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 June 30, 2019

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

Commission File Number: 000-55790

LEGACY
Education Alliance, Inc.

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

Nevada	**39-2079974**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1612 Cape Coral Parkway East, Cape Coral, FL 33904	**(239) 542-0643**
(Address of principal executive offices, including zip code)	**(Registrant's telephone number, including area code)**

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

Indicate by check mark whether the registrant has 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:	☐	Accelerated filer:	☐
Non-accelerated filer:	☒	Smaller reporting company:	☒
Emerging growth company:	☐		

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

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

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**

Number of shares of Legacy Education Alliance, Inc. Common Stock, $0.0001 par value, outstanding as of August 13, 2019: 23,162,502.

Index to Quarterly Report
on Form 10-Q for
Quarter Ended June 30, 2019

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

Presentation of Financial Statements

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

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,542	$ 1,557
Restricted cash	6,476	5,080
Deferred course expenses	9,474	8,547
Prepaid expenses and other current assets	3,708	3,132
Inventory	69	89
Total current assets	24,269	18,405
Property and equipment, net	1,703	1,880
Right-of-use assets	1,038	—
Deferred tax asset, net	235	97
Other assets	290	178
Total assets	$ 27,535	$ 20,560
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,086	$ 4,962
Royalties payable	374	210
Accrued course expenses	2,535	1,483
Accrued salaries, wages and benefits	694	748
Operating lease liability, current portion	493	—
Other accrued expenses	4,042	2,614
Long-term debt, current portion	881	512
Deferred revenue, current portion	60,588	57,353
Total current liabilities	74,693	67,882
Long-term debt, net of current portion	—	8
Operating lease liability, net of current portion	545	—
Other liabilities	1,332	1,331
Total liabilities	76,570	69,221
Commitments and contingencies (Note 10)		
Stockholders' deficit:		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 23,162,502 and 23,120,852 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	2	2
Additional paid-in capital	11,527	11,470
Cumulative foreign currency translation adjustment	1,393	1,444
Accumulated deficit	(61,957)	(61,577)
Total stockholders' deficit	(49,035)	(48,661)
Total liabilities and stockholders' deficit	$ 27,535	$ 20,560

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 23,698	$ 25,222	$ 48,274	$ 50,977
Operating costs and expenses:				
Direct course expenses	12,383	15,397	25,464	30,011
Advertising and sales expenses	5,495	5,998	10,933	11,570
Royalty expenses	1,332	1,653	2,692	2,809
General and administrative expenses	5,041	5,198	9,736	10,046
Total operating costs and expenses	24,251	28,246	48,825	54,436
Income/(loss) from operations	(553)	(3,024)	(551)	(3,459)
Other income (expense):				
Interest expense	(74)	(4)	(115)	(8)
Other income (expense), net	352	(27)	226	(48)
Total other income (expense), net	278	(31)	111	(56)
Loss before income taxes	(275)	(3,055)	(440)	(3,515)
Income tax (expense) benefit	—	640	60	243
Net loss	$ (275)	$ (2,415)	$ (380)	$ (3,272)
Basic loss per common share	$ (0.01)	$ (0.10)	$ (0.02)	$ (0.14)
Diluted loss per common share	$ (0.01)	$ (0.10)	$ (0.02)	$ (0.14)
Basic weighted average common shares outstanding	23,123	23,008	23,120	23,008
Diluted weighted average common shares outstanding	23,123	23,008	23,120	23,008
Comprehensive loss:				
Net loss	$ (275)	$ (2,415)	$ (380)	$ (3,272)
Foreign currency translation adjustments, net of tax of $0	341	1,407	(51)	986
Total comprehensive income (loss)	$ 66	$ (1,008)	$ (431)	$ (2,286)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2017	23,008	$ 2	$ 11,299	$ (445)	$ (51,621)	$ (40,765)
Share-based compensation expense	—	—	57	—	—	57
Foreign currency translation adjustment, net of tax of $0	—	—	—	(421)	—	(421)
Net Loss	—	—	—	—	(857)	(857)
Balance at March 31, 2018	23,008	$ 2	$ 11,356	$ (866)	$ (52,478)	$ (41,986)
Share-based compensation expense	—	—	57	—	—	57
Foreign currency translation adjustment, net of tax of $0	—	—	—	1,407	—	1,407
Net Loss	—	—	—	—	(2,415)	(2,415)
Balance at June 30, 2018	23,008	$ 2	$ 11,413	$ 541	$ (54,893)	$ (42,937)

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2018	23,121	$ 2	$ 11,470	$ 1,444	$ (61,577)	$ (48,661)
Share-based compensation expense	—	—	28	—	—	28
Cancellation of common stock	(13)	—	—	—	—	—
Foreign currency translation adjustment, net of tax of $0	—	—	—	(392)	—	(392)
Net Loss	—	—	—	—	(105)	(105)
Balance at March 31, 2019	23,108	$ 2	$ 11,498	$ 1,052	$ (61,682)	$ (49,130)
Share-based compensation expense	—	—	29	—	—	29
Issuance of common stock	55	—	—	—	—	—
Foreign currency translation adjustment, net of tax of $0	—	—	—	341	—	341
Net Loss	—	—	—	—	(275)	(275)
Balance at June 30, 2019	23,163	$ 2	$ 11,527	$ 1,393	$ (61,957)	$ (49,035)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (380)	$ (3,272)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	102	70
Non-cash lease expense	337	—
Gain on the sale of fixed assets	(40)	—
Gain on change in fair value of derivatives	—	(24)
Share-based compensation	57	114
Deferred income taxes	(139)	(270)
Changes in operating assets and liabilities:		
Deferred course expenses	(925)	514
Prepaid expenses and other receivable	(577)	1,109
Inventory	20	(126)
Other assets	(161)	(8)
Accounts payable-trade	125	(18)
Royalties payable	164	106
Accrued course expenses	1,053	203
Accrued salaries, wages and benefits	(54)	(607)
Operating lease liability	(337)	—
Other accrued expenses	1,132	1,627
Deferred revenue	3,200	(1,708)
Net cash provided by (used in) operating activities	3,577	(2,290)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13)	(480)
Proceeds from sales of property and equipment	165	—
Net cash provided by (used in) investing activities	152	(480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(18)	(6)
Proceeds from issuance of debt	395	—
Net cash provided by (used in) financing activities	377	(6)
Effect of exchange rate differences on cash	275	(39)
Net increase (decrease) in cash and cash equivalents and restricted cash	4,381	(2,815)
Cash and cash equivalents and restricted cash, beginning of period	$ 6,637	$ 8,904
Cash and cash equivalents and restricted cash, end of period	$ 11,018	$ 6,089
Supplemental disclosures:		
Cash paid during the period for interest	$ 75	$ 8
Cash paid during the period for income taxes, net of refunds received	$ (120)	$ (774)

See Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 - General

Business Description.

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

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

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

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

Basis of Presentation.

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

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

Reclassification.

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

Significant Accounting Policies.

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

Going Concern.

The accompanying unaudited condensed consolidated financial statements and notes have been prepared assuming we will continue as a going concern. For the quarter ended June 30, 2019, we incurred a net loss, had an accumulated deficit and a working capital deficit. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations globally as well as reducing our costs and increasing our operating margins, and to sustain adequate working capital to finance our operations. The failure to achieve the necessary levels of profitability and cash flows would be detrimental to us. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Use of Estimates.

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

Restricted Cash

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

(in thousands)	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 4,542	$ 1,557
Restricted cash	6,476	5,080
Total cash, cash equivalents, and restricted cash shown in the cash flow statement	$ 11,018	$ 6,637

Restricted cash balances consist primarily of reserves held by our credit card processors as collateral. Restricted cash balances held by credit card processors are unavailable to us unless we terminate our contractual relationship with them and seek the return of these reserves per the terms of the agreements. The timing of which varies, but usually not before 180 days after the termination of the merchant agreement.

Income Tax in Interim Periods.

