due to a decrease in recognition of revenue from expired contracts of \$0.8 million or 19.8%, partially offset by an increased attendance (i.e. fulfillment) of \$0.6 million or 4.5%.

Other Foreign Markets

We operate in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. Our Other Foreign Markets segment continues to gain traction and has shown significant growth in revenue. Revenue derived from the Rich Dad brands was \$4.6 million and \$3.8 million or as a percentage of total segment revenue was 98.1% and 81.6% for the three months ended September 30, 2018 and 2017, and \$14.7 million and \$10.8 million or as a percentage of total segment revenue was 96.1% and 78.7% for the nine months ended September 30, 2018 and 2017.

The Other Foreign Markets segment revenue was \$4.7 million and \$4.7 million or as a percentage of total revenue was 20.9% and 18.6% for the three months ended September 30, 2018 and 2017, and \$15.3 million and \$13.8 million or as a percentage of total revenue was 20.8% and 18.8% for the nine months ended September 30, 2018 and 2017. Revenue was flat in the both periods, three months ended September 30, 2018 and 2017. The increase in revenue of \$1.5 million or 10.9% during the nine months ended September 30, 2018 compared to the same period in 2017, was due to increase in recognition of revenue from expired contracts of \$1.8 million or 83.9%, partially offset by a decreased attendance (i.e. fulfillment) of \$0.3 million or 2.3%.

Three months ended September 30, 2018 Compared to Three months ended September 30, 2017

Revenue

Revenue was \$22.6 million for the three months ended September 30, 2018 compared to \$25.2 million for the three months ended September 30, 2017. Revenue decreased \$2.6 million or 10.3% during the three months ended September 30, 2018 compared to the same period in 2017. The decrease in revenue was due to a decrease in revenue from expired contracts of \$1.7 million or 27.3% and decreased attendance (i.e. fulfillment) of \$0.9 million or 5.0%.

Cash sales were \$23.3 million for the three months ended September 30, 2018 compared to \$24.5 million for the three months ended September 30, 2017, a decrease of \$1.2 million or 4.9%. The decrease was driven primarily by a \$1.4 million decrease in our Other Foreign Markets segment and a \$0.6 million decrease in our U.K. segment, partially offset by an increase of \$0.8 million in our North America segment.

Operating Expenses

Total operating costs and expenses were \$24.4 million for the three months ended September 30, 2018 compared to \$23.6 million for the three months ended September 30, 2017, an increase of \$0.8 million or 3.4%. The increase was primarily due to a \$0.7 million increase in advertising and sales expenses, a \$0.5 million increase general and administrative expenses, and a \$0.1 million increase in royalty expenses, partially offset by a \$0.5 million decrease in direct course expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$12.9 million for the three months ended September 30, 2018 compared to \$13.4 million for the three months ended September 30, 2017, a decrease of \$0.5 million or 3.7%, which was primarily related to decreases in preview product costs and sales and training compensation, due to a slight decrease in cash sales along with adjustments to our sales compensation programs. We have adjusted our sales compensation programs to align them with sales forecasts for the balance of 2018.

Advertising and sales expenses

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

Advertising and sales expenses were \$5.7 million for the three months ended September 30, 2018 compared to \$5.0 million for the three months ended September 30, 2017, an increase of \$0.7 million, or 14.0%. As a percentage of revenue, advertising and sales expenses were 25.2% and 19.9% of revenue for the three months ended September 30, 2018 and 2017, an increase of 5.3%. This increase is related to our efforts to diversify our product offerings through the introduction and the development of our proprietary brands as we incurred significant upfront costs to develop, test, and market these new brands and new product offerings.

Royalty expenses

We have licensing and related agreements with RDOC, whereby we have exclusive rights to develop, market, and sell Rich Dad Education-branded live seminars, training courses, and related products worldwide. In connection with these agreements and our other licensing agreements, we are required to pay royalties. Royalty expenses were \$1.2 million for the three months ended September 30, 2018 compared to \$1.1 million for the three months ended September 30, 2017, a slight increase of \$0.1 million or 9.1%.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were \$4.6 million for the three months ended September 30, 2018 compared to \$4.1 million for the three months ended September 30, 2017, an increase of \$0.5 million, or 12.2%. The increase was primarily driven by increases in professional fees and software costs in connection with our new ERP system which was placed into production in January 2018.

Income tax expense

We recorded an income tax benefit of \$797.0 thousand and income tax expense of (\$119.0) thousand for the three months ended September 30, 2018 and 2017, respectively. Our effective tax rate was 39.5% and 7.9% for the three months ended September 30, 2018 and 2017. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% and 35%, for the same periods, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of September 30, 2018 and December 31, 2017, valuation allowances of \$4.7 million have been provided against net operating loss carryforwards and other deferred tax assets, respectively. There were no significant changes in our valuation allowance during the three months ended September 30, 2018 and 2017.

Net Income/(Loss)

Net loss was \$1.2 million or (\$0.05) per basic and diluted common share for the three months ended September 30, 2018, compared to a net income of \$1.4 million or \$0.06 per basic and diluted common share for the three months ended September 30, 2017, an increase in net loss of (\$2.6) million or (\$0.11) per basic and diluted common share. Net loss for the three months ended September 30, 2018 was primarily due to decreases in revenue as a result of decrease in revenue from expired contracts of \$1.7 million or 27.3% and decreased attendance (i.e. fulfillment) of \$0.9 million or 5.0%.

Nine months ended September 30, 2018 Compared to Nine months ended September 30, 2017

Revenue

Revenue was \$73.5 million for the nine months ended September 30, 2018 compared to \$73.4 million for the nine months ended September 30, 2017. Revenue increased \$0.1 million or 0.1% during the nine months ended September 30, 2018 compared to the same period in 2017. The increase in revenue was due to increase in revenue from expired contracts of \$1.4 million or 11.4%, partially offset by decreased attendance (i.e. fulfillment) of \$1.3 million or 2.2%.

Cash sales were \$75.6 million for the nine months ended September 30, 2018 compared to \$75.7 million for the nine months ended September 30, 2017, a slight decrease of \$0.1 million or 0.1%. The decrease was driven primarily by a \$2.3 million decrease in our Other Foreign Markets segment and a \$0.6 million decrease in our U.K. segment, which was partially offset by a \$2.8 million increase in our North America segment.

Operating Expenses

Total operating costs and expenses were \$78.8 million for the nine months ended September 30, 2018 compared to \$70.6 million for the nine months ended September 30, 2017, an increase of \$8.2 million or 11.6%. The increase was primarily due to a \$3.0 million increase in direct course expenses, a \$2.6 million increase in advertising and sales expenses, a \$1.9 million increase general and administrative expenses and a \$0.7 million increase in royalty expense.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were \$42.5 million for the nine months ended September 30, 2018 compared to \$39.5 million for the nine months ended September 30, 2017, an increase of \$3.0 million or 7.6%, which was primarily related to increases in sales and training compensation, due to improved internal sales performance metrics, venue expenses, and mentor fulfillment costs. We have adjusted our sales compensation programs to align them with sales forecasts for the balance of 2018.

Advertising and sales expenses

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

Advertising and sales expenses were \$17.3 million for the nine months ended September 30, 2018 compared to \$14.7 million for the nine months ended September 30, 2017, an increase of \$2.6 million, or 17.7%. As a percentage of revenue, advertising and sales expenses were 23.5% and 20.1% of revenue for the nine months ended September 30, 2018 and 2017, an increase of 3.4%. This increase is primarily related to our efforts to diversify our product offerings through the introduction and the development of our proprietary brands as we incurred significant upfront costs to develop, test, and market these new brands and new product offerings.

Royalty expenses

We have licensing and related agreements with RDOC, whereby we have exclusive rights to develop, market, and sell Rich Dad Education-branded live seminars, training courses, and related products worldwide. In connection with these agreements and our other licensing agreements, we are required to pay royalties. Royalty expenses were \$4.4 million for the nine months ended September 30, 2018 compared to \$3.7 million for the nine months ended September 30, 2017, an increase of \$0.7 million, or 18.9%. The increase was primarily related to increase in deferred license expenses associated with the timing of revenue recognition in the quarters.

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 \$14.6 million for the nine months ended September 30, 2018 compared to \$12.7 million for the nine months ended September 30, 2017, an increase of \$1.9 million, or 15.0%. The increase was primarily driven by increases in professional fees and software costs in connection with our new ERP system which was placed into production in January 2018.

Income tax expense

We recorded an income tax benefit of \$1,040.0 thousand and \$107.0 thousand for the nine months ended September 30, 2018 and 2017, respectively. Our effective tax rate was 18.8% and (3.7)% for the nine months ended September 30, 2018 and 2017. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% and 35%, for the same periods, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of September 30, 2018 and December 31, 2017, valuation allowances of \$4.7 million have been provided against net operating loss carryforwards and other deferred tax assets, respectively. There were no significant changes in our valuation allowance during the nine months ended September 30, 2018. Our valuation allowance decreased \$0.4 million for the nine months ended September 30, 2017.

Net Income/(Loss)

Net loss was \$4.5 million or (\$0.20) per basic and diluted common share for the nine months ended September 30, 2018, compared to a net income of \$3.0 million or \$0.13 per basic and \$0.12 per diluted common share for the nine months ended September 30, 2017, an increase in net loss of (\$7.5) million or (\$0.33) per basic and (\$0.32) per diluted common share. Net loss for the nine months ended September 30, 2018, was negatively affected by the increase in operating expenses.

Critical Accounting Policies

For a discussion of our critical accounting policies and estimates that require the use of significant estimates and judgments, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

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

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our relatively modest operating cash flows during the past two years combined, it has been necessary for us to manage our cash position to ensure the future viability of our business. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, seasonality, and fluctuations in foreign currency exchange rates. We have taken steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for the remainder of 2018 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will be sufficient to fund our expected financial obligations and anticipated liquidity requirements for fiscal year 2019.

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

	Nine Months Ended September 30,	
	2018	2017
Net cash provided by (used in) operating activities	(1,643)	4,822
Net cash used in investing activities	(839)	(114)
Net cash provided by (used in) financing activities	491	(8)
Effect of exchange rate differences on cash	157	(1,050)
Net increase/(decrease) in cash and cash equivalents and restricted cash	<u>(1,834)</u>	<u>3,650</u>

Operating Cash Flows and Liquidity

Net cash used in operating activities was \$1.6 million in the nine months ended September 30, 2018 compared to net cash provided by operating activities of \$4.8 million in the nine months ended September 30, 2017, representing a period-over-period decrease of \$6.4 million. This decrease was primarily the result of decreased earnings as a result of (i) increased advertising and marketing expense primarily related to our efforts to diversify our product offerings through the introduction and the development of our proprietary brands, and (ii) increased general and administrative expenses primarily driven by increases in professional fees and software costs in connection with our new ERP system which was placed into production in January 2018.

Investing Cash Flows

Net cash used in investing activities totaled \$839.0 thousand in the nine months ended September 30, 2018 and \$114.0 thousand in the nine months ended September 30, 2017, representing our purchases of property and equipment.

Financing Cash Flows

Our consolidated capital structure as of September 30, 2018 and December 31, 2017 was 100.0% equity.

Net cash provided by financing activities totaled \$491.0 thousand during the nine months ended September 30, 2018 compared to net cash used in financing activities of \$8.0 thousand in the nine months ended September 30, 2017. Net cash provided by financing activities during the nine months ended September 30, 2018, primarily represents the proceeds from issuance of the Promissory Note, due March 13, 2019. The Promissory note was issued in an aggregate principal amount of \$500.0 thousand and bear interest at a fixed rate of 12% per annum during the initial 120 days of the term of the Promissory note, and a fixed rate of 30% per annum until all amounts due under the Promissory note are paid in full.

We expect that our working capital deficit, which is primarily a result of our deferred revenue balance, will continue for the foreseeable future. As of September 30, 2018 and December 31, 2017, our consolidated current deferred revenue was \$58.1 million and \$57.2 million, respectively.

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

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2018.

Item 4. Controls and Procedures.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). As of September 30, 2018, based upon that evaluation, the CEO and CFO concluded that the design and operation of these disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting that occurred during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to a number of contingencies, including litigation, from time to time. For further information regarding legal proceedings, see Note 12 *Commitments and Contingencies*, to our condensed consolidated financial statements.