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

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

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

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

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. As of June 30, 2019, we recognized income tax expense of $0.16 million related to the remeasurement of our deferred tax balance.

Note 2 - New Accounting Pronouncements

Accounting Standards Adopted in the Current Period

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

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

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

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

Note 3 - Share-Based Compensation

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

Share-based compensation expenses related to our restricted stock grants were $29.0 thousand and $57.0 thousand for the three months ended June 30, 2019 and 2018, and $57.0 thousand and $114.0 thousand for the six months ended June 30, 2019 and 2018, respectively, which are reported as a separate line item in the condensed consolidated statements of changes in stockholders' deficit.

Note 4 - Earnings Per Share (“EPS”)

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

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

We excluded unvested restricted stock awards from the diluted weighted-average number of shares used in our diluted EPS calculation of 540,118 and 1,095,792 for the three months ended June 30, 2019 and 2018, and 559,286 and 1,120,927 for the six months ended June 30, 2019 and 2018, respectively, because we had a net loss in those periods.

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

Our weighted average unvested restricted stock awards outstanding were 540,118 and 1,095,792 for the three months ended June 30, 2019 and 2018, and 559,286 and 1,120,927 for the six months ended June 30, 2019 and 2018, respectively.

Note 5 - Fair Value Measurements

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

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

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

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

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

We did not have any financial liabilities measured and recorded at fair value on our condensed consolidated balance sheets on a recurring basis as of June 30, 2019 and December 31, 2018.

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

Note 6 - Short-Term and Long-Term Debt

(in thousands)	As of June 30, 2019	As of December 31, 2018
Promissory notes	$ 881	$ 500
Current portion of long-term debt	—	12
Total short-term borrowings and current portion of long-term debt	$ 881	$ 512

Long-term debt consists of the following:

(in thousands)	As of June 30, 2019	As of December 31, 2018
Installment notes payable for equipment financing	$ —	$ 20
Less: current portion	—	(12)
Total long-term debt, net of current portion	—	$ 8

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

2019	$ 881
Total debt	$ 881

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

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

Note 7 - Income Taxes

We did not record income tax expenses during the three months ended June 30, 2019. We recorded an income tax benefit of $640.0 thousand for the three months ended June 30, 2018, and income tax benefit of $60.0 thousand and $243.0 thousand for the six months ended June 30, 2019 and 2018, respectively. Our effective tax rate was 0.0% and 20.9% for the three months ended June 30, 2019 and 2018, and 13.6% and 6.9% for the six months ended June 30, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of June 30, 2019, and December 31, 2018, valuation allowances of $7.3 million and $6.9 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets. Our valuation allowance increased by $0.4 million and $0.07 million for the six months ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, and December 31, 2018, we had total unrecognized tax benefits of $1.6 million, related to foreign and domestic tax positions. Of this amount, the Company estimates that $0.09 million, of the unrecognized tax benefits, if recognized, would impact the effective tax rate. A substantial portion of our liability for uncertain tax benefits is recorded as a reduction of net operating losses and tax credit carryforwards.

During the six months ended June 30, 2019 and 2018, we had no material changes in uncertain tax positions. We record interest and penalties related to unrecognized tax benefits within the provision for income taxes. We believe that no current tax positions that have resulted in unrecognized tax benefits will significantly increase or decrease within one year. We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions.

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

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

The Tax Cuts and Jobs Act (The Act,) was enacted on December 22, 2017 making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a reduction in the US federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creating new taxes on certain foreign sourced earnings. As of June 30, 2019, we recognized income tax expense of $0.16 million related to the remeasurement of our deferred tax balance.

Note 8 - Concentration of Risk

Cash and cash equivalents.

We maintain deposits in banks in amounts that might exceed the federal deposit insurance available. Management believes the potential risk of loss on these cash and cash equivalents to be minimal. All cash balances as of June 30, 2019 and December 31, 2018, including foreign subsidiaries, without FDIC coverage were $3.2 million and $1.1 million, respectively.

On July 18, 2019, one of our former merchant processors released a reserve of $2.0 million and has agreed to refund an additional $1.5 million in November 2019, subject to certain conditions. As a result of this transaction, our unrestricted cash position significantly improved. As of June 30, 2019 and December 31, 2018, this amount was recorded as part of the restricted cash in our condensed consolidated balance sheets.

Revenue

A significant portion of our revenue is derived from the Rich Dad brands. For the three months ended June 30, 2019 and 2018, Rich Dad brands provided 74.1% and 68.5% of our revenue, and 73.1% and 71.1% for the six months ended June 30, 2019 and 2018, respectively. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 9 — *Segment Information*).

Note 9 - Segment Information

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

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

As a percentage of total revenue	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
North America	59.0%	52.5%	60.0%	57.3%
U.K.	20.7%	23.6%	22.2%	22.0%
Other foreign markets	20.3%	23.9%	17.8%	20.7%
Total consolidated revenue	100%	100%	100%	100%

Operating results for the segments are as follows:

Segment revenue	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(In thousands)		(In thousands)	
North America	$ 13,980	$ 13,237	$ 28,967	$ 29,186
U.K.	4,898	5,944	10,702	11,209
Other foreign markets	4,820	6,041	8,605	10,582
Total consolidated revenue	$ 23,698	$ 25,222	$ 48,274	$ 50,977

Segment gross profit contribution *	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(In thousands)		(In thousands)	
North America	$ 3,472	$ (459)	$ 7,767	$ 3,397
U.K.	565	1,719	1,455	2,846
Other foreign markets	451	914	(37)	344
Total consolidated gross profit	$ 4,488	$ 2,174	$ 9,185	$ 6,587

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

Depreciation and amortization expenses	Three Months Ended June 30, 2019	2018	Six Months Ended June 30, 2019	2018
	(In thousands)		(In thousands)	
North America	$ 41	$ 28	$ 72	$ 53
U.K.	18	10	28	14
Other foreign markets	1	3	2	3
Total consolidated depreciation and amortization expenses	$ 60	$ 41	$ 102	$ 70

Segment identifiable assets	June 30, 2019	December 31, 2018
	(In thousands)	
North America	$ 15,399	$ 11,566
U.K.	8,547	4,956
Other foreign markets	3,589	4,038
Total consolidated identifiable assets	$ 27,535	$ 20,560

Note 10 - Revenue Recognition

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

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

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We have deferred revenue of $60.6 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 June 30, 2019. The revenue associated with these performance obligations is recognized as the obligation is satisfied. We did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity.

The following tables disaggregate our segment revenue by revenue source:

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			
Revenue Type:	**North America**	**U.K.**	**Other foreign markets**	**Total Consolidated Revenue**	**North America**	**U.K.**	**Other foreign markets**	**Total Consolidated Revenue**
	(In thousands)							
Seminars	$ 8,532	$ 3,220	$ 1,990	$ 13,742	$ 8,134	$ 4,690	$ 3,971	$ 16,795
Products	2,702	1,198	1,421	5,321	2,578	1,029	1,078	4,685
Coaching and Mentoring	1,400	317	1,330	3,047	1,291	206	986	2,483
Online and Subscription	430	2	79	511	385	13	6	404
Other	916	161	—	1,077	849	6	—	855
Total revenue	$ 13,980	$ 4,898	$ 4,820	$ 23,698	$ 13,237	$ 5,944	$ 6,041	$ 25,222

	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			
Revenue Type:	**North America**	**U.K.**	**Other foreign markets**	**Total Consolidated Revenue**	**North America**	**U.K.**	**Other foreign markets**	**Total Consolidated Revenue**
	(In thousands)							
Seminars	$ 16,885	$ 7,443	$ 4,160	$ 28,488	$ 18,316	$ 8,120	$ 6,597	$ 33,033
Products	5,484	2,449	1,801	9,734	5,852	2,382	2,004	10,238
Coaching and Mentoring	2,799	645	2,495	5,939	2,748	644	1,971	5,363
Online and Subscription	928	4	149	1,081	952	24	10	986
Other	2,871	161	—	3,032	1,318	39	—	1,357
Total revenue	$ 28,967	$ 10,702	$ 8,605	$ 48,274	$ 29,186	$ 11,209	$ 10,582	$ 50,977

Note 11 - Commitments and Contingencies

Licensing agreements.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including Rich Dad, Robbie Fowler and Martin Roberts. Total royalty expenses included in our Condensed Consolidated Statements of Operations and Comprehensive Loss were $1.3 million and $1.6 million for the three months ended June 30, 2019 and 2018, and $2.7 million and $2.8 million for the six months ended June 30, 2019 and 2018, respectively.

Custodial and Counterparty Risk.

We are subject to custodial and other potential forms of counterparty risk in respect to a variety of contractual and operational matters. In the course of ongoing Company-wide risk assessment, management monitors our arrangements that involve potential counterparty risk, including the custodial risk associated with amounts prepaid to certain vendors and deposits with credit card and other payment processors. Deposits held by our credit card processors at June 30, 2019 and December 31, 2018, were $6.4 million and $5.0 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 June 30, 2019 and December 31, 2018, we did not have a CDAR balance.

Litigation.

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

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

Tigrent Group Inc. v. Process America, Inc., Case No 1:12-cv-01314-RLM, filed March 16, 2012 in the U.S. District Court for the Eastern District of New York. In this case we sought the return of the $8.3 million credit card merchant reserve account deposit held by Process America, a so-called “Independent Sales Organization” that places merchants with credit card processors. On November 12, 2012, PA filed for bankruptcy protection in the U.S. Bankruptcy Court for the Central District of California (“Bankruptcy Court.”) On December 3, 2012, the Bankruptcy Court obtained jurisdiction of our dispute with PA. On June 21, 2013, the Tigrent Group filed its proof of claim with Bankruptcy Court in the amount of $8.3 million. Subsequent to June 30, 2019, we received a cash payment from PA in the amount of $0.4 million, as a distribution. This amount was recognized and reported as other income in the condensed consolidated statements of operation for the three and six months ended June 30, 2019.

Tranquility Bay of Pine Island, LLC v. Tigrent, Inc., et al. On March 16, 2017, suit was filed in the Twentieth Judicial Circuit In and For Lee County, Florida by Tranquility Bay of Pine Island, LLC (“TBPI”) against Tigrent Inc. and various of its present and former shareholders, officers and directors. By amendment dated May 24, 2019, the Company and its then General Counsel and now Chief Executive Officer were named as defendants to a civil conspiracy count. The suit primarily relates to the alleged obligation of Tigrent to indemnify the Plaintiff pursuant to an October 6, 2010 Forbearance Agreement. The suit includes claims for Breach of Contract, Permanent and Temporary Injunction, Breach of Fiduciary Duty, Civil Conspiracy, Tortious Interference and Fraudulent Transfer. On March 20, 2019, the Court dismissed the complaint in its entirety with leave to amend. On April 11, 2019, TBPI filed its Second Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent Inc. (“Tigrent”), Legacy Education Alliance Holding, Inc. (“Holdings), and certain shareholders of the Company. The suit includes claims for Breach of Contract, Breach of Fiduciary Duty against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of the Company. On May 24, 2019, with leave from the court, TBPI filed its Third Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent Inc. (“Tigrent”), Legacy Education Alliance Holding, Inc. (“Holdings), and certain shareholders of the Company. The suit includes claims for Breach of Contract against Tigrent, Breach of Fiduciary Duty against Tigrent, Damages for Violation of Unfair and Deceptive Business Practices Act against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of Tigrent, including the Company’s CEO, James E. May. On July 8, 2019, the Court Denied the defendants’s Motions to Dismiss. The Company believes the claims of the plaintiff are without merit and intends to defend this matter vigorously.

Note 12 - Leases

Right-of-Use Assets and Leases Obligations

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

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

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

Lease Position as of June 30, 2019

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

(in thousands)	**Classification on the Balance Sheet**	**June 30, 2019**
Assets		
Operating lease assets	Operating lease right of use assets	$ 1,038
	Total lease assets	$ 1,038
Liabilities		
Current liabilities:		
Operating lease liabilities	Current operating lease liabilities	$ 493
Noncurrent liabilities:		
Operating lease liabilities	Long-term operating lease liabilities	$ 545
	Total lease liabilities	$ 1,038

Lease cost for the three and six months ended June 30, 2019

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

(in thousands)		**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2018**
Lease cost	**Classification**		
Operating lease cost	General and administrative expenses	$ 106	$ 337
	Total lease cost	$ 106	$ 337

Other Information

The table below presents supplemental cash flow information related to leases for the six months ended June 30, 2019:

(in thousands)	**Six Months Ended June 30, 2019**
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 337
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets	1,399

Lease Terms and Discount Rates

The table below presents certain information related to the weighted average remaining lease terms and weighted average discount rates for the Company's operating leases as of June 30, 2019:

	Six Months Ended June 30, 2019
Weighted average remaining lease term - operating leases	1.40 years
Weighted average discount rate - operating leases	12.00%

Undiscounted Cash Flows

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded on the Condensed Consolidated Balance Sheet as of June 30, 2019:

Amounts due within twelve months of June 30,	**Operating Leases**
	(in thousands)
2019	$ 929
2020	735
2021	112
Total minimum lease payments	1,776
Less: effect of discounting	(738)
Present value of future minimum lease payments	1,038
Less: current obligations under leases	(493)
Long-term lease obligations	$ 545

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

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

INTRODUCTION

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

Business Overview

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

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

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

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

We were founded in 1996, and through a reverse merger, 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.

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

- Brick Buy Brick™: Initially launched in the UK, Brick Buy Brick is now also available in the North America segment and the other foreign markets in which we operate. The program introduces our students to the tools and strategies used by successful investors to make money work for them through real estate investing.

- Building Wealth: A program that offers students training on how to build and preserve wealth, start or manage a business, and benefit through investing in property regardless of market conditions.

- Making Money from Property with Martin Roberts™: A property-based curriculum focused on how and why to buy property at auction in the U.K. Based on the teachings of Martin Roberts, renowned U.K. TV personality, property expert, journalist, and author of *Making Money from Property*, our Making Money from Property program is designed to show investors tested strategies to buy at auction, as well as the difference between income and capital growth strategies, negotiating transactions, and buying properties overseas.

- Perform in Property™ is the first British training program of its kind. Joining forces with gallant Olympians, Legacy sets out to empower students to take control of their financial future by providing three tiers of reality-based training and time-tested resources. The Perform in Property brand is designed to help students achieve the level of performance and financial independence they desire.

- Rich Dad® Education: Our flagship brand based on the teachings of Robert Kiyosaki, an entrepreneur, investor, educator, and author of the best-selling personal finance books of all time, *Rich Dad Poor Dad*. Mr. Kiyosaki has written more than 15 books with combined sales of more than 26 million copies.

- Rich Dad® Stock Education: In our Rich Dad Stock Education program, we teach students how to become savvy investors who can potentially create winning trades and profits in any market condition through the development of personal trading plans that are compatible with their current financial situation, the level of risk they are comfortable with, and their long-term financial goals.

- Robbie Fowler Property Academy™: Designed to teach investment strategies individuals can use to achieve a potential clear path towards long-term wealth, the goal of our Property Academy training program is to provide a comprehensive property investment education. We teach our students the investment strategies currently implemented throughout the UK, such as Social Housing, Buy-To-Let, Lease Options, and Land Development.

- Teach Me to Trade™ is a brand designed for students who want to learn the core concepts of trading in the financial markets. Beginners and veteran traders alike can benefit from the Teach Me to Trade brand as it focuses on broad market concepts aimed at helping traders gain an understanding of the foundations for success in a new trading business. It teaches how to develop a game plan, develop a business-minded approach to trading and appreciate the vital skills needed to invest in the financial markets.

- Women In Wealth™: Created to inspire women of all ages and backgrounds to potentially achieve financial security, Women In Wealth seeks to empower women with a strong financial education and help them learn the potential benefits of real estate investing to create cash flow and build financial independence.