Item 1A. Risk Factors.

For information regarding risk factors, please refer to Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

There were no sales or repurchases of the Company's equity securities during the three months ended September 30, 2018.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 2.1 in the Company's Form 8-K filed with the SEC on November 10, 2014)
3.2	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on November 10, 2014)
3.3	Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on February 17, 2017)
3.4	Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on January 12, 2018)
4.1	Promissory Note dated September 13, 2018 with an aggregate principal amount of \$500,000 issued by the Registrant to USA Regrowth Fund LLC, and Oregon limited liability company.*
10.1	Second Amendment to Rich Dad Operating Company, LLC License Agreement, dated January 25, 2018, ⁽¹⁾(Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on January 29, 2018)
10.2	Mutual Waiver and Release of Claims, dated January 25, 2018 (Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on January 29, 2018)
31.1*	Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of The Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101*	The following materials from Legacy Education Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three and nine months ended September 30, 2018 and 2017 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the nine months ended September 30, 2018 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (Unaudited) and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

* Filed herewith.

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

SIGNATURES

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

LEGACY EDUCATION ALLIANCE, INC.

Dated: November 14, 2018

By: /s/ ANTHONY C. HUMPAGE
Anthony C. Humpage
Chief Executive Officer and Director

Dated: November 14, 2018

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

LOAN CLOSING STATEMENT AND DISBURSEMENT SHEET

Borrower: ELITE LEGACY EDUCATION, INC., a Florida corporation

Mortgagor: JAMES E. MAY, as successor Trustee of the 1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000

Guarantor: LEGACY EDUCATION ALLIANCE HOLDINGS, INC., a Colorado corporation

Lender: USA REGROWTH FUND LLC, an Oregon limited liability company

Loan Amount: \$500,000.00

Loan No: _____

Closing Agent: MILLER JOHNSON LAW, P.L.

Closing Date: September __, 2018

File No.: _____

Legal Description: SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

LOAN CLOSING COSTS:

Mortgage and Security Agreement (16 pages)	\$ 137.50
Documentary Stamps	1,750.00
Intangible Tax	1,000.00
Collateral Assignment of Leases and Rents (0 pages-NOT NEEDED)	0.00
E-Recording Fees (1 document)	3.50
Internal Cost Recovery (Courier, Postage, etc.)	125.00
Archiving Fee	30.00
Title Search Fee	175.00
Title Insurance Premium - Mortgagee Title Policy	2,575.00
Municipal Lien Search	85.00
Loan Fee (6 Points)	30,000.00
Processing and Document Review Fee	500.00
Attorneys' Fees & Costs (Borrower)	2,850.00
Attorneys' Fees & Costs (Lender)	1,500.00
TOTAL LOAN CLOSING COSTS:	\$ 40,731.00

RECEIPTS:

From Lender at Closing		\$ 500,000.00
From Borrower at Closing	+	0.00
TOTAL RECEIPTS:		<u>\$ 500,000.00</u>

DISBURSEMENTS:

Lee County Comptroller			
(Record Mortgage)		137.50	
(Documentary Stamps)		1,750.00	
(Intangible Tax)		1,000.00	
(Collateral Assignment-NOT NEEDED)		0.00	2887.50
Fidelity National Title Insurance Company			
(Title Search)		175.00	
(Title Insurance Premium)		2,575.00	2,750.00
PropLogix			
(Municipal Lien Search)			85.00
Pioneer Records Management			
(Archiving Fee)			30.00
Quarles & Brady LLP			
(Attorneys' Fees & Costs [Borrower])			2,850.00
Miller Johnson Law, P.L.			
(Internal Cost Recovery)		125.00	
(Reimbursement of E-Recording / CSC)		3.50	
(Attorneys' Fees and Costs [Lender])		1,500.00	1,628.50
USA REGROWTH FUND LLC			
(Loan Fee)		30,000.00	
(Processing and Document Review Fee)		500.00	30,500.00
TOTAL DISBURSEMENTS:			<u>\$ 40,731.00</u>

RECAPITULATION:

Loan Amount	\$ 500,000.00
Less Closing Cost	-40,731.00
Total Amount Due to Borrower	<u>459,269.00</u>

AUTHORIZATION:

The undersigned acknowledge that Miller Johnson Law, P.L. has been requested to examine title to the Property on behalf of the Lender and, therefore, has not rendered an opinion of title or issued an owner's title policy to the Borrower. Borrower understands and agrees that Miller Johnson Law, P.L. is representing the Lender, not the Borrower, in this transaction.

The undersigned hereby approve the foregoing Loan Closing Statement and Disbursement Sheet and authorize the Closing Agent to close the Loan in the manner specified therein and to make disbursements to the persons and in the amounts described above.

Borrower:

ELITE LEGACY EDUCATION, INC.,
a Florida corporation

By: /s/ Anthony Humpage
Anthony Humpage

As its: CEO

Mortgagor:

/s/ James E. May
JAMES E. MAY, as successor Trustee
of the 1612 E. CAPE CORAL
PARKWAY LAND TRUST, dated
November 7, 2000

Guarantor:

LEGACY EDUCATION ALLIANCE HOLDINGS,
INC.,
a Colorado corporation

By: /s/ Anthony Humpage
Anthony Humpage

As its: CEO

Lender:

USA REGROWTH FUND LLC,
an Oregon limited liability company

By: _____

As its: _____

EXHIBIT "A"
Legal Description

Parcel I

Lots 3, 4, and 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida; less the following described portion thereof:

Beginning at the northeast corner of Section 18, Township 45 South, Range 24 East and proceeding south along the east line of said Section 18, a distance of 240.0 feet to a point; thence N 89° 24' 01" W for a distance of 24.74 feet to a point said point being the point of curve at the east end of the north property line of said Block 440. Said point also being the northeast corner of the parcel to be reserved and hereinafter referred to as the Point of Beginning; thence S 0° 35' 59" W for a distance of 14.0 feet to a point; thence N 89° 24' 01" W for a distance of 16.0 feet to a point; thence N 0° 35' 59" E for a distance of 14.0 feet to a point; thence S 89° 24' 01" E for a distance of 16.0 feet to the Point of Beginning; and also less the following described portion of Lot 5:

Commence at the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency, said point being the Point of Beginning; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3 south, 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 205.09 feet to the beginning of a curve concave to the southeast, having a radius of 15.00 feet, and a central angle of 90° 35' 59"; thence along the arc of said curve 23.72 feet to a point of tangency, and the Point of Beginning; and including the 20' wide alley lying adjacent to Lots 2, 3, 4, and 5 as vacated according to O.R. 562, Page 645, less that portion of said alley as described in O.R. 567, Page 234 of the Public Records of Lee County, Florida.

Parcel H

A portion of Lot 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida, more particularly described as follows:

From the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5, said intersection also being the Point of Beginning; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3, south 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 220.25 feet to the Point of Beginning.

PROMISSORY NOTE

EXECUTION DATE: September 13, 2018 [XX] NEW [] RENEWAL

LOAN NUMBER: _____

PRINCIPAL AMOUNT: \$500,000.00

MATURITY DATE: March 13, 2019

Bank:

USA REGROWTH FUND LLC,
an Oregon limited liability company
16869 SW 65th # 317
Lake Oswego, Oregon 97035

Borrower:

ELITE LEGACY EDUCATION, INC.,
a Florida corporation
1612 East Cape Coral Parkway
Cape Coral, Florida 33904

This Promissory Note shall continue the obligation until the Maturity Date.

FOR VALUE RECEIVED, the undersigned Borrower unconditionally (and jointly and severally, if more than one) promises to pay to the order of Bank, its successors and assigns, without setoff, at its offices indicated at the beginning of this Note, or at such other place as may be designated by Bank, the principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) or so much thereof as may be advanced from time to time in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder, at an annual interest rate, and in accordance with the payment schedule, indicated below.

1. INTEREST RATE. The Interest Rate during the initial 120 days of the term of this Note shall be a fixed rate of interest equal to TWELVE (12.0%) PERCENT per annum. After the initial 120 days of the term of this Note, the Interest Rate shall be a fixed rate of interest equal to THIRTY (30.0%) PERCENT per annum until all amounts due under the Note are paid in full. Notwithstanding any provision of this Note, Bank does not intend to charge and Borrower shall not be required to pay any amount of interest or other charges in excess of the maximum permitted by the applicable law of the State of Florida; if any higher rate ceiling is lawful, then that higher rate ceiling shall apply. Any payment in excess of such maximum shall be refunded to Borrower or credited against principal, at the option of the Bank.

2. ACCRUAL METHOD. Unless otherwise indicated, interest at the Interest Rate set forth above shall be calculated by the 365 day method (a daily amount of interest is computed for a hypothetical year of 365 days; that amount is multiplied by the actual number of days for which any principal is outstanding hereunder).

Borrower's Initials



3. PAYMENT SCHEDULE. All payments received hereunder shall be applied first to the payment of any expenses or charges payable hereunder or under any other loan documents executed in connection with this Note, including but not limited to escrow charges and late fees, then to interest due and payable, with the balance applied to principal, or in such other order as Bank shall determine at its option.

During the term of this Note, payments consisting of interest only shall be due and payable monthly on the indebtedness evidenced by this Note at the Interest Rate, commencing on October 13, 2018, and continuing on the thirteenth, (13th) day of each successive month thereafter through and including the Maturity Date, at which time the entire unpaid principal balance together with all accrued and unpaid interest shall be due and payable in full.

4. REVOLVING FEATURE. This section intentionally left blank.

5. WAIVERS, CONSENTS AND COVENANTS. Borrower, any endorser or guarantor hereof, or any other party hereto (individually an "Obligor" and, collectively, "Obligors") and each of them jointly and severally: (a) waive presentment, demand, protest, notice of demand, notice of intent to accelerate, notice of acceleration of maturity, notice of protest, notice of nonpayment, notice of dishonor, and any other notice required to be given under the law to any Obligor in connection with the delivery, acceptance, performance, default or enforcement of this Note, any endorsement or guaranty of this Note, or any other documents executed in connection with this Note or any other note or other loan documents now or hereafter executed in connection with any obligation of Borrower, or any of its affiliates, to Bank (the "Loan Documents"); (b) consent to all delays, extensions, renewals or other modification of this Note or the Loan Documents, or waivers of any term hereof or of the Loan Documents, or release or discharge by Bank of any of Obligors, or release, substitution or exchange of any security for the payment hereof, or the failure to act on the part of Bank, or any indulgence shown by Bank (without notice to or further assent from any of Obligors), and agree that no such action, failure to act or failure to exercise any right or remedy by Bank shall in any way affect or impair the obligations of any Obligors or be construed as a waiver by Bank of, or otherwise affect, any of Bank's rights under this Note, under any endorsement or guaranty of this Note or under any of the Loan Documents; and (c) agree to pay, on demand, all costs and expenses of collection or defense of this Note or of any endorsement or guaranty hereof and/or the enforcement or defense of Bank's rights with respect to, or the administration, supervision, preservation, or protection of, or realization upon, any property securing payment hereof, including, without limitation, reasonable attorneys' fees and paralegals' fees, including fees related to any suit, mediation or arbitration proceeding, out of court payment agreement, trial, appeal, bankruptcy proceedings or other proceeding, in such amount as may be determined reasonable by any arbitrator or court, whichever is applicable.

6. INDEMNIFICATION. Obligors agree to promptly pay, indemnify and hold Bank harmless from all State and Federal taxes of any kind and other liabilities with respect to or resulting from the execution and/or delivery of this Note or any advances made pursuant to this Note. If this Note has a revolving feature and is secured by a mortgage, Obligors expressly consent to the deduction of any applicable taxes from each taxable advance extended by Bank.

Borrower's Initials



7. PREPAYMENTS. Prepayments may be made in whole or in part at any time. All prepayments of principal shall be applied in the inverse order of maturity, or in such other order as Bank shall determine in its sole discretion.

8. DELINQUENCY CHARGE. To the extent permitted by law, a delinquency charge may be imposed in an amount not exceed five percent (5.0%) of any payment that is more than ten (10) days late.