Recent Developments

During the three months ended June 30, 2019, we received a cash payment from the Process America, Inc. litigation in the amount of $0.4 million, as a settlement amount for the Case No 1:12-cv-01314-RLM, filed March 16, 2012. This amount was recognized and reported as other income in the condensed consolidated statements of operation for the three and six months ended June 30, 2019. See Note 11 *Commitments and Contingencies*, to our condensed consolidated financial statements for further discussion.

Results of Operations

Our financial results in Q2 2019 continued to be impacted by factors that we believe occurred outside the course of normal business operations, although at a significant reduction to the negative impact these items had on our fiscal year 2018 results. The primary drag on Q2 2019 results were from increases in labor, litigation, and software costs in connection with our new ERP system which was placed into production in January 2018. The aggregate increase in expense related to these items was $1.2 million, of which $1.1 million was related to litigation primarily associated with the installation of our ERP/CRM system which first went into production in January 2018. We anticipate no further expenses in this matter.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2019	2018	2019	2018
Revenue	$ 23,698	$ 25,222	$ 48,274	$ 50,977
Operating costs and expenses:				
Direct course expenses	12,383	15,397	25,464	30,011
Advertising and sales expenses	5,495	5,998	10,933	11,570
Royalty expenses	1,332	1,653	2,692	2,809
General and administrative expenses	5,041	5,198	9,736	10,046
Total operating costs and expenses	24,251	28,246	48,825	54,436
Income/(loss) from operations	(553)	(3,024)	(551)	(3,459)
Other income (expense):				
Interest expense	(74)	(4)	(115)	(8)
Other income (expense), net	352	(27)	226	(48)
Total other income (expense), net	278	(31)	111	(56)
Loss before income taxes	(275)	(3,055)	(440)	(3,515)
Income tax (expense) benefit	-	640	60	243
Net loss	$ (275)	$ (2,415)	$ (380)	$ (3,272)
Basic loss per common share	$ (0.01)	$ (0.10)	$ (0.02)	$ (0.14)
Diluted loss per common share	$ (0.01)	$ (0.10)	$ (0.02)	$ (0.14)
Basic weighted average common shares outstanding	23,123	23,008	23,120	23,008
Diluted weighted average common shares outstanding	23,123	23,008	23,120	23,008
Comprehensive loss:				
Net loss	$ (275)	$ (2,415)	$ (380)	$ (3,272)
Foreign currency translation adjustments, net of tax of $0	341	1,407	(51)	986
Total comprehensive income (loss)	$ 66	$ (1,008)	$ (431)	$ (2,286)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	100%	100%	100%	100%
Operating costs and expenses:				
Direct course expenses	52.3	61.0	52.7	58.9
Advertising and sales expenses	23.2	23.8	22.6	22.7
Royalty expenses	5.6	6.6	5.6	5.5
General and administrative expenses	21.3	20.6	20.2	19.7
Total operating costs and expenses	102.4	112.0	101.1	106.8
Income/(loss) from operations	(2.4)	(12.0)	(1.1)	(6.8)
Other income (expense):				
Other income (expense), net	1.2	(0.1)	0.3	(0.1)
Total other income (expense), net	1.2	(0.1)	0.3	(0.1)
Loss before income taxes	(1.2)	(12.1)	(0.8)	(6.9)
Income tax (expense) benefit	—	2.5	0.1	0.5
Net loss	(1.2)%	(9.6)%	(0.7)%	(6.4)%

Outlook

Cash sales were $55.2 million for the six months ended June 30, 2019 compared to $52.3 million for the six months ended June 30, 2018, an increase of $2.9 million or 5.5%.

The increase was driven primarily by a $1.2 million increase in our North American segment, a $2.7 million increase in our U.K. segment, partially offset by a $1.0 million decrease in our Other Foreign Markets segment.

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

Operating Segments

Our operations are managed through three operating segments: (i) North America, (ii) the United Kingdom, (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 June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
North America	59.0%	52.5%	60.0%	57.3%
U.K.	20.7%	23.6%	22.2%	22.0%
Other foreign markets	20.3%	23.9%	17.8%	20.7%
Total consolidated revenue	100%	100%	100%	100%

Segment revenue	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(In thousands)		(In thousands)	
North America	$ 13,980	$ 13,237	$ 28,967	$ 29,186
U.K.	4,898	5,944	10,702	11,209
Other foreign markets	4,820	6,041	8,605	10,582
Total consolidated revenue	$ 23,698	$ 25,222	$ 48,274	$ 50,977

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 $11.1 million and $10.6 million or as a percentage of total segment revenue was 79.1% and 80.3% for the three months ended June 30, 2019 and 2018, and $23.2 million and $22.7 million or as a percentage of total segment revenue was 80.0% and 77.9% for the six months ended June 30, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training.

The North America segment revenue was $14.0 million and $13.2 million or as a percentage of total revenue was 59.0% and 52.5% for the three months ended June 30, 2019 and 2018, and $29.0 million and $29.2 million or as a percentage of total revenue was 60.0% and 57.3% for the six months ended June 30, 2019 and 2018, respectively. The increase in revenue of $0.8 million or 6.1% during the three months ended June 30, 2019 compared to the same period in 2018, was due to an increase in recognition of revenue from increased attendance (i.e. fulfillment) of $0.5 million or 4.9% and increase in revenue from expired contracts of $0.3 million or 8.9%. The decrease in revenue of $0.2 million or 0.7% during the six months ended June 30, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of $1.0 million or 4.3%, partially offset by an increase in revenue from expired contracts of $0.8 million or 16.0%.

U.K.

In contrast to our North America segment, our U.K. segment is more diversified among several different brands. Revenue derived from the Rich Dad brands was $1.8 million and $1.0 million or as a percentage of total segment revenue was 36.8% and 16.9% for the three months ended June 30, 2019 and 2018, and $3.7 million and $3.4 million or as a percentage of total segment revenue was 34.5% and 30.5% for the six months ended June 30, 2019 and 2018, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets education.

The U.K. segment revenue was $4.9 million and $6.0 million or as a percentage of total revenue was 20.7% and 23.6% for the three months ended June 30, 2019 and 2018, and $10.7 million and $11.2 million or as a percentage of total revenue was 22.2% and 22.0% for the six months ended June 30, 2019 and 2018, respectively. The decrease in revenue of $1.1 million or 18.3% for the three months ended June 30, 2019 compared to the same period in 2018, was due to a decreased attendance (i.e. fulfillment) of $0.7 million or 14.8% and decrease in recognition of revenue from expired contracts of $0.4 million or 26.4%. The decrease in revenue of $0.5 million or 4.5% for the six months ended June 30, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of $0.8 million or 9.3%, partially offset by an increase in revenue from expired contracts of $0.3 million or 15.8%.

Other Foreign Markets

We operate in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. Revenue derived from the Rich Dad brands was $4.7 million and $5.7 million or as a percentage of total segment revenue was 97.7% and 93.6% for the three months ended June 30, 2019 and 2018, and $8.4 million and $10.1 million or as a percentage of total segment revenue was 98.2% and 95.3% for the six months ended June 30, 2019 and 2018, respectively.

The Other Foreign Markets segment revenue was $4.8 million and $6.0 million or as a percentage of total revenue was 20.3% and 23.9% for the three months ended June 30, 2019 and 2018, and $8.6 million and $10.6 million or as a percentage of total revenue was 17.8% and 20.7% for the six months ended June 30, 2019 and 2018, respectively. The decrease in revenue of $1.2 million or 20.0% for the three months ended June 30, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of $1.4 million or 32.9%, partially offset by an increase in revenue from expired contracts of $0.2 million or 10.6%. The decrease in revenue of $2.0 million or 18.9% for the six months ended June 30, 2019 compared to the same period in 2018, was due to a decrease in recognition of revenue from decreased attendance (i.e. fulfillment) of $2.8 million or 34.2%, partially offset by an increase in revenue from expired contracts of $0.8 million or 30.7%.