9. EVENTS OF DEFAULT. The following are events of default hereunder: (a) the failure to pay or perform any obligation, liability or indebtedness of any Obligor to Bank, or to any affiliate or subsidiary of Bank, whether under this Note or any Loan Documents, as and when due (whether upon demand, at maturity or by acceleration); (b) the failure to pay or perform any other obligation, liability or indebtedness of any Obligor to any other party; (c) the death of any Obligor (if an individual); (d) the resignation or withdrawal of any partner or a material owner/guarantor of Borrower, as determined by Bank in its sole discretion; (e) the commencement of a proceeding against any Obligor for dissolution or liquidation, the voluntary or involuntary termination or dissolution of any Obligor or the merger or consolidation of any Obligor with or into another entity; (f) the insolvency of, the business failure of, the appointment of a custodian, trustee, liquidator or receiver for or for any of the property of, the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor's relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against any Obligor; (g) the determination by Bank that any representation or warranty made to Bank by any Obligor in any Loan Documents or otherwise is or was, when it was made, untrue or materially misleading; (h) the failure of any Obligor to timely deliver such financial statements, including tax returns, other statements of condition or other information, as Bank shall request from time to time; (i) the entry of a judgment against any Obligor which Bank deems to be of a material nature, in Bank's sole discretion; (j) the seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property of any Obligor; (k) the determination by Bank that it is insecure for any reason; (l) the determination by Bank that a material adverse change has occurred in the financial condition of any Obligor; (m) the failure of Borrower's business to comply with any law or regulation controlling its operation; (n) the determination by Bank that construction of the intended Improvements would violate a code, rule, regulation, or restriction of a governmental agency; or (o) the discovery of any hazardous material or environmental violations on the Property.

Borrower's Initials



10. REMEDIES UPON DEFAULT. Whenever there is a default under this Note (a) the entire balance outstanding hereunder and all other obligations of any Obligor to Bank (however acquired or evidenced) shall, at the option of Bank, become immediately due and payable and any obligation of Bank to permit further borrowing under this Note shall immediately cease and terminate, and/or (b) to the extent permitted by law, the Interest Rate on the unpaid principal shall be increased at Bank's discretion up to the maximum rate allowed by law, or if none, 25% per annum (the "Default Rate"). The provisions herein for a Default Rate shall not be deemed to extend the time for any payment hereunder or to constitute a "grace period" giving Obligors a right to cure any default. At Bank's option, any accrued and unpaid interest, fees or charges may, for purposes of computing and accruing interest on a daily basis after the due date of the Note or any installment thereof, be deemed to be a part of the principal balance, and interest shall accrue on a daily compounded basis after such date at the Default Rate provided in this Note until the entire outstanding balance of principal and interest is paid in full. Upon a default under this Note, Bank is hereby authorized at any time, at its option and without notice or demand, to set off and charge against any deposit accounts of any Obligor (as well as any money, instruments, securities, documents, chattel paper, credits, claims, demands, income and any other property, rights and interests of any Obligor), which at any time shall come into the possession or custody or under the control of Bank or any of its agents, affiliates or correspondents, any and all obligation due hereunder. Additionally, Bank shall have all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law or in equity. Any judgment rendered on this Note shall bear interest at the highest rate of interest permitted pursuant to Chapter 687, *Florida Statutes*.

11. NON-WAIVER. The failure at any time of Bank to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Bank shall be cumulative and may be pursued singly, successively or together, at the option of Bank. The acceptance by Bank of any partial payment shall not constitute a waiver of any default or of any of Bank's rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by Bank unless the same shall be in writing, duly signed on behalf of Bank; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Bank or the obligations of Obligors to Bank in any other respect at any other time.

12. APPLICABLE LAW, VENUE, JURISDICTION AND COLLECTION EXPENSES. This Note and the rights and obligations of Borrower and Bank shall be governed by and interpreted in accordance with the law of the State of Florida. In any litigation in connection with or to enforce this Note or any indorsement or guaranty of this Note or any Loan Documents, Obligors, and each of them, irrevocably consent to and confer personal jurisdiction on the courts of the State of Florida and venue in the courts of Orange County, Florida or the United States District Court, Middle District of Florida and expressly waive any objections as to venue in any such courts. Nothing contained herein shall, however, prevent Bank from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available under applicable law. The Interest Rate charged on this Note is authorized by Chapter 655, *Florida Statutes* and Section 687.12, *Florida Statutes*.

BORROWER AND HOLDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER ENTERING INTO THIS AGREEMENT.

Borrower's Initials



In the event of any action by Bank for collection of this Note, Borrower agrees to pay all fees and expenses incurred in connection therewith, including but not limiting the generality thereof, filing fees, stenographer fees, witness fees, costs of publication, costs of procuring abstracts of title, foreclosure minutes, title insurance policies, reasonable attorneys' fees, including those incurred in appellate proceedings, paralegal fees and costs, costs of collecting, enforcing and protecting liabilities, and other collection costs. All such fees and expenses shall be added to the principal due under this Note and shall bear interest at the rate provided herein.

13. PARTIAL INVALIDITY. The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of this Note or of the Loan Documents to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

14. BINDING EFFECT. This Note shall be binding upon and inure to the benefit of Borrower, Obligors and Bank and their respective successors, assigns, heirs and personal representative, provided, however, that no obligations of Borrower or Obligors hereunder can be assigned without prior written consent of Bank.

15. CONTROLLING DOCUMENT. To the extent that this Note conflicts with or is in any way incompatible with any other document related specifically to the loan evidenced by this Note, this Note shall control over any other such document, and if this Note does not address an issue, then each other such document shall control to the extent that it deals most specifically with an issue.

16. MORTGAGE. This Note is secured by, among other things, that certain Mortgage and Security Agreement dated of even date herewith, executed by Borrower in favor of the Bank, to be filed and recorded in the Public Records of Lee County, Florida (the "Mortgage"), and as the same may be further modified and amended from time to time.

17. COMMITMENT LETTER. Intentionally deleted.

18. ADDITIONAL CONDITIONS.

a. Notwithstanding anything contained herein to the contrary, the Interest Rate shall automatically accelerate to twenty-five percent (25.0%) per annum, without any prior notification to Borrower, in the event that any payment, obligation, liability or indebtedness under this Note is more than sixty (60) days past its due date herein.

Borrower represents to Bank that the proceeds of this loan are to be used primarily for business, commercial or agricultural purposes. Borrower acknowledges having read and understood, and agrees to be bound by, all terms and conditions of this Note and hereby executes this Note under seal as of the date here above written.

Borrower's Initials



NOTICE OF FINAL AGREEMENT. THIS WRITTEN PROMISSORY NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTION DATE: September 13, 2018

Borrower:

ELITE LEGACY EDUCATION, INC.,
a Florida limited liability company

By: /s/ Anthony Humpage
Anthony Humpage

As its: CEO

NOTE TO CLERK: Documentary Stamps have been paid as noted on that certain Mortgage and Security Agreement, dated of even date herewith, to be filed and recorded in the Public Records of Lee County, Florida.

Borrower's Initials



JOINDER AND CONSENT

THE UNDERSIGNED, as holder and owner of the Collateral, hereby joins in, acknowledges, consents and affirms the foregoing instrument, where such obligations to the undersigned are limited to the undersigned's interest in the property.

DATED this 13 day of September, 2018.

/s/ James E. May

**JAMES E. MAY, as successor Trustee
of the 1612 E. CAPE CORAL
PARKWAY LAND TRUST, dated
November 7, 2000**

Borrower's Initials



JOINDER AND CONSENT

THE UNDERSIGNED, as Guarantor, hereby joins in, acknowledges, consents and affirms the foregoing instrument.

DATED this 13 day of September, 2018.

**LEGACY EDUCATION ALLIANCE
HOLDINGS, INC.,**
a Colorado corporation

By: /s/ Anthony Humpage

Anthony Humpage

As its: CEO

Borrower's Initials



This Instrument Prepared By
and Return To:
Christine M. Berk, Esq.
MILLER JOHNSON LAW, P.L.
247 Maitland Avenue, Suite 1000
Altamonte Springs, Florida 32701

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT (the "Mortgage"), is made and entered into this 13 day of September, 2018, by (i) **JAMES E. MAY, as successor Trustee of the 1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000**, whose address for purposes of this instrument is 1612 E. Cape Coral Parkway, Cape Coral, Florida 33904 (the "Mortgagor") (ii) **ELITE LEGACY EDUCATION, INC.**, a Florida corporation, whose address for purposes of this instrument is 1612 East Cape Coral Parkway, Cape Coral, Florida 33904 (the "Borrower"), in favor of (iii) **USA REGROWTH FUND LLC**, an Oregon limited liability company, whose address for purposes of this instrument is 16869 SW 65th # 317, Lake Oswego, Oregon 97035 (the "Mortgagee").

WITNESSETH:

THAT in the consideration of the premises and in order to secure the payment of that certain Promissory Note dated of even date herewith made by Mortgagor, payable to the order of the Mortgagee in the original principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (hereinafter referred to as the "Note"), and to secure the performance and observance of all covenants and conditions in this Mortgage and in all other instruments securing the Note and in order to charge the properties, interests and rights hereinafter described with such payment and performance and to secure additional advances, renewals and extensions thereof, the Mortgagor does hereby mortgage, sell, pledge and assign to the Mortgagee all estate, right, title and interest of the Mortgagor in and to that certain real property situate in Lee County, Florida, being more particularly described in Exhibit "A" attached hereto.

THIS IS A FIRST MORTGAGE.

TOGETHER with all improvements now or hereafter located on said real property and all fixtures, appliances, apparatus, equipment, furnishings, and articles of personal property now or hereafter fixed to, attached to, or used in any way in connection with the complete use, occupancy, development or operation of said real property, all licenses and permits used or required in connection with the use of said real property, all leases of said real property now or hereafter entered into and all right, title and interest of the Mortgagor thereunder, including, without limitation, cash or securities deposited thereunder pursuant to said leases, and all rents, proceeds and profits accruing from said real property and all proceeds of any voluntary or involuntary conversion of any of the foregoing, including proceeds of insurance and condemnation awards. The aforesaid real property and personal property being hereinafter referred to collectively as the "Mortgaged Property".

This Mortgage is a self-operative security agreement with respect to the aforesaid personal property but Mortgagor agrees to execute and deliver on demand such other security agreements, financing statements and other instruments as the Mortgagee may, at any time hereafter, request in order to perfect its security interest or to impose the lien hereof more specifically upon any such property. The Mortgagee shall have all rights and remedies, in addition to those specified herein, of a secured party under the Uniform Commercial Code.

TO HAVE AND TO HOLD the Mortgaged Property, together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining and the reversion and reversions thereof and all estate, right, title, interest, claim and demand whatsoever, either in law or in equity, of the Mortgagor of, in and to the same and every part and parcel thereof unto the Mortgagee in fee simple.

The Mortgagor warrants that Mortgagor has good and marketable title to an indefeasible fee estate in the real property comprising the Mortgaged Property subject to no lien, charge or encumbrance except such as the Mortgagee has agreed to accept in writing. The Mortgagor further covenants that this Mortgage is and will remain a valid and enforceable mortgage on the Mortgaged Property subject only to the exceptions herein provided. The Mortgagor has full power and lawful authority to mortgage the Mortgaged Property in the manner and form herein done or intended hereafter to be done and will preserve such title and will forever warrant and defend the same to Mortgagee and will forever warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

The Mortgagor will, at the cost of Mortgagor, and without expense to the Mortgagee, do, execute, acknowledge and deliver all and every such further act, deed, conveyance, mortgage, assignment, notice of assignment, transfer and assurance as the Mortgagee shall from time to time require in order to preserve the priority of the lien of this Mortgage or to facilitate the performance of the terms hereof.

PROVIDED, HOWEVER, that if the Borrower shall pay to the Mortgagee the Note at the times and in the manner stipulated therein and in all other instruments securing the Note, including renewals, extensions or modifications thereof, and shall keep and perform all covenants and agreements in this Mortgage and all other instruments securing the Note to be kept, performed or observed by the Borrower, then this Mortgage shall cease and be void, but shall otherwise remain in full force and effect.

The Mortgagor further covenants and agrees with the Mortgagee as follows:

1. Compliance with Note and Mortgage. The Mortgage shall comply with all provisions of this Mortgage, and of every other instrument securing the Note to the extent of Mortgagor's interest in the Mortgaged Property. The failure of the Borrower to promptly pay to the Mortgagee, when due, principal and interest under the Note, and all other sums required to be paid by the Borrower pursuant to the provisions of this Mortgage and of every other instrument securing the Note, shall constitute a default under this Mortgage.

2. Payment of Taxes and Liens. On condition of an Event of Default, the Borrower shall pay all taxes, assessments, levies, liabilities, obligations and encumbrances of every nature now on the Mortgaged Property or that hereafter may be imposed, levied or assessed upon this Mortgage or the Mortgaged Property or upon the indebtedness secured hereby. All such payments shall be made when due and payable according to law before they become delinquent and before any interest attaches or any penalty is incurred. The Borrower shall furnish evidence of such payment to the Mortgagee. Insofar as any indebtedness is of record, the same shall be promptly satisfied and evidence of such satisfaction shall be given to the Mortgagee.

On condition of an Event of Default, the Mortgagee may at its option require the Borrower to deposit with Mortgagee on the first (1st) day of each month in addition to making payments of principal and interest, until the Note is fully paid and all other secured obligations are satisfied, an amount equal to one-twelfth (1 /12th) of the yearly payment for all taxes and/or insurance premiums. Such deposits shall not be, nor deemed to be, trust funds, but may be commingled with the general funds of the Mortgagee, and no interest shall be payable in respect thereof. Upon demand by the Mortgagee, the Borrower shall deliver to Mortgagee such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable Mortgagee to pay such taxes or premiums when due. In the event of a default by Borrower under any term, covenant or condition of the Note, this Mortgage or any other instrument securing the Note, Mortgagee may apply to the reduction of the sums secured hereby, in such manner as Mortgagee shall determine, any amount under this paragraph remaining to Borrower's credit and any return premium received from cancellation of any insurance policy by Mortgagee upon foreclosure of this Mortgage.

3. Government Fees and Charges: Curing of Violations. The Mortgagor shall promptly pay and discharge any and all license fees or similar charges, together with any penalties and interest thereon, which may be imposed by any governmental authority having jurisdiction over the Mortgaged Property. Furthermore, the Mortgagor shall promptly cure any violation of law and comply with any order of said governmental authority in respect of the repair, replacement or condition of the Mortgaged Property.

4. Insurance. The Mortgagor will keep the improvements now existing or hereafter erected on the Mortgaged Property, insured as may be required from time to time by the Mortgagee against loss by fire and other hazards, casualties, and contingencies in such amounts and for such periods as may be required by the Mortgagee, and will pay promptly, when due, any premiums on such insurance, provision for the payment of which has not been made hereinbefore. All insurance shall be carried in companies approved by the Mortgagee and the policies and renewals thereof shall be held by the Mortgagee and have attached thereto loss payable clauses in favor of and in a form acceptable to the Mortgagee. Unless otherwise consented to by Mortgagee in writing, all policies shall have affixed thereto a standard mortgagee clause without contribution making all such losses under such policy payable to the Mortgagee as its interest may appear. In the event of loss, the Mortgagor will give immediate notice by mail to the Mortgagee, and the Mortgagee may make proof of loss if not made promptly by the Mortgagor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the Mortgagee instead of to the Mortgagor and Mortgagee jointly, and the insurance proceeds, or any part thereof, may be applied by the Mortgagee at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In the event of foreclosure of this Mortgage or other transfer of title to the Mortgaged Property in extinguishment of the indebtedness secured hereby, all right, title, and interest of the Mortgagor in and to any insurance policies then in force shall pass to the purchaser or grantee.

5. Condemnation. If at any time all or any portion of the Mortgaged Property shall be taken or damaged by condemnation proceedings under the power of eminent domain, all compensation awarded or otherwise paid shall be paid directly to the Mortgagee and the Mortgagee is hereby authorized, at its option, to commence, appear and to prosecute, in its own or in the Mortgagor's name any action or proceeding relating to any condemnation, or to settle or compromise any claim in connection therewith. All such compensation awards and any other payments or relief and the right thereto are hereby assigned by the Mortgagor to the Mortgagee and the Mortgagee, after deducting therefrom all of its expenses including attorney's fees, may release money so received without affecting the lien of this Mortgage, or may apply the same, in such manner as the Mortgagee shall determine, to the reduction of the sum secured hereby. The Mortgagor agrees to execute such further assignments of any compensation, awards, damages, claims, rights of action and proceeds, as the Mortgagee may require.

6. Care of Mortgaged Property. The Mortgagor shall not remove or demolish any building or other improvement forming a part of the Mortgaged Property without the written consent of the Mortgagee. The Mortgagor shall not permit, commit or suffer any waste, impairment or deterioration of the Mortgaged Property or any part thereof, and shall keep the same and improvements thereon in good condition and repair. The Mortgagor shall notify the Mortgagee in writing within five (5) days of any damage or impairment of the Mortgaged Property. The Mortgagee may at its option have the Mortgaged Property inspected at any time and the Mortgagor shall pay all costs incurred by the Mortgagee in performing such inspection.

7. Mortgagee's Right to Make Certain Payments. In the event the Mortgagor fails to pay or discharge the taxes, assessments, levies, liabilities, obligations and encumbrances, or fails to keep the Mortgaged Property insured or to deliver the policies, premiums paid, or fails to repair the Mortgaged Property as herein agreed, the Mortgagee may at its option pay or discharge the taxes, assessments, levies, liabilities, and obligations and encumbrances on any part thereof, procure and pay for such insurance, or make and pay for such repairs. The Mortgagee shall have no obligation on its part to determine the validity or necessity of any payment thereof and any such payment shall not waive or affect any option, lien equity or right of the Mortgagee under or by virtue of this Mortgage. The full amount of each and every such payment shall be immediately due and payable and shall bear interest from the date thereof, until paid, at the highest rate allowable by law, and together with such interest, shall be secured by the lien of this Mortgage. Nothing herein contained shall be construed as requiring the Mortgagee to advance or expend monies for any of the purposes mentioned in this paragraph.

8. Payment of Expenses. The Borrower shall pay all costs, charges and expenses, including reasonable attorney's fees, disbursements and cost of abstracts of title, incurred or paid at any time by the Mortgagee due to the failure on the part of the Mortgagor promptly and fully to perform, comply with and abide by any stipulation, agreement, condition or covenant of the Note, this Mortgage, or any other document securing the Note. Such costs, charges, fees and expenses shall be immediately due and payable, whether or not there be notice, demand, attempt to collect or suit pending. The full amount of each and every such payment shall bear interest from the date thereof, until paid, at the highest rate allowable by law. All such costs, charges and expenses so incurred or paid, together with such interest, shall be secured by the lien of this Mortgage and any other instrument securing the Note.

9. After Acquired Property. The lien of this Mortgage will automatically attach, without further act, to all after acquired property of whatever kind located in or on, or attached to, or used or intended to be used in connection with, or in the operation of, the Mortgaged Property.

10. Additional Documents. During the entire time this Mortgage is in effect, upon the Mortgagee's request, the Mortgagor shall make, execute and deliver or cause to be made, executed and delivered to the Mortgagee and, where appropriate, shall cause to be recorded or filed and thereafter to be re-recorded or refiled at such time and in such place as shall be deemed appropriate by the Mortgagee, any and all such further mortgages, instruments of further assurance, certificates and other documents as the Mortgagee may consider necessary or desirable in order to effectuate, complete, enlarge, perfect, or to continue and preserve the obligations of the Mortgagor under the Note, this Mortgage and all other instruments securing the Note, and the lien of this Mortgage as a lien upon all the Mortgaged Property. Upon any failure by the Mortgagor to do so, the Mortgagee may make, execute, record, file, re-record, or refile any and all such mortgages, instruments, certificates, financing statements, and documents for and in the name of the Mortgagor. The Mortgagor hereby irrevocable appoints the Mortgagee as agent and attorney-in-fact of the Mortgagor to do all things necessary to effectuate or assure compliance with this paragraph.

11. Event of Default. Any one of the following shall constitute an event of default.

(a) Failure by Borrower to pay when due any installment of principal or interest due under the Note or any other sums to be paid by the Borrower hereunder or under any other instrument securing the Note.

(b) Failure by Mortgagor to duly keep, perform and observe any other covenant, condition or agreement to this Mortgage, failure by Borrower to duly keep, perform and observe any other covenant, condition or agreement in the Note and any other instrument securing the Note or any other instrument collateral to the Note or executed in connection with the sums secured hereby.

(c) Institution of foreclosure proceedings against the Mortgaged Property as the result of any other lien or claim, whether alleged to be superior or junior to the lien of this Mortgage. The Mortgagee may, at its option, immediately upon institution of such suit or during the pendency thereof, declare this Mortgage and the indebtedness secured hereby due and payable forthwith and may, at its option, proceed to foreclose this Mortgage.

(d) If either the Borrower, Mortgagor (to the extent of Mortgagor's interest in the Mortgaged Property), or any guarantor or endorser of the Note: (i) files a voluntary petition in bankruptcy or (ii) is adjudicated a bankrupt or insolvent, or (iii) files any petition or answer seeking or acquiescing in any reorganization, management, composition, readjustment, liquidation, dissolution or similar relief for itself under any law relating to bankruptcy, insolvency or other relief for debtors, or (iv) seeks or consents to or acquiesces in the appointment of any trustee, receiver, master or liquidator of itself or of all or any substantial part of the Mortgaged Property or of any or all of the rents, revenue issue, earnings, profits or income thereof, or (v) makes any general assignment for the benefit of creditors, or (vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Borrower or Mortgagor (to the extent of Mortgagor's interest in the Mortgaged Property) or any guarantor or endorser of the Note, seeking any reorganization, arrangements, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal, state, or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, which order, judgment or decree remains unvacated and unstayed for an aggregate of sixty (60) days whether or not consecutive from the date of entry thereof, or (viii) any trustee, receiver or liquidator of the Mortgagor or of all or any substantial part of the Mortgaged Property or of any or all of the rents, revenues, issues, earnings, profits or income thereof, is appointed without the prior written consent of the Mortgagee.

(e) Any breach of any warranty or material untruth of any representation of the Borrower contained in the Note, by the Mortgagor as to this Mortgage or any other instrument securing the Note.

(f) Any breach of any provision in any guaranty collateral to the Note by the guarantor therein or any breach of any warranty or material untruth of any representation contained in any such guaranty.

12. Acceleration. If an event of default shall have occurred, the Mortgagee may declare the outstanding principal amount of the Note, the interest accrued thereon, and all other sums secured hereby to be due and payable immediately. Upon such declaration such principal and interest and other sum shall immediately be due and payable without demand or notice and said sums shall bear interest from such time until paid at the highest rate allowable under the laws of the State of Florida.

13. Remedies After Default. Upon an event of default, the Mortgagee may proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy to: (a) enforce payment of the Note or the performance of any term hereof or any other right; (b) foreclose this Mortgage and to sell, as an entirety or in separate lots or parcels, the Mortgaged Property under the judgment or decree of a court or courts of competent jurisdiction (c) collect all rents, issues, profits, revenue, income and other benefits from the Mortgaged Property; (d) apply to the court having jurisdiction thereof for the appointment of a receiver of all and singular the Mortgaged Property and of all rents, incomes, profits, issues and revenues thereof, from whatsoever source derived, and thereupon it is hereby expressly covenanted and agreed that the court shall forthwith appoint such receiver with the usual powers and duties of receivers in like cases and said appointment shall be made by the court as a matter of strict right to the Mortgagee and without reference to the adequacy or inadequacy of the value of the Mortgaged Property, or to the solvency or insolvency of the Mortgagor or any other party defendant to such suit and the Mortgagor waives the right to object to the appointment of a receiver as aforesaid and consents that the appointment shall be made as an admitted equity and as a matter of absolute right to the Mortgagee and may be done without notice to the Mortgagor or Borrower; or (e) pursue any other remedy available to the Mortgagee, including, but not limited to, taking possession of the Mortgaged Property without notice or hearing to the Mortgagor or Borrower. The Mortgagee shall take action either by such proceedings or by the exercise of its power with respect to entry or taking possession, or both, as the Mortgagee may determine.