Three months ended June 30, 2019 Compared to Three months ended June, 2018

Revenue

Revenue was $23.7 million for the three months ended June 30, 2019 compared to $25.2 million for the three months ended June 30, 2018. Revenue decreased $1.5 million or 6.0% during the three months ended June 30, 2019 compared to the same period in 2018. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of $1.5 million or 8.0%.

Cash sales were $27.0 million for the three months ended June 30, 2019 compared to $24.7 million for the three months ended June 30, 2018, an increase of $2.4 million or 9.7%. The increase was driven by a $1.4 million decrease in our Other Foreign Markets segment, partially offset by a $0.7 million increase in our North American segment and a $3.1 million increase in our U.K. segment.

Operating Expenses

Total operating costs and expenses were $24.3 million for the three months ended June 30, 2019 compared to $28.2 million for the three months ended June 30, 2018, a decrease of $3.9 million or 13.8%. The decrease was primarily due to a $3.0 million decrease in direct course expenses, a $0.5 million decrease in advertising and sales expenses, a $0.3 million decrease in royalty expenses and $0.1 million decrease in general and administrative expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were $12.4 million for the three months ended June 30, 2019 compared to $15.4 million for the three months ended June 30, 2018, a decrease of $3.0 million or 19.5%, which was primarily related to decreases in preview product costs and sales and training compensation, mainly due to the adjustments to our sales compensation programs. We have adjusted our sales compensation programs to align them with sales forecasts for the year ended December 31, 2019.

Advertising and sales expenses

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

Advertising and sales expenses were $5.5 million for the three months ended June 30, 2019 compared to $6.0 million for the three months ended June 30, 2018, a decrease of $0.5 million, or 8.3 %. As a percentage of revenue, advertising and sales expenses were 23.2% and 23.8% of revenue for the three months ended June 30, 2019 and 2018, a decrease of 0.6%.

Royalty expenses

We have licensing and related agreements with Rich Dad Operating Company (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 $1.3 million for the three months ended June 30, 2019 compared to $1.6 million for the three months ended June 30, 2018, a decrease of $0.3 million or 18.8%.

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 $5.1 million for the three months ended June 30, 2019 compared to $5.2 million for the three months ended June 30, 2018, a decrease of $0.1 million, or 1.9 %.

Income tax expense

We didn't record income tax expenses during the three months ended June 30, 2019. We recorded an income tax benefit of $640.0 thousand for the three months ended June 30, 2018. Our effective tax rate was 0.0% and 20.9% for the three months ended June 30, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of June 30, 2019, and December 31, 2018, valuation allowances of $7.3 million and $6.9 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets. Our valuation allowance increased by $0.1 million and $0.2 million for the three months ended June 30, 2019 and 2018, respectively.

Net Loss

Net loss was $0.3 million or ($0.01) per basic and diluted common share for the three months ended June 30, 2019, compared to a net loss of $2.4 million or ($0.10) per basic and diluted common share for the three months ended June 30, 2018, a decrease in net loss of $2.1 million or $0.09 per basic and diluted common share.

Six months ended June 30, 2019 Compared to Six months ended June 30, 2018

Revenue

Revenue was $48.3 million for the six months ended June 30, 2019 compared to $51.0 million for the six months ended June 30, 2018. Revenue decreased $2.7 million or 5.3% during the six months ended June 30, 2019 compared to the same period in 2018. The decrease in revenue was due to a decreased attendance (i.e. fulfillment) of $4.6 million or 11.3%, partially offset by an increase in revenue from expired contracts of $1.9 million or 19.7%.

Cash sales were $55.2 million for the six months ended June 30, 2019 compared to $52.3 million for the six months ended June 30, 2018, an increase of $2.9 million or 5.5%. The increase was driven primarily by a $1.2 million increase in our North American segment, a $2.7 million increase in our U.K. segment, partially offset by a $1.0 million decrease in our Other Foreign Markets segment.

Operating Expenses

Total operating costs and expenses were $48.8 million for the six months ended June 30, 2019 compared to $54.5 million for the six months ended June 30, 2018, a decrease of $5.7 million or 10.5%. The decrease was primarily due to a $4.5 million decrease in direct course expenses, a $0.7 million decrease in advertising and sales expenses, a $0.4 million decrease in general and administrative expenses and $0.1 million decrease in royalty expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic training and advanced training, and consist of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were $25.5 million for the six months ended June 30, 2019 compared to $30.0 million for the six months ended June 30, 2018, a decrease of $4.5 million or 15.0%, which was primarily related to decreases in preview product costs and sales and training compensation, mainly due to the adjustments to our sales compensation programs. We have adjusted our sales compensation programs to align them with sales forecasts for the year ended December 31, 2019.

Advertising and sales expenses

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

Advertising and sales expenses were $10.9 million for the six months ended June 30, 2019 compared to $11.6 million for the six months ended June 30, 2018, a decrease of $0.7 million, or 6.0%. As a percentage of revenue, advertising and sales expenses were 22.6% and 22.7% of revenue for the six months ended June 30, 2019 and 2018, a decrease of 0.1%.

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 $2.7 million for the six months ended June 30, 2019 compared to $2.8 million for the six months ended June 30, 2018, a decrease of $0.1 million or 3.6%.

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 $9.7 million for the six months ended June 30, 2019 compared to $10.1 million for the six months ended June 30, 2018, a decrease of $0.4 million, or 4.0%.

Income tax expense

We recorded an income tax benefit of $60.0 thousand and $243.0 thousand for the six months ended June 30, 2019 and 2018, respectively. Our effective tax rate was 13.6% and 6.9% for the six months ended June 30, 2019 and 2018, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of June 30, 2019, and December 31, 2018, valuation allowances of $7.3 million and $6.9 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets. Our valuation allowance increased by $0.4 million and $0.07 million for the six months ended June 30, 2019 and 2018, respectively.

Net Loss

Net loss was $0.4 million or ($0.02) per basic and diluted common share for the six months ended June 30, 2019, compared to a net loss of $3.3 million or ($0.14) per basic and diluted common share for the six months ended June 30, 2018, a decrease in net loss of $2.9 million or $0.12 per basic and diluted common share.

Critical Accounting Policies

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

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

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

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our relatively modest operating cash flows during the past two years combined, it has been necessary for us to manage our cash position to ensure the future viability of our business. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, favorable terms from our merchant processors, seasonality, and fluctuations in foreign currency exchange rates. Our unrestricted cash position has improved during the six months ended June 30, 2019 with the addition of new merchant processors in the second half of 2018, who retain a significantly lower reserve than our main merchant processor had done for most of fiscal year 2018. As a result, our unrestricted cash in fiscal year 2018 was limited. As a result of these improved terms, our unrestricted cash should continue to improve. On July 18, 2019, one of our former merchant processors released a reserve of $1.9 million. As a result of this transaction, our unrestricted cash position significantly improved. As of June 30, 2019 and December 31, 2018, this amount was recorded as part of the restricted cash in our condensed consolidated balance sheets. In addition, this former merchant processor has agreed to refund an additional $1.5 million in November 2019, subject to certain conditions.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2019 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will be sufficient to fund our expected financial obligations and anticipated liquidity requirements for fiscal year 2019.

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

	Six Months Ended June 30,	
	2019	**2018**
Net cash provided by (used in) operating activities	3,577	(2,290)
Net cash provided by (used in) investing activities	152	(480)
Net cash provided by (used in) financing activities	377	(6)
Effect of exchange rate differences on cash	275	(39)
Net increase (decrease) in cash and cash equivalents and restricted cash	4,381	(2,815)

Operating Cash Flows and Liquidity

Net cash provided by operating activities was $3.6 million in the six months ended June 30, 2019 compared to net cash used in operating activities of $2.3 million in the six months ended June 30, 2018, representing a period-over-period increase of $5.9 million. This increase was primarily the result of increased earnings, and an increase in current liabilities for deferred revenue.