14. Right to Receiver on Default. If default be made in payment, when due, of any indebtedness secured hereby, or in performance of any of Borrower's obligations, covenants or agreements hereunder or in connection herewith:

(a) Mortgagee is authorized at any time, without notice, in its sole discretion to enter upon and take possession of the Mortgaged Property or any part thereof, to perform any acts Mortgagee deems necessary or proper to preserve the security and to collect and receive all rents, issues and profits thereof, including those past due as well as those accruing thereafter; and

(b) Mortgagee shall be entitled, as a matter of strict right, without notice and ex parte, and without regard to the value or occupancy of the security, or the solvency of Mortgagor, or the adequacy of the Mortgaged Property as security for the Note, to have a receiver appointed to enter upon and take possession of the Mortgaged Property, collect the rents and profits therefrom and apply the same as the court may direct, such receiver to have all the rights and powers permitted under the laws of Florida.

In either such case, Mortgagee or the receiver may also take possession of, and for these purposes use, any and all personal property which is a part of the Mortgaged Property and used by Mortgagor in the rental or leasing thereof or any part thereof. The expense (including receiver's fees, counsel fees, costs and agent's compensation) incurred pursuant to the powers herein contained shall be additional indebtedness of Borrower to Mortgagee secured hereby. Mortgagee shall (after payment of all costs and expenses incurred) apply such rents, issues and profits received by it on the indebtedness secured hereby in such order as Mortgagee determines. The right to enter and take possession of the Mortgaged Property, to manage and operate the same, and to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Mortgagee shall be liable to account only for such rents, issues and profits actually received by Mortgagee.

15. No Waiver. Any failure by the Mortgagee to insist upon the strict performance by the Borrower or Mortgagor of any of the terms and provisions hereof shall not be deemed to be a waiver of any of the terms and provisions hereof and the Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by the Mortgagor or Borrower of any and all of the terms and provisions of this Mortgage to be performed by the Mortgagor. Neither the Mortgagor nor any other person now or hereafter obligated for the payment of the whole or any part of the sums now or hereafter secured by this Mortgage shall be relieved of such obligation by reason of the failure of the Mortgagee to comply with any request of the Borrower or Mortgagor or of any other person so obligated to take action to foreclose this Mortgage or otherwise enforce any of the provisions of this Mortgage or of any obligations secured by this Mortgage, or, by reason of the release, regardless of consideration, of the whole or any part of the security held for the indebtedness secured by this Mortgage, or by reason of any agreement or stipulation between any subsequent owner or owners of the Mortgaged Property and the Mortgagee extending the time of payment or modifying the terms of the Note or this Mortgage, without first having obtained written consent of the Borrower or Mortgagor or such other person; and, in the last mentioned event, the Borrower or Guarantor and all such other persons shall continue liable to make such payments according to the terms of any such agreement of extension or modification, unless expressly released and discharged in writing by the Mortgagee. The Mortgagee may release, regardless of consideration, any party liable upon or in respect of the Note or any part of the security held for the indebtedness secured by this Mortgage without, as to any other or as to the remainder of the security, in anywise impairing or affecting the lien of this Mortgage or the priority of such lien over any subordinate lien. The Mortgagee may resort for the payment of the indebtedness secured by this Mortgage to any other security therefor held by the Mortgagee, in such order and manner as the Mortgagee may elect.

16. Non-Exclusive Remedies. No right, power or remedy conferred upon or reserved to the Mortgagee by the Note, this Mortgage, or any other instruments securing the Note is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Note, or any other instrument securing the Note, now or hereafter existing at law, in equity, or by statute.

17. Successors and Assigns Bound; Joint and Several Liability and Benefits. Whenever one of the parties hereto is named or referred to herein, the heirs, successors and assigns of such party shall be included and all covenants and agreements contained in this Mortgage, by or on behalf of the Mortgagor or the Borrower or the Mortgagee, shall bind and inure to the benefit of their respective heirs, successors and assigns, whether or not so expressed. The obligations created and benefits granted hereunder shall be joint and several among multiple mortgagors.

18. Notices. Any notice to the Mortgagor or Borrower provided for in this Mortgage and Security Agreement shall be given by delivering it or by mailing it, postage prepaid, by United States Certified Mail, return receipt requested, addressed to Mortgagor's and Borrower's address set forth herein or such other address as Mortgagor or Borrower designate by advance written notice to Mortgagee. Any notice to Mortgagee shall be given by delivering it or by mailing it, postage prepaid, by United States Certified Mail, return receipt requested, addressed to Mortgagee's address stated herein or any other address Mortgagee designates by advance written notice to Mortgagor and Borrower. Any notice provided for in this Mortgage and Security Agreement shall be deemed to have been given to Mortgagor or Borrower or Mortgagee when delivered, in the case of personal delivery, and the earlier of actual receipt or three (3) days after mailing when mailed in compliance with the requirements of this paragraph.

19. Future Advances. This Mortgage is given to secure not only existing indebtedness, but also such future advances, to be made at the option of the Mortgagee, as are made within twenty (20) years from the date hereof, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but the total unpaid balance so secured at one time shall not exceed the principal sum of two times the original loan amount, plus interest thereon, and any disbursements made for the payment of taxes, levies or insurance on the Mortgaged Property, with interest on such disbursements at the Default Rate as herein defined.

20. Transfer of Ownership. It is understood and agreed by the Mortgagor that as part of the inducement to the Mortgagee to make the loan evidenced by the Note, the Mortgagee has considered and relied on the credit worthiness and reliability of the Mortgagor. The Mortgagor covenants and agrees not to sell, convey, transfer, lease or further encumber any interest (either legal or beneficial) in all or any part of the Mortgaged Property without the prior written consent of the Mortgagee, which consent may be deemed to have been given by virtue of partial release provisions set forth herein or in any other collateral agreement. Any such sale, conveyance, transfer, lease or encumbrance made without the Mortgagee's prior written consent shall be void. If any person should obtain an interest (either legal or beneficial) in all or any part of the Mortgaged Property pursuant to the execution or enforcement of any lien, security interest or other right, whether superior, equal or subordinate to this Mortgage or the lien hereof, such event shall be deemed to be a transfer by Mortgagor and an event of default hereunder. In that event, Mortgagee, at its option (and not to the exclusion of any other remedy which it may have), may declare all the sums secured by this Mortgage to be immediately due and payable.

21. Financial Statements. Intentionally deleted.

22. Toxic and Hazardous Wastes. To the Mortgagor's knowledge, no portion of the Mortgaged Property has in the past been used for handling, storage, transportation, or disposal of hazardous or toxic materials. The Mortgagor further expressly warrants and represents to the Mortgagee that there has been no release or discharge of hazardous or toxic materials, including but not limited to, gasoline or petroleum products, upon the Mortgaged Property. The Mortgagor shall not use, generate, manufacture, store, dispose on the Mortgaged Property or transport on, to or from the Mortgaged Property any flammable explosives, radioactive materials, or substances defined as or included in the definition of "hazardous substances, hazardous waste, hazardous materials, and toxic substances" under any applicable federal or state laws or regulations in effect during the term of this Mortgage. A violation under the provisions of this paragraph shall be a default under this Mortgage and the Note and the Mortgagee may, at its sole option, declare the entire indebtedness immediately due and payable. The Mortgagee may, at its sole option, obtain at the Mortgagor's expense a report from a reputable environmental consultant of the Mortgagee's choice as to whether the Mortgaged Property has been or is presently being used for the handling, storage, transportation, or disposal of hazardous or toxic materials. If said report indicated such past or present use, handling, storage, transportation or disposal, the Mortgagee may require that all violations of law with respect to hazardous or toxic materials be corrected and/or that the Mortgagor obtain all necessary environmental permits before the Mortgagee shall fund any advance under this Mortgage.

23. Cross-Collateralization and Cross-Default. This Paragraph Left Intentionally Blank.

24. Miscellaneous. In the event that any of the covenants, agreements, terms or provisions contained in the Note, this Mortgage or any other instrument securing the Note shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein and in the Note and any other instrument securing the Note shall be in no way affected, prejudiced or disturbed thereby.

25. Attorney's Fees. The term "attorney's fees" as used in this Mortgage includes any and all legal fees of whatever nature including, but not limited to, fees resulting from any appeal of an interlocutory order or final judgment or any other appellate proceedings arising out of any litigation or bankruptcy. Further, such term shall not be limited to fees incurred by Mortgagee in the enforcement of rights under this Mortgage.

26. Cost of Recording Satisfaction. The Borrower shall pay the cost of releasing and satisfying this Mortgage of record, including, without limitation, partial releases hereunder.

27. Marshaling and Other Matters. Mortgagor hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale hereunder of the Mortgaged Property or any part thereof or any interest therein. Further, Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of Mortgagor, and on behalf of each and every person acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage and on behalf of all persons to the extent permitted by applicable law.

28. Indemnification. To the extent of Mortgagor's interest in the Mortgaged Property, Mortgagor shall protect, defend, indemnify and save harmless Mortgagee from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including without limitation reasonable attorney's fees and expenses), imposed upon or incurred by or asserted against Mortgagee by reason of (a) ownership of this Mortgage, the Mortgaged Property or any interest therein or receipt of any Rents (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets, or ways; (d) any failure on the part of Mortgagor to perform or comply with any of the terms of this Mortgage; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-13, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with the Mortgage, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Mortgage is made; (g) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials on, from, or affecting the Mortgaged Property or any other property or the presence of Asbestos on the Mortgaged Property; (h) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials or Asbestos; (i) any lawsuit brought or threatened settlement reached, or government order relating to such Hazardous Materials or Asbestos; or (j) any violation of laws, orders, regulations, requirements, or demands of government authorities, which are based upon or in any way related to such Hazardous Materials or Asbestos including, without limitation, the costs and expenses of any remedial action, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. Any amounts payable to Mortgagee by reason of the application of this paragraph shall be secured by this Mortgage and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Mortgagee until paid. The obligations and liabilities of Mortgagor under this paragraph shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure of this Mortgage.

29. Remedies of Mortgagor. In the event that a claim or adjudication is made that Mortgagee has acted unreasonably or unreasonably delayed acting in any case where by law or under the Note, this Mortgage or any other instrument securing the Note it has an obligation to act reasonably or promptly, Mortgagee shall not be liable for any monetary damages, and Mortgagor's and Borrower's remedies shall be limited to injunctive relief or declaratory judgment.

30. Commitment Letter. Intentionally deleted.

31. Appraisal Update. Intentionally deleted.

32. No Further Liens or Encumbrances. Any agreement hereafter made by Mortgagor and Borrower and Mortgagee pursuant to this Mortgage shall be superior to the rights of the holder of any intervening lien or encumbrance (provided, however, that this clause shall not by itself authorize or permit any subsequent liens, mortgages or encumbrances on the Mortgaged Property which are otherwise prohibited under the terms of the Mortgage).

33. Loan Agreement. Intentionally deleted.

34. RIGHT OF SET-OFF. Neither the Mortgagor, Borrower, any co-signer, endorser, surety nor guarantor shall have any right of set-off against the Mortgagee under the Note, this Mortgage or under any loan document executed in connection with the loan evidenced by the Note. In addition to the remedies provided for herein, the Mortgagor, Borrower, each co-signer, endorser, surety and guarantor grants to the Mortgagee a security interest in any funds or other assets from time to time on deposit with or in possession of the Mortgagee, and the Mortgagee may, at any time setoff the indebtedness evidenced by the Note against any such funds or other assets, including, but not limited to, all money owed by Mortgagee to Borrower, Mortgagor, each co-signer, endorser, surety and guarantor whether or not due. Mortgagor, Borrower, each co-signer, endorser, surety and guarantor acknowledge and agree that Mortgagee may exercise its right of set-off to pay all or any part of the outstanding principal balance and accrued interest owed on the Note or on any other obligation of the Mortgagor or Borrower to the Mortgagee against any obligation Mortgagee may have, now or hereafter, to pay money to Mortgagor or Borrower, each co-signer, endorser, surety and guarantor. This right of set-off includes, but is not limited to, (a) any deposit, account balance, securities account balance or certificate of deposit balance Borrower or Mortgagor has with Mortgagee. Mortgagor and Borrower hereby appoint Mortgagee as their attorney-in-fact and authorizes Mortgagee to redeem or obtain payment on any certificate of deposit in which Mortgagor or Borrower have an interest in order to exercise Mortgagee's right of set-off. Such authorization applies to any certificate of deposit even if not matured. Mortgagor and Borrower further authorize Mortgagee to assess and withhold any early withdrawal penalty without liability against Mortgagee in the event such penalty is applicable as a result of Mortgagee's set-off against a certificate of deposit prior to its maturity. Mortgagee's right of set-off may be exercised upon an Event of Default: (a) without prior demand or notice; (b) without regard to the existence or value of any collateral securing the Note; and (c) without regard to the number or creditworthiness of any other persons who have agreed to pay the Note. Mortgagee will not be liable for dishonor of a check or other request for payment where there is insufficient funds in the account (or other obligation) to pay such request because of Mortgagee's exercise of its right of set-off. Mortgagor and Borrower agree to indemnify and hold Mortgagee harmless from any person's claims, arising as the result of Mortgagee's right of set-off and the costs and expenses, including without limitation, attorneys' fees.