Investing Cash Flows

Net cash provided by investing activities totaled $152.0 thousand in the six months ended June 30, 2019 compared to net cash used in investing activities of $480.0 thousand in the six months ended June 30, 2018, representing our net sale of property and equipment.

Financing Cash Flows

Our consolidated capital structure as of June 30, 2019 and December 31, 2018 was 100.0% equity.

Net cash provided by financing activities totaled $377.0 thousand during the six months ended June 30, 2019 compared to net cash used in financing activities of $6.0 thousand in the six months ended June 30, 2018. Net cash provided by financing activities during the six months ended June 30, 2019, primarily represents the proceeds from issuance of the six-month loan. The loan was issued in an aggregate principal amount of £300 thousand and bears interest at a fixed rate of 12% per annum.

We expect that our working capital deficit, which is primarily a result of our deferred revenue balance, will continue for the foreseeable future. As of June 30, 2019, and December 31, 2018, our consolidated current deferred revenue was $60.6 million and $57.4 million, respectively.

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

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2019.

Item 4. Controls and Procedures.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer. As of June 30, 2019, based upon that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were not effective.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of June 30, 2019 based upon criteria set forth in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, as of June 30, 2019, we have determined that we presently do not have an internal control system or procedures that are effective and may be relied upon in connection with our financial reporting. The weaknesses in our internal control system that were identified by our management generally include weakness that present a reasonable possibility that a material misstatement of our annual or interim financial statements will not be identified, prevented or detected on a timely basis, and specifically include:

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

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

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

There were no sales or repurchases of the Company's equity securities during the six months ended June 30, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 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)
10.1	April 18, 2019, Separation Agreement, between the Company and Anthony C. Humpage.
10.2	June 14, 2019, Separation Agreement, between the Company and Christian A.J. Baeza.
31.1*	Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of The Interim 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 June 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2019 (Unaudited) and December 31, 2018, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2019 and 2018 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the six months ended June 30, 2019 and 2018 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018 (Unaudited) and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

* Filed herewith.

SIGNATURES

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

LEGACY EDUCATION ALLIANCE, INC.

Dated: August 14, 2019

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

Dated: August 14, 2019

By: /s/ MICHAEL W. ENGLISH
Michael W. English
Interim Chief Financial Officer

SEPARATION AGREEMENT

This Separation Agreement ("Agreement") is made and entered into as of this April 17th 2019 by and between **Anthony C. Humpage**, ("Executive"), and **Legacy Education Alliance, Inc.** on behalf of itself and its subsidiary and affiliated companies, and their respective successors and assigns (collectively "the Company"). Executive and the Company are collectively referred to as the Parties throughout this Agreement.

Recitals

WHEREAS, Executive and the Company are parties to that certain Executive Employment Agreement dated September 1, 2017 (the "Employment Agreement") pursuant to which the Company employed Executive as its Chief Executive Officer; and

WHEREAS, Executive's employment with the Company terminated on April 2, 2019;

NOW, THEREFORE, in consideration of the mutual covenants, promises, and conditions expressed in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, the Parties agree as follows:

1. **Termination of Employment.** Executive acknowledges and agrees that Executive's last day of employment with the Company was April 2, 2019 ("Separation Date"). Executive further acknowledges and agrees that the Company has paid the Executive all salary due through the Separation Date. Company shall pay Executive accrued but unused PTO through January 15, 2019, to the extent the same has not already been paid, on the first payroll period following this Agreement becoming effective. Executive acknowledges and agrees that this Paragraph 1 sets forth all of the compensation payable to Executive by the Company and Executive hereby waives any and all claims to salary, incentive payments, bonuses, or benefits of any kind, except as expressly provided for in this Section 1 or as otherwise required by law.

2. **Contingent Vesting of Shares.** Provided Executive has fully performed his obligations under this Agreement, (i) 125,000 shares of unvested restricted Company stock awarded to Executive on or about August 19, 2016; (ii) 25,000 shares of unvested restricted Company stock awarded to Executive on or about May 31, 2017; and (iii) an additional 25,000 shares of unvested restricted Company stock also awarded to Executive on or about May 31, 2017 (collectively, "Contingent Vesting Shares"), shall not be forfeited, but shall instead vest on the dates such restricted shares would have vested under the terms of their respective Grant Notices and Award Agreements between the Company and Executive pursuant to which the Contingent Vesting Shares were awarded, i.e., (i) August 19, 2019, (ii) May 31, 2019 and, (iii) May 31, 2020, respectively. Except with respect to such vesting periods, and notwithstanding **Section 9. Entire Agreement,** below, the Contingent Vesting Shares shall remain subject to the terms and conditions of their respective Grant Notices and Award Agreements, including, but not limited to, the provisions governing the vesting of the Contingent Vesting Shares upon a Change of Control, as defined in the respective Award Agreements.

3. **Separation Benefit.** In lieu of any separation benefits payable to Executive under Section 7Termination of Employment of the Employment Agreement and in consideration of the releases Executive grants pursuant to Section of 4 of this Agreement, the Company shall provide Executive the following benefits (collectively "Separation Benefit"):

(a) continuation through December 31, 2019 of Executive's weekly base rate of pay as of the Separation Date, less all applicable withholding taxes and any other amounts required by law to be withheld, payable in bi-weekly installments concurrently with the Company's regularly scheduled pay periods ("Separation Payment"); provided, however that in the event of a Change of Control (as defined below), any unpaid installments of the Separation Payment remaining as of the date of such Change of Control shall become immediately due and payable to Executive. For purposes hereof, a "Change of Control" shall be deemed to occur upon:

(i) any "person" as such term is used in Sections l3(d) and 14(d) ofthe Exchange Act (other than LEAI, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of LEAI in substantially the same proportions as their ownership of common stock of LEAI), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of LEAI representing fifty percent (50%) or more of the combined voting power of LEAI's then outstanding securities;

(ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (i), (iii), or (iv) of this Section 3(a)) whose election by the Board or nomination for election by LEAI's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(iii) a merger, consolidation, reorganization, or other business combination of LEAI with any other entity, other than a merger or consolidation which would result in the voting securities of LEAI outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of LEAI or such surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of LEAI (or similar transaction) in which no person acquires thirty percent (30%) or more of the combined voting power of LEAI's then outstanding securities shall not constitute a Change in Control; or

(iv) the shareholders of LEAI approve a plan of complete liquidation of LEAI or the consummation of the sale or disposition by LEAI of all or substantially all of LEAI's assets other than (x) the sale or disposition of all or substantially all of the assets of LEAI to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of LEAI at the time of the sale or (y) pursuant to a spin-off type transaction, directly or indirectly, of such assets to the shareholders of LEAI;

(b) reimbursement through the date Executive first becomes eligible for Medicare of Executive's COBRA premiums payable by Executive for the same types and limits of coverages maintained by Executive through the Company benefit plans as of the Separation Date; and

(c) participation in the Company's Annual Incentive Compensation plan for 2019, if any, as provided for in Paragraph 3(b) of the Employment Agreement, such participation being prorated through the Separation Date.

4. **Waiver and Release.** (a) In exchange for the Separation Benefit provided by the Company pursuant to Section 3 above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Executive on behalf of Executive and Executive's past, present and future agents, representatives, attorneys, heirs, executors, successors and assigns, and all other persons connected therewith, hereby releases and forever discharges the Company, and all of its past, present and future agents, representatives, principals, attorneys, affiliates, subsidiaries, owners, members, shareholders, officers, directors, employees, successors, and assigns (collectively the "Released Parties"), of and from any and all legal, equitable or other claims, demands, setoffs, defenses, contracts, accounts, suits, debts, agreements, actions, causes of action, sums of money, judgments, findings, controversies, disputes, or past, present and future duties, responsibilities, obligations, or suits at law and/or equity of whatsoever kind, from the beginning of time to the date hereof, including without limitation, any and all actions, causes of action, claims, counterclaims, third party claims, and any and all other federal, state, local and/or municipality statutes, Laws and/or regulations and any ordinance and/or common law pertaining to employment and any and all other claims, counterclaims and/or third party claims which have been or which could have been asserted against any party in any court, arbitration or other forum involving the subject matter of the Agreement. Executive declares and represents that the Executive has been paid all wages or other compensation owed by any or all of the Released Parties and represents that he has not suffered any on-the-job injuries or work-related accidents or injuries, occupational diseases or disabilities, whether temporary, permanent, partial, or total, for which the Executive has not been fully compensated. Executive further agrees that he has been granted all leave, including all leave under the Family and Medical Leave Act, to which he may have been entitled, if any.

(b) By signing this Agreement, Executive knowingly and voluntarily fully releases and forever discharges the Released Parties of and from all claims, demands, and liability of any kind arising under any statute, law or ordinance pertaining to employment, including, without limitation, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the National Labor Relations Act, the Americans with Disabilities Act, any state human rights act, or the Age Discrimination in Employment Act ("ADEA"). It is understood that the acceptance of this Agreement by the Released Parties is not to be construed as an admission of liability on their part. Executive further understands and agrees that this Agreement is intended to cover all actions, causes of action, claims, and demands for damages, loss or injury arising from the beginning of time until the date of this Agreement, whether presently known or unknown to the Executive.

(c) In accordance with provisions of the ADEA, as amended, 29 U.S.C. §601-634, the Executivewas provided a period of twenty-one (21) days from the date of receiving this Agreement on April 2, 2019 to review the waiver of rights under the ADEA and sign this Agreement. Furthermore, the Executive has seven (7) days after the date of signing the Agreement ("Revocation Period'') to revoke the Executive's consent. This Agreement shall not become effective or enforceable until the Revocation Period has expired. If the Executive does not deliver a written revocation to James E. May, Interim CEO, c/o Legacy Education Alliance, Inc., 1612 E. Cape Coral Parkway, Cape Coral, FL 33904, before the Revocation Period expires, this Agreement will become effective.

(d) Executive is hereby advised to consult with an attorney prior to executing this Agreement. The Executive acknowledges that he has been given a reasonable time in which to consider the Agreement and seek such consultation and warrants that the Executive has consulted with knowledgeable persons concerning the effect of this Agreement and all rights that the Executive might have under any and all state and federal law relating to employment and employment discrimination. The Executive fully understands these rights and that by signing this Agreement the Executive forfeits all rights to sue the Released Parties for matters relating to or arising out of employment and termination. The Executive may preserve a legal right to sue by refusing to sign this Agreement, in which case the Executive will not receive the Separation Benefit.

5. **Non-Disparagement.** Executive agrees not to take any action or make or condone any communication, written or otherwise, that disparages, criticizes or otherwise reflects adversely or encourages any adverse action against the Company or any of the Released Parties. In response to inquiries from third parties, Executive shall state only that the Executive separated from the Company on mutually acceptable terms, except to the extent that Company has authorized, in writing, the disclosure by Executive of additional information regarding Executive's employment and/or separation from employment Executive also agrees that he will not seek reemployment with the Company or work on the property of the Company or any related entity as a contractor or in any other capacity at any time in the future. The Company's employment records will state that Executive separated from the Company on mutually acceptable terms and Company shall instruct its Board of Directors not to disparage Executive and use commercial best efforts to make sure the instruction is followed. Notwithstanding the foregoing, or anything in the Confidentiality Agreement (as defined in Section 11, below), Executive is not prohibited from reporting possible violations of federal or state law or regulation to any governmental agency, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation.

6. **Cooperation.** Executive shall, from time to time, perform such other acts and execute and deliver any and all such other instruments, documents or letters as may be required by law or as Company reasonably requests to establish, maintain and protect the rights and remedies of Company and to carry out the intent and purpose of this Agreement. Without limiting the generality of the foregoing, Executive shall execute and deliver any and all documents necessary or appropriate to remove Executive as an authorized signatory to any and all bank accounts and other financial accounts. In addition, Executive shall provide such assistance, cooperation, consultation, and information as the Company may reasonably request from time to time with respect to matters affecting or related to the Company and in which Executive was involved or has knowledge, including, but not limited to, governmental investigations, contracts, litigation, strategic transactions, and financial matters. The Company shall reimburse Executive for any reasonable out-of pocket expenses Executive in performing such acts and in executing, delivering instruments, documents, or letters.

7. **No Admission of Liability.** This Agreement shall not in any way be construed as an admission by either party that it has acted wrongfully with respect to the other, or that either party has any rights whatsoever against the other.

8. **Services as Company Director.** The Parties acknowledge that, notwithstanding the termination of Executive's employment with the Company, and subject both to the laws of the state in which the Company is organized and to the Company's articles of incorporation and bylaws, Executive may continue to serve on the Board of Directors of the Company until his current term expires and his successor is elected and qualified at a duly constituted meeting of the stockholders of the Company. So long as Executive is entitled to receive payments of the Separation Payment, Executive shall not be entitled to receive compensation for services provided by Executive as a director of the Company, except as authorized by a majority of the other directors of the Company.

9. **Entire Agreement.** This Agreement contains the entire agreement of the Parties and replaces any prior or contemporaneous written or oral representations or understandings about this matter. This Agreement may not be changed except in writing signed by the Parties or their respective attorneys.

10. **Governing Law.** This Agreement and all of the terms and conditions hereof, shall be construed and interpreted in accordance with the laws of Florida. Should it become necessary for either party to bring action to enforce this Agreement, such action shall be brought in the state or federal courts in and for Lee County, Florida.

11. **<u>Knowing and Voluntary Assent</u>.** The parties represent that they have had an opportunity to retain legal counsel to represent them in connection with this matter, that they have been advised of the legal effect and consequences of this Agreement, that they have entered into this Agreement knowingly, freely and voluntarily of their own volition, and that they have not been coerced, forced, harassed, threatened or otherwise unduly pressured to enter into this Agreement.

12. **<u>Confidential Information, etc</u>.** Executive hereby ratifies and affirms, and agrees to fully and faithfully perform Executive's obligations under the "Confidentiality, Non-Compete and Non-Solicitation Agreement (Executive)" dated September 1, 2017 by and between the Company, and Executive ("Confidentiality Agreement"), including, but not limited to, Section 2 (Proprietary Rights), Section 3 (Covenant Not to Compete), Section 4 (Covenant Not to Solicit Customers/Clients), Section 5 (Covenant Not to Solicit Executives, Independent Contractors and/or Vendors), and Section 6 (Covenant Not to Violate Company Confidences). Executive further acknowledges and agrees that such obligations survive the termination of Executive's employment with the Company in accordance with the terms of the Confidentiality Agreement.

13. **<u>Severability/Waiver</u>.** In the event that any one or more of the provisions contained herein shall for any reason beheld to be unenforceable in any respect under the law, such unenforceability shall not affect any other provision of this Agreement, but, with respect only to the jurisdiction holding the provision to be unenforceable, this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

14. **<u>Amendments and Modifications, Successors and Assigns</u>.** This Agreement may not be amended or modified except in writing signed by Executive and an authorized representative with actual authority to bind the Company, specifically stating that it is an Amendment to this Agreement. Executive and Company expressly agree that this Agreement, and all of the obligations thereunder, are binding on their respective successors and assigns. In the event of a Change in Control of Company that results in a successor entity, Company expressly agrees to use commercial best efforts to either have the successor entity provide any required ongoing benefits to Executive or, if that is not possible, Company acknowledges it will have to undertake the fulfillment of any remaining ongoing benefits to Executive.

15. **<u>Counterparts/Duplicates</u>.** This Agreement may be executed in any number of counterparts with the same effect as if each party hereto had signed the same document. All counterparts shall be construed together and shall constitute one agreement. The parties agree that the delivery of facsimile counterparts followed by the conveyance of originally signed documents shall be sufficient to evidence the parties' intent for the ratification of this document. This original Agreement or a duplicate copy of the original Agreement shall suffice in an action to enforce any of the terms and conditions herein.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year set forth below.