35. WAIVER OF RIGHT TO JURY TRIAL. MORTGAGOR AND BORROWER AND MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MORTGAGE AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE MORTGAGEE ENTERING INTO THIS AGREEMENT.

36. Federal Rights. When the U.S. Small Business Administration (the "SBA") is the holder of the Note, this Agreement will be construed and enforced under federal law, including SBA regulations. The Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, enforcing security interests or liens, and for any other purpose. By using such procedures, the SBA does not waive any federal immunity from state or local control, penalties, taxes or liabilities. As to this Agreement, Borrower, and any Guarantor, may not claim or assert any local or state law against the SBA to deny any obligations, defeat any claim of the SBA, or preempt federal law.

37. Counterparts. This instrument may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one and the same instrument.

(The signatures of the parties are on the following page.)

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage and Security Agreement as of the day and year first above written.

Signed, sealed and delivered in the presence of:

“Mortgagor”



Witness

Print Name: Gale L. Walden



Witness

Print Name: CONSTANCE M. SCHWAB

/s/ James E. May

**JAMES E. MAY, as successor Trustee
of the 1612 E. CAPE CORAL**

**PARKWAY LAND TRUST, dated
November 7, 2000**

“Borrower”

**ELITE LEGACY EDUCATION, INC.,
a Florida limited liability company**

/s/ James E. May

Witness

Print Name: James E. May

By: /s/ Anthony Humpage

Anthony Humpage

As its: CEO



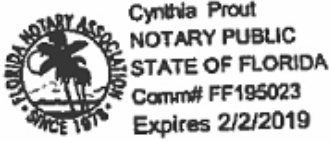
Witness

Print Name: Cindy Prout

STATE OF FLORIDA

COUNTY OF LEE

The foregoing instrument was acknowledged before me this 13 day of September, 2018, by JAMES E. MAY, as successor Trustee of the 1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000, who is either (a) personally known to me or (b) has produced _____ as identification.

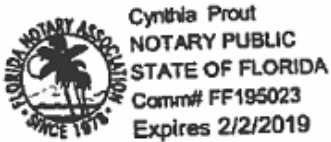


/s/ Cynthia Prout
NOTARY PUBLIC
Print Name: Cynthia Prout
My Commission Expires: 02/02/2019

STATE OF FLORIDA

COUNTY OF LEE

The foregoing instrument was acknowledged before me this 13 day of September, 2018, by Anthony Humpage, as CEO of **ELITE LEGACY EDUCATION, INC.**, a Florida limited liability company, on behalf of said limited liability company, who is either (a) personally known to me or (b) has produced _____ as identification.



/s/ Cynthia Prout
NOTARY PUBLIC
Print Name: Cynthia Prout
My Commission Expires: 02/02/2019

EXHIBIT "A"

Legal Description

Parcel I

Lots 3, 4, and 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida; less the following described portion thereof:

Beginning at the northeast corner of Section 18, Township 45 South, Range 24 East and proceeding south along the east line of said Section 18, a distance of 240.0 feet to a point; thence N 89° 24' 01" W for a distance of 24.74 feet to a point said point being the point of curve at the east end of the north property line of said Block 440. Said point also being the northeast corner of the parcel to be reserved and hereinafter referred to as the Point of Beginning; thence S 0° 35' 59" W for a distance of 14.0 feet to a point; thence N 89° 24' 01" W for a distance of 16.0 feet to a point; thence N 35° 59" E for a distance of 14.0 feet to a point; thence S 89° 24' 01" E for a distance of 16.0 feet to the Point of Beginning; and also less the following described portion of Lot 5:

Commence at the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency, said point being the Point of Beginning; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3 south, 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 205.09 feet to the beginning of a curve concave to the southeast, having a radius of 15.00 feet, and a central angle of 90° 35' 59"; thence along the arc of said curve 23.72 feet to a point of tangency, and the **Point of Beginning; and including the 20' wide alley lying adjacent to Lots 2, 3, 4, and 5 as vacated according to O.R. 562, Page 645, less that portion of said alley as described in O.R. 567, Page 234 of the Public Records of Lee County, Florida.**

Parcel II

A portion of Lot 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida, more particularly described as follows:

From the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5, said intersection also being the Point of Beginning; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3, south 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 220.25 feet to the Point of Beginning.

AFFIDAVIT OF MORTGAGOR

BEFORE ME, a notary public duly authorized in the State and County stated below to administer oaths and take acknowledgements, this day personally appeared **JAMES E. MAY** (the "Affiant") who, by me being first duly sworn, deposes and says:

1. Basis for Affidavit. Affiant has personal knowledge of the matters stated in this Affidavit, all of which are true and correct to the best of Affiant's information and belief. Affiant is the Successor Trustee of **1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000** (the "Mortgagor"). This Affidavit is given in connection with a new commercial loan facility in the aggregate principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan"), in favor of **ELITE LEGACY EDUCATION, INC.**, a Florida corporation (the "Borrower") from **USA REGROWTH FUND LLC**, an Oregon limited liability company (the "Lender"), which Loan is secured by a Mortgage and Security Agreement, to be recorded in the Public Records of Lee County, Florida (the "Mortgage"), encumbering certain real property situate in Lee County, Florida, together with improvements located thereon, more particularly described in Exhibit "A" attached hereto (the real property and improvements being collectively referred to herein as the "Property").

2. Company Status. Mortgagor is a Florida land trust existing under the laws of the State of Florida. Mortgagor is authorized to transact business in the State of Florida, with full power and authority to enter into and carry out the terms of the Loan from Lender.

3. Record Ownership and Possession. Mortgagor is the record owner of the fee simple title to the Property, subject only to those matters, if any, set forth specifically as exceptions in that certain Policy for Title Insurance, including any and all endorsements subsequent thereto (the "Policy"), issued by Fidelity National Title Insurance Company (the "Title Company"), delivered to Lender incident to Borrower's Loan. Affiant knows of no facts by which Mortgagor's title to or possession of the Property might be disputed or questioned or by which any claim to any portion of the Property might be asserted adversely to Mortgagor.

4. Bankruptcy. No proceedings in bankruptcy or receivership have ever been instituted by or against Mortgagor and Mortgagor has never made an assignment for the benefit of creditors.

5. Lawsuits and Liens. Affiant knows of no action or proceeding of any kind which is pending in any state or federal court in the United States to which Mortgagor is a party. Affiant knows of no mortgage, judgment, federal tax lien, mechanic's lien, or other lien of any kind or nature whatsoever which constitutes a lien or charge upon the Property, except for those matters set forth specifically as exceptions in the Policy. There are no unpaid bills or claims for labor or services performed or materials furnished or delivered to the Property during the past ninety (90) days for alterations, improvements, repair work or new construction upon the Property.

6. No Special Assessments, Liens, Etc. Affiant knows of no other liens affecting the Property such as tax liens or special assessment liens for drainage, paving, community or owner's associations.

7. Leases. There are no tenancies or leases affecting the Property, and there are no persons other than Mortgagor in possession of the Property, except as listed and described on Exhibit "B" attached hereto (the "Leases"). Affiant acknowledges that there are currently no defaults under any of said Leases, that there are no other agreements with the described tenants, except as expressly stated in the Leases, and that Mortgagor is in no way obligated to any tenant other than by way of return of security deposits pursuant to the terms of said leases.

8. Unrecorded Rights and Violations. Affiant knows of no unrecorded agreements, easements, taxes, assessments or outstanding rights held by any person or entity affecting the Property. There are no existing violations of any conditions, restrictions, limitations or easements affecting the Property.

9. Fixtures and Equipment. There are no chattel mortgages, conditional sales contracts, security agreements, financing statements, retention of title agreements, or personal property leases affecting any materials, fixtures, appliances, furnishings or equipment, if any, placed upon or installed in the Property and mortgaged to Lender. Except as otherwise stated in this Affidavit, all plumbing, heating, lighting, refrigerating and other equipment is paid for in full.

10. Management Agreements. There are no leasing, management or marketing services agreements, either written or verbal, affecting the Property or the rents or income therefrom.

11. Licenses and Permits. All permits, licenses, approvals, consents and authorizations of, and registrations, declarations and filings with, any governmental body, agency or authority required for the use and operation of the Property, have been obtained or made, as the case may be, and are in full force and effect.

12. Hazardous Materials and Radon Disclosure. Affiant has no knowledge of the presence of any unlawful hazardous materials. Affiant acknowledges that radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from the county public health unit.

13. Intervening Matters. There are no matters pending against Mortgagor that could give rise to any lien that could attach to the Property between the effective date of the Policy, and the time of recording of the Mortgage to Lender. Mortgagor will not execute or record hereafter any instrument that would adversely affect title to the Property or the priority of the Mortgage to Lender as a first lien on the Property.

14. Violations of Law and Zoning. There are no existing violations of any law, ordinance, statute or regulation affecting the Property, the improvements thereon and/or the use and operation of same, nor has Mortgagor received notice of any such violation from any governmental agency having jurisdiction over the Property. There are no existing violations of any covenants, conditions, restrictions, limitations or easements affecting the Property. Affiant has received no notice from any public or governmental authority regarding any change in zoning, or any other classification, regarding the Property in that the Property may continue to be used for the purpose it is currently being used.

15. Authorized Transaction. The Loan from Lender to Borrower, and the conveyance of a mortgage interest in the Property to Lender in accordance therewith, is not a violation of Mortgagor's Trust Agreement or other agreements or restrictions, if any, affecting Mortgagor (the "Organizational Documents"). The Mortgage has been specifically and duly authorized by Mortgagor in accordance with the requirements of the State of Florida, Mortgagor's Organizational Documents, and other restrictions affecting Mortgagor. Affiant has been duly authorized and directed by Mortgagor to execute the Mortgage, this Affidavit and all other documents necessary to affect the Loan on behalf of Borrower.

16. Reliance Upon Affidavit. Affiant understands that material reliance will be placed upon this Affidavit by Lender in making the above-mentioned Loan to Borrower. Affiant further understands that this Affidavit will be relied upon by Miller Johnson Law, P.L. (the "Closing Agent") in closing the above-mentioned Loan to Borrower, all in reliance upon the matters contained in the foregoing Affidavit.

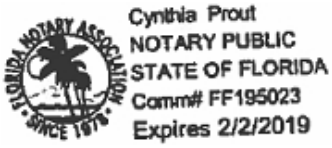
FURTHER AFFIANT SAYETH NAUGHT.

/s/ James E. May

JAMES E. MAY, Solely as Trustee

STATE OF FLORIDA
COUNTY OF LEE

THE FOREGOING INSTRUMENT was sworn subscribed to before me this 13 day of September, 2018, by **JAMES E. MAY**, who is either (a) personally known to me or (b) has produced _____ as identification.



/s/ Cynthia Prout

NOTARY PUBLIC

Print Name: Cynthia Prout

My Commission Expires: 02/02/2018

EXHIBIT "A"

Legal Description

Parcel I

Lots 3, 4, and 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida; less the following described portion thereof:

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Parcel II

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EXHIBIT "B"

Leases

None.

BORROWER'S AFFIDAVIT

STATE OF FLORIDA)
) SS
COUNTY OF LEE)

Before me, the undersigned authority, personally appeared the undersigned, **JAMES E. MAY** (the “**Affiant**”), who being first duly sworn, deposes and says that:

Affiant is the Successor Trustee of **1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000** (the “**Company**”), and has personal knowledge of all matters contained in this affidavit.

1. The Company is the owner of the real property located in Lee County, Florida, as legally described in **Exhibit “A”** attached hereto and hereby made a part hereof (the “**Property**”).

2. The Company has not recorded in the Public Records of Lee County, Florida, subsequent to the Effective Date (as defined herein) any documents which affect title to the Property; there are no matters pending against the Company since the Effective Date of the Commitment for Title Insurance issued by Fidelity National Title Insurance Company (the “**Title Company**”), bearing File No. _____, with an effective date of _____, at _____ (the “**Effective Date**”) that could give rise to a lien that would attach to the Property; and the Company has not executed and will not execute any instrument or agreement that would adversely affect the title to the Property.

3. There are no unpaid, delinquent or otherwise outstanding taxes, special assessments or other liens or charges, including any service charges payable to the county or municipality under Ch. 159, F.S. or county ordinance, which are not shown as existing liens by the public records.

4. Owner is in exclusive possession of the Property, and no other person or entity has any claim of possession with respect to the Property other than the following under unrecorded leases:

_____ which leases do not set forth an option to purchase or right of first refusal.

6. There are no unrecorded easements or rights-of -way for users or adverse interest with respect to the aforesaid property.

7. There has been no filing by or against the Company of any petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee or the making of an assignment for the benefit of creditors or the filing of a petition for arrangement.

8. There are no construction, materialmen or laborers' liens under the Florida Statutes filed against the Property; there have been no repairs, improvements or other work done or labor, materials or services bestowed upon the Property or any part thereof within ninety (90) days preceding the date of this Affidavit authorized by Owner for which all or any part of the cost of the same remains unpaid; there are no outstanding contracts, either oral or written, for the furnishing of any labor, materials or services in connection with the improvement of the Property or any part thereof entered into by Owner; and no person, firm or corporation is entitled to a lien under Chapter 713 of the Florida Statutes with respect to the Property.

9. This affidavit is made as an inducement to and as a part of the consideration for the issuance of Title Company's loan title insurance policy insuring **USA REGROWTH FUND LLC**, an Oregon limited liability company, its successors and/or assigns (collectively, the "**Policy**"), which Policy eliminates certain rights of parties in possession and construction and mechanics' liens as exceptions to title; and this affidavit is made with the full knowledge that Title Company is relying upon the truth of the statements made herein to issue the Policy. The undersigned is fully advised of the legal effect and obligations imposed upon Affiant by the execution of this instrument under oath.

/s/ James E. May

JAMES E. MAY, Solely as Trustee

Sworn to and subscribed before me this 13 day of September, 2018 by **JAMES E. MAY**, who is personally known to me or produced _____ as identification.

/s/ Cynthia Prout

09/13/2018

NOTARY PUBLIC

(Notarial Seal/Stamp)

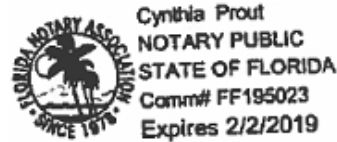


EXHIBIT "A"

Parcel I

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Commence at the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency, said point being the Point of Beginning; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3 south, 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 205.09 feet to the beginning of a curve concave to the southeast, having a radius of 15.00 feet, and a central angle of 90° 35' 59"; thence along the arc of said curve 23.72 feet to a point of tangency, and the Point of Beginning; and including the 20' wide alley lying adjacent to Lots 2, 3, 4, and 5 as vacated according to O.R. 562, Page 645, less that portion of said alley as described in O.R. 567, Page 234 of the Public Records of Lee County, Florida.

Parcel II

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FURTHER ASSURANCE AGREEMENT

In connection with the closing of that certain commercial mortgage loan facility in the original principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan") to **ELITE LEGACY EDUCATION, INC.**, a Florida corporation (the "Borrower") by **USA REGROWTH FUND LLC**, an Oregon limited liability company (the "Lender"), secured by, among other things, a mortgage lien on that certain real estate as more particularly described in Exhibit "A" attached hereto and incorporated herein, and in consideration of **MILLER JOHNSON LAW, P.L.** (the "Closing Agent") closing this transaction, each of the undersigned does hereby agree to cooperate, adjust, initial, re-execute and re-deliver any and all documents deemed necessary or desirable by Lender and/or Closing Agent to accurately reflect the agreement of the above parties to the foregoing Loan transaction. It is the intention of the undersigned that all documentation for the Loan and all payments or disbursements made in connection therewith shall be an accurate reflection of the parties' agreement and that Borrower shall pay all costs and expenses contemplated thereby and/or dictated by custom and usage in the Central Florida area, inclusive of any and all recording fees, Florida intangible taxes and documentary stamp taxes and any interest and penalties thereon as finally determined to be due by the Florida Department of Revenue.

The undersigned do hereby so agree and covenant to assure that said Loan and the documentation thereof shall conform to the parties' agreement and understand that Lender and Closing Agent and all other parties to the Loan will rely on this Agreement and the covenants contained herein in closing the above-described transaction. Any failure to cooperate as required by this Agreement shall, at Lender's option, constitute a default under the Loan. This agreement may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one and the same instrument.

DATED this 13 day of September, 2018.

"Borrower"

ELITE LEGACY EDUCATION, INC.
a Florida corporation

By: /s/ Anthony Humpage
Anthony Humpage

As its: C.E.O.

“Mortgagor”

/s/ James E. May

**JAMES E. MAY, as successor Trustee
of the 1612 E. CAPE CORAL PARKWAY
PARKWAY LAND TRUST, dated
November 7, 2000**

“Guarantor”

**LEGACY EDUCATION ALLIANCE
HOLDINGS, INC., a Colorado corporation**

By: /s/ Anthony Humpage
Anthony Humpage

As its: C.E.O.

EXHIBIT "A"

Lean| Description

Parcel I

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Parcel II

A portion of Lot 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida, more particularly described as follows:

From the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5, said intersection also being the Point of Beginning; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3, south 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 220.25 feet to the Point of Beginning.

ACKNOWLEDGEMENT REGARDING REPRESENTATION

The undersigned hereby acknowledges that **MILLER JOHNSON LAW, P.L.** is not representing (i) **JAMES E. MAY, as successor Trustee of the 1612 E. CAPE CORAL PARKWAY LAND TRUST, dated November 7, 2000** (the "Mortgagor"), (ii) **ELITE LEGACY EDUCATION, INC.**, a Florida corporation (the "Borrower"), or (iii) **LEGACY EDUCATION ALLIANCE HOLDINGS, LLC**, a Colorado corporation, or rendering any legal advice to Borrower, Mortgagor, or any of the undersigned Guarantor in connection with that certain commercial mortgage loan facility identified as Loan No. _____ in the original principal amount FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan") to Borrower by **USA REGROWTH FUND LLC**, an Oregon limited liability company (the "Lender"). Borrower, Mortgagor, and Guarantor acknowledge that they have been advised that it is in their best interest to be represented by its own legal counsel in the negotiation, documentation and closing of the Loan and the execution of that certain Mortgage and other loan documents encumbering the real property more particularly described in Exhibit "A" attached hereto (the "Property"). Borrower acknowledges that **MILLER JOHNSON LAW, P.L.** is Lender's counsel and is acting as closing agent for the Loan solely on Lender's behalf. This agreement may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one and the same instrument.

DATE: September 13 , 2018.

"Mortgagor"

/s/ James E. May

JAMES E. MAY, as successor Trustee of 1612 E. CAPE CORAL PARKWAY AND TRUST, dated November 7, 2000

"Borrower"

ELITE LEGACY EDUCATION, INC., a Florida limited liability company

By: /s/ Anthony Humpage
Anthony Humpage

As its: C.E.O.

"Guarantor"

LEGACY EDUCATION ALLIANCE HOLDINGS, INC., a Colorado corporation

By; /s/ Anthony Humpage
Anthony Humpage

As its: C.E.O.

EXHIBIT "A"

Legal Description

Parcel I

Lots 3, 4, and 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida; less the following described portion thereof:

Beginning at the northeast corner of Section 1 8, Township 45 South, Range 24 East and proceeding south along the east line of said Section 18, a distance of 240.0 feet to a point; thence N 89° 24' 01" W for a distance of 24.74 feet to a point said point being the point of curve at the east end of the north property line of said Block 440. Said point also being the northeast corner of the parcel to be reserved and hereinafter referred to as the Point of Beginning; thence S 35° 59" W for a distance of 14.0 feet to a point; thence N 89° 24' 01" W for a distance of 16.0 feet to a point; thence N 0° 35' 59" E for a distance of 14.0 feet to a point; thence S 89° 24' 01" E for a distance of 16.0 feet to the Point of Beginning; and also less the following described portion of Lot 5:

Commence at the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency, said point being the Point of Beginning; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3 south, 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 205.09 feet to the beginning of a curve concave to the southeast, having a radius of 15.00 feet, and a central angle of 90° 35' 59"; thence along the arc of said curve 23.72 feet to a point of tangency, and the Point of Beginning; and including the 20' wide alley lying adjacent to Lots 2, 3, 4, and 5 as vacated according to O.R. 562, Page 645, less that portion of said alley as described in O.R. 567, Page 234 of the Public Records of Lee County, Florida.

Parcel II

A portion of Lot 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida, more particularly described as follows:

From the point of intersection of a 15 ft. radius curve at the northwest corner of said Lot 5, said intersection also being the Point of Beginning; thence along the northerly tangent of said curve S 89° 24' 01" E, 15.16 feet to the point of tangency; thence along the north line of said Lot 5, S 89° 24' 01" E, 184.84 feet to the intersection of the southerly prolongation of the west line of Lot 3; thence along the southerly prolongation of said Lot 3, south 156.74 feet to the intersection of the northerly right-of-way of Waikiki Avenue; thence along said right-of-way line S 55° 30' 00" W, 166.64 feet to the beginning of a curve concave to the northeast, having a radius of 40.00 feet, and a central angle of 124° 30' 00"; thence along the arc of said curve 86.92 feet to the point of tangency, said point being on the east right-of-way line of Del Prado Boulevard; thence along said right-of-way line north, 220.25 feet to the Point of Beginning.

PRIVACY POLICY NOTICE
FOR
MILLER JOHNSON LAW, P.L.

Purpose of Notice:

Miller Johnson Law, P.L. respects the privacy of their customers' personal information, so we want you to know the ways in which we may collect and use non-public personal information ("personal information"). Our practices and policies are set out in this notice.

Types of Information We May Collect:

In the course of our business, the types of personal information that we may collect about you include:

Information we receive from you or your authorized representative on applications and forms, and in other communications to us;

Information about your transactions with us, our affiliated companies, or others;

Information from consumer or other reporting agencies.

Use and Disclosure of Information:

We use your information to provide the product or service you or your authorized agent have requested of us.

We may disclose information to our affiliated companies and unrelated companies as necessary to service your transaction, to protect against fraudulent or criminal activities, when required to do so by law, and as otherwise permitted by law.

We do not share any personal information we collect from you with unrelated companies for their own use.

Protection of Your Personal Information:

We restrict access to personal information about you to those employees who need to know that information in order to provide products and services to you or for other legitimate business purposes. We maintain physical, electronic and procedural safeguards to protect your personal information from unauthorized access or intrusion.

Changes: This notice may be revised in accordance with applicable privacy laws.

“Mortgagor”

/s/ James E. May

**JAMES E. MAY, as successor Trustee of 1612 E.
CAPE CORAL PARKWAY AND TRUST,
dated November 7, 2000**

“Borrower”

ELITE LEGACY EDUCATION, INC., a Florida
limited liability company

By: /s/ Anthony Humpage

Anthony Humpage

As its: C.E.O.

Trustees of the Trust.

7. Affiant acknowledges that the Lender and Closing Agent will rely upon, and is hereby authorized to rely upon this Certification as a material inducement to make and close the Loan to the Borrower.

8. Attached hereto and incorporated herein is an authentic copy of the Trust or authentic copies of the pertinent excerpts from the Trust identifying the names of the Trust and the Trustee, and setting forth the Trustee's authority (or the names of the beneficiaries if the Trustee is not authorized to perform the contemplated act or acts).

9. The Trust has not been revoked, modified, or amended in any manner that would cause the representations contained in the certification of trust recorded in Official Records Instrument No 2018000113788 to be incorrect.

Dated this 13 day of September, 2018.

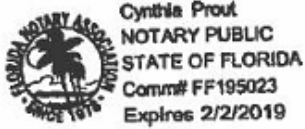
/s/ James E. May

JAMES E. MAY, Solely as Trustee

STATE OF FLORIDA

COUNTRY OF LEE

THE FOREGOING INSTRUMENT was sworn and subscribed to before me this 13 day of September, 2018, by **JAMES E. MAY**, who is either (a) personally known to me, or (b) has produced _____ as identification.



Cynthia Prout

NOTARY PUBLIC

Print Name: Cynthia Prout

My Commission Expires: 02/02/2019

EXHIBIT "A"

Legal Description

Parcel

Lots 3, 4, and 5, Block 440, Unit 6, Part 6, Cape Coral, according to the plat thereof as recorded in Plat Book 16, Page 136 of the Public Records of Lee County, Florida; less the following described portion thereof:

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Parcel II

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**CERTIFICATE OF SECRETARY
OF
ELITE LEGACY EDUCATION, INC.**

The undersigned, the duly elected, qualified, and acting Secretary of **ELITE LEGACY EDUCATION, INC.**, a Florida corporation (the "Corporation") hereby certifies to USA **REGROWTH FUND LLC**, an Oregon limited liability company (the "Lender") and **MILLER JOHNSON LAW, P.L.** (the "Closing Agent") as follows:

That the documents attached hereto constitute true and accurate copies of (i) the Articles of Incorporation, and (ii) Bylaws, of the Corporation, with all amendments thereto and that the same have not been amended, supplemented, or replaced.

That the Board of Directors and shareholders of the Corporation duly and properly adopted the following resolutions at a regular or special meeting in accordance with Florida law at which a quorum was present, or by unanimous consent of the Board of Directors, pursuant to all requirements of the Corporation's (i) Articles of Incorporation, and (ii) Bylaws:

"BE IT RESOLVED, that the Corporation be, and it is hereby authorized to consummate a commercial loan facility identified as Loan No. _____ from Lender to the Corporation, in the original principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan"), and for that purpose, to encumber its assets as more particularly described in those security instruments, financing statements, and other loan documents, including any and all amendments and modifications thereof, executed by Borrower and given to Lender for the purpose of securing the Loan; and

BE IT FURTHER RESOLVED, that **ANTHONY C. HUMPAGE**, as **President of the Corporation, or JAMES E. MAY, as Senior Vice President of the Corporation, in the absence or unavailability of the President**, be authorized and directed in the name of and on behalf of the Corporation and under its company seal, to execute and deliver (i) a Promissory Note, (ii) a Mortgage and Security Agreement, and (iii) any and all instruments and perform all acts required by Lender to accomplish the foregoing, and that the Board of Directors and shareholders of the Corporation hereby ratify all of the acts of said President with regard to the Loan which may have occurred prior to these resolutions being made."

That the foregoing resolutions are in conformity with the Corporation's (i) Articles of Incorporation, and (ii) Bylaws, and the said resolutions are in full force and effect and have not been rescinded or modified.

The undersigned makes this Certificate with full knowledge that Lender will rely on it in making the above-described Loan to the Borrower and that the Closing Agent will rely on same in closing the Loan in favor of Lender.

IN WITNESS WHEREOF, I have affixed my name and caused the company seal of the Corporation to be affixed this 13 day of September, 2018.

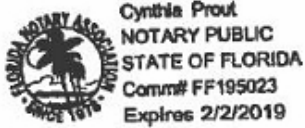
/s/ James E. May

JAMES E. MAY, Secretary

STATE OF FLORIDA

COUNTRY OF LEE

THE FOREGOING INSTRUMENT was sworn and subscribed to before me this 13 day of September, 2018, by **JAMES E. MAY**, as Secretary of **ELITE LEGACY EDUCATION, INC.**, a Florida corporation, on behalf of said corporation, who is either (a) personally known to me, or (b) has produced _____ as identification.



Cynthia Prout 09/13/2018

Notary Public

Print Name: Cynthia Prout

My Commission Expires: 02/02/2019

**CERTIFICATE OF SECRETARY
OF
LEGACY EDUCATION ALLIANCE HOLDINGS, INC.**

The undersigned, the duly elected, qualified, and acting Secretary of LEGACY EDUCATION ALLIANCE HOLDINGS, INC., a Colorado corporation (the "Corporation") hereby certifies to USA REGROWTH FUND LLC, an Oregon limited liability company (the "Lender") and MILLER JOHNSON, P.L. (the "Closing Agent") as follows:

That the documents attached hereto constitute true and accurate copies of (i) the Articles of Incorporation, and (ii) Bylaws, of the Corporation, with all amendments thereto and that the same have not been amended, supplemented, or replaced.

That the Board of directors and shareholders of the Corporation duly and properly adopted the following resolutions at a regular or special meeting in accordance with Florida law at which a quorum was present, or by unanimous consent of the Board of Directors, pursuant to all requirements of the Corporation's (i) Articles of Incorporation, and (ii) Bylaws:

"BE IT RESOLVED, that the Corporation be, and it is hereby authorized to consummate a commercial loan facility identified as Loan No. _____ from Lender to ELITE LEGACY EDUCATION, INC., a Florida corporation (the "Borrower") in the outstanding principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan"); and

BE IT FURTHER RESOLVED, that Anthony Humpage & James E. May, as the Pres. & Sr VP respectively of the Corporation, be authorized and directed in the name of and on behalf of the Corporation and under its company seal, to execute and deliver (i) an Affirmation of Guarantor, and (ii) any and all instruments and perform all acts required by Lender to accomplish the foregoing, and that the Board of Directors and shareholders of the Corporation hereby ratify all of the acts of said President with regard to the Loan which may have occurred prior to these resolutions being made."

That the foregoing resolutions are in conformity with the Corporation's (i) Articles of Incorporation, and (ii) Bylaws, and the said resolutions are in full force and effect and have not been rescinded or modified.

The undersigned makes this Certificate with full knowledge that Lender will rely on it in making the above-described Loan to the Borrower and that the Closing Agent will rely on same in closing the Loan in favor of Lender.

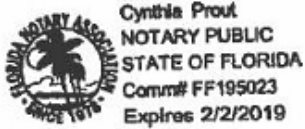
In WITNESS WHEREOF, I have affixed my name and caused the company seal of the Corporation to be affixed this ____day of September, 2018.

/s/ James E. May
JAMES E. MAY, Secretary

STATE OF FLORIDA

COUNTRY OF LEE

The Foregoing Instrument was acknowledged before me the 13 day of September, 2018, by **JAMES E. MAY**, as Secretary of **LEGACY EDUCATION ALLIANCE HOLDINGS, INC.**, a Florida corporation, on behalf of said corporation, who is either (a) personally known to me, or (b) has produced _____ as identification.



/s/ Cynthia Prout 09/13/2018
Notary Public
Print Name: Cynthia Prout
My Commission Expires: 02/02/2019

AGREEMENT REGARDING CLOSING OF LOAN

USA REGROWTH FUND LLC, an Oregon limited liability company
16869 SW 65th # 317
Lake Oswego, Oregon 97035

This AGREEMENT REGARDING CLOSING OF LOAN (the "Agreement") is made this 13 day of September, 2018, contemporaneously with the closing of that certain loan in the original principal amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) (the "Loan") made by USA REGROWTH FUND LLC, an Oregon limited liability company (the "Lender") to ELITE LEGACY EDUCATION, INC., a Florida corporation (the "Borrower"). As a condition to and as part of closing the Loan, the Lender has required that this Agreement be executed by Borrower and joined by the guarantors of the Loan (the "Guarantors") and delivered to the Lender.

Reference is hereby made to the above described Loan and that certain Loan Commitment Letter (the "Commitment") dated _____, from the Lender to the Borrower relating to said Loan. With regard to the Loan and the Commitment, the undersigned does hereby certify to and agree with the Lender as follows:

1. Specific Post Closing Matters. Attached hereto as Exhibit "A" is a list of specific requirements which must be accomplished by Borrower within the time set forth in said Exhibit "A". If said matters are not met or complied with within said time period, the same shall be and constitute a default under the Loan. With respect to those matters described in Exhibit "A", the undersigned understands that the Loan Documents are being executed at this time without all the Loan requirements being met and the execution of the Loan Documents shall not constitute any admission by the Lender that all the Loan requirements have been met as of the date hereof.

2 . Default Under This Agreement. The failure of the Borrower, or any Guarantor, to comply with the provisions of this Agreement at any time shall be and constitute a default under the Loan. In the event a default does occur, the Lender shall have the right to exercise any and all rights available to it under this Agreement or any other Loan Document. In addition to said right to declare the Loan in default and accelerate said Loan, the Lender shall have the right during the period the Loan is in default to increase the interest rate on the Loan in accordance with the provisions of the Loan Documents. The exercise by the Lender of its right to so increase the interest rate shall not constitute a waiver by the Lender to exercise any other rights it may have during the period of time the Loan is in default, including, but not limited to, the right of the Lender to exercise its right to accelerate the Loan and declare interest thereafter due at the highest rate permitted by law.

3 . Counterparts. This Agreement and Joinder attached hereto may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one and the same instrument.

4 Survival of Agreement. This Agreement shall survive any closing of the Loan or any subsequent modification of the Loan Documents.

IN WITNESS WHEREOF, the undersigned has executed the foregoing Agreement as of the day and year first set forth above.

Witnesses:

BORROWER:

ELITE LEGACY EDUCATION, INC., a Florida corporation

/s/ James E. May
Witness
Print Name: James E. May

By: /s/ Anthony Humpage
Anthony Humpage
As its: C.E.O.

/s/ Cindy Prout
Witness
Print Name: Cindy Prout

JOINDER BY GUARANTORS

The undersigned, being the Guarantors of the Loan, do hereby join in this Agreement for the following purposes:

1. To agree to comply with and abide by all the terms and conditions contained in this Agreement, and to guarantee the Borrower's satisfaction and compliance with all requirements hereof.
2. To acknowledge that a default under this Agreement, the Commitment or any of the Loan Documents shall be and constitute a default under the Loan which in turn shall be and constitute a default under the Guaranty Agreement executed and delivered by the undersigned in connection with the Loan.
3. To ratify, acknowledge and affirm that the terms and condition set forth in the Guaranty Agreements executed by Guarantors remain in full force and effect as applicable to all funds advanced hereunder.

Witnesses:

GUARANTORS:

**LEGACY EDUCATION ALLIANCE HOLDINGS,
INC., a Colorado corporation**

/s/ James E. May
Witness
Print Name: James E. May

By: /s/ Anthony Humpage
Anthony Humpage
As its: C.E.O.

/s/ Cindy Prout
Witness
Print Name: Cindy Prout

ACCEPTANCE BY LENDER

The undersigned Lender does hereby approve and accept the foregoing Agreement.

Witnesses:

LENDER:

USA REGROWTH FUND LLC, an Oregon limited
Liability company

Witness
Print Name: _____

By: _____

As its: _____

Witness
Print Name: _____

EXHIBIT "A"

Schedule of Post-Closing Items

The Borrower will provide Lender, at Borrower's expense, with the following documentation within the respective time periods specified below, which documentation shall be in form and content acceptable to Lender:

1. Within thirty (30) days from the date of this Agreement, Borrower shall provide Lender with the following items and documentation, all of which shall be in a form and content acceptable to Lender in its sole discretion:
 - a. **Municipal Lien Search and evidence of satisfaction** of any unpaid, delinquent or otherwise outstanding taxes, special assessments or other liens or charges, if any, including any service charges payable to the county or municipality under Ch. 159, F.S. or county ordinance, which are not shown as existing liens by the public records.

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

I, Anthony C. Humpage, certify that:

1. I have reviewed this Form 10-Q of Legacy Education Alliance Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2018

/s/ ANTHONY C. HUMPAGE

Anthony C. Humpage

Chief Executive Officer and Director

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

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

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

Dated: November 14, 2018

/s/ CHRISTIAN A. J. BAEZA

Christian A. J. Baeza

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Anthony C. Humpage, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2018

/s/ ANTHONY C. HUMPAGE

Anthony C. Humpage
Chief Executive Officer and Director

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

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

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Christian A. J. Baeza, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2018

/s/ CHRISTIAN A. J. BAEZA

Christian A. J. Baeza

Senior Vice President and Chief Financial Officer

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