LEGACY EDUCATION ALLIANCE, INC.

By: /s/ James E. May

Name: James E. May

Title: Interim CEO

Date: 4/18/19

EXECUTIVE

/s/ Anthony C. Humpage

Anthony C. Humpage

Date: 4/17/19

SEPARATION AGREEMENT

This Separation Agreement ("Agreement") is made and entered into by and between **Christian Baeza** ("Executive"), and **Legacy Education Alliance, Inc.** on behalf of itself and its subsidiary and affiliated companies, and their respective successors and assigns (collectively **"the Company").** Executive and the Company are collectively referred to as the Parties throughout this Agreement.

Recitals

WHEREAS, Executive and the Company are parties to that certain Executive Employment Agreement dated September 1, 2017 (the "Employment Agreement") pursuant to which the Company employed Executive as its Chief Financial Officer; and

WHEREAS, Executive's employment with the Company terminated on May 20, 2019

NOW, THEREFORE, in consideration of the mutual covenants, promises, and conditions expressed in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, the Parties agree as follows:

1. **Termination of Employment.** Executive acknowledges and agrees that Executive's last day of employment with the Company was May 20. 2019 ("Separation Date"). Company shall pay on or about the next occurring payroll cycle all salary and PTO pay accrued by Executive through the Separation Date.

2. **Contingent Vesting of Shares.** Provided Executive has fully performed his obligations under this Agreement, (i) 26,667 shares of unvested restricted Company stock awarded to Executive on or about August 19, 2016; (ii) 12,187 shares of unvested restricted Company stock awarded to Executive on or about May 31, 2017; and (iii) an additional 12,187 shares of unvested restricted Company stock also awarded to Executive on or about May 31, 2017 (collectively, "Contingent Vesting Shares"), shall not be forfeited, but shall instead vest on the dates such restricted shares would have vested under the terms of their respective Grant Notices and Award Agreements between the Company and Executive pursuant to which the Contingent Vesting Shares were awarded, i.e.,(i) August 19, 2019, (ii) May 31, 2019 and, (iii) May 31, 2020, respectively. Except with respect to such vesting periods, and notwithstanding Section l0. Entire Agreement, below. the Contingent Vesting Shares shall remain subject to the terms and conditions of their respective Grant Notices and Award Agreements, including, but not limited to, the provisions governing the vesting of the Contingent Vesting Shares upon a Change of Control, as defined in the respective Award Agreements.

3. **Separation Benefit.** In consideration of the releases Executive grants pursuant to Section 5 Waiver and Release of this Agreement, the Company shall pay Executive an amount equal to twenty-six (26) weeks of Executive's weekly base rate of pay in effect as of the Separation Date, less all applicable withholding taxes and any other amounts required by law to be withheld, payable in bi-weekly installments concurrently with the Company's regularly scheduled pay periods (the "Separation Benefit.")

4. <u>No Other Amounts</u>. Executive hereby agrees that except as expressly provided in this Agreement (including any benefits expressly referenced herein as being generally available to Executive), no salary, incentive compensation, bonus, benefits, severance, or other compensation of any kind, nature, or amount shall be payable to Executive and except as expressly provided herein, Executive hereby irrevocably waives any claim for salary, incentive compensation, bonus, benefits, severance, or other compensation.

5. **<u>Waiver and Release</u>.** (a) In exchange for the Separation Benefit provided by the Company pursuant to<u>Section 3 Separation Benefit</u> above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Executive on behalf of Executive and Executive's past, present and future agents, representatives, attorneys, heirs, executors, successors and assigns, and all other persons connected therewith, hereby releases and forever discharges the Company, and all of its past, present and future agents, representatives, principals, attorneys, affiliates, subsidiaries, owners, members, shareholders, officers, directors, employees, successors, and assigns (collectively the "Released Parties"), of and from any and all legal, equitable or other claims, demands, setoffs, defenses, contracts, accounts, suits, debts, agreements, actions, causes of action, sums of money, judgments, findings, controversies, disputes, or past, present and future duties, responsibilities, obligations, or suits at law and/or equity of whatsoever kind, from the beginning of time to the date hereof, including, without limitation, any and all actions, causes of action, claims, counterclaims, third party claims, and any and all other federal, state, local and/or municipality statutes, laws and/or regulations and any ordinance and/or common law pertaining to employment and any and all other claims, counterclaims and/or third party claims which have been or which could have been asserted against any party in any court, arbitration or other forum involving the subject matter of the Agreement. Executive declares and represents that the Executive has been paid all wages or other compensation owed by any or all of the Released Parties and represents that he has not suffered any on-the-job injuries or work-related accidents or injuries, occupational diseases or disabilities, whether temporary, permanent, partial, or total, for which the Executive has not been fully compensated. Executive further agrees that he has been granted all leave, including all leave under the Family and Medical Leave Act, to which he may have been entitled, if any.

(b) By signing this Agreement, Executive knowingly and voluntarily fully releases and forever discharges the Released Parties of and from all claims, demands, and liability of any kind arising under any statute, law or ordinance pertaining to employment, including, without limitation, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the National Labor Relations Act, the Americans with Disabilities Act, any state human rights act, or the Age Discrimination in Employment Act ("ADEA"). It is understood that the acceptance of this Agreement by the Released Parties is not to be construed as an admission of liability on their part. Executive further understands and agrees that this Agreement is intended to cover all actions, causes of action, claims, and demands for damages, loss or injury arising from the beginning of time until the date of this Agreement, whether presently known or unknown to the Executive.

(c) In accordance with provisions of the ADEA, as amended, 29 U.S.C. §601-634, the Executive is hereby provided a period of twenty-one (21) days from the date of receiving this Agreement to review the waiver of rights under the ADEA and sign this Agreement. Furthermore, the Executive has seven (7) days after the date of signing the Agreement ("Revocation Period") to revoke the Executive's consent. This Agreement shall not become effective or enforceable until the Revocation Period has expired. If the Executive does not deliver a written revocation to James E. May, Interim CEO, c/o Legacy Education Alliance, Inc., 1612 E. Cape Coral Parkway, Cape Coral, FL 33904, before the Revocation Period expires, this Agreement will become effective.

(d) Executive is hereby advised to consult with an attorney prior to executing this Agreement. The Executive acknowledges that he has been given a reasonable time in which to consider the Agreement and seek such consultation and warrants that the Executive has consulted with knowledgeable persons concerning the effect of this Agreement and all rights that the Executive might have under any and all state and federal law relating to employment and employment discrimination. The Executive fully understands these rights and that by signing this Agreement the Executive forfeits all rights to sue the Released Parties for matters relating to or arising out of employment and termination. The Executive may preserve a legal right to sue by refusing to sign this Agreement, in which case the Executive will not receive the Separation Benefit.

6. **Non-Disparagement.** Executive agrees not to take any action or make or condone any communication, written or otherwise, that disparages, criticizes or otherwise reflects adversely or encourages any adverse action against the Company or any of the Released Parties. In response to inquiries from third parties, Executive shall state only that the Executive separated from the Company on mutually acceptable terms, except to the extent that Company has authorized, in writing, the disclosure by Executive of additional information regarding Executive's employment and/or separation from employment. Executive also agrees that he will not seek reemployment with the Company or work on the property of the Company or any related entity as a contractor or in any other capacity at any time in the future. The Company's employment records will state that Executive separated from the Company on mutually acceptable terms. Notwithstanding the foregoing, or anything in the Confidentiality Agreement (as defined in Section 13 Confidential Information. etc., below), Executive is not prohibited from reporting possible violations of federal or state law or regulation to any governmental agency, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation.

7. **Cooperation.** Executive shall, from time to time, perform such other acts and execute and deliver any and all such other instruments, documents or letters as may be required by law or as Company reasonably requests to establish, maintain and protect the rights and remedies of Company and to carry out the intent and purpose of this Agreement. Without limiting the generality of the foregoing, Executive shall execute and deliver any and all documents necessary or appropriate to remove Executive as an authorized signatory to any and all bank accounts and other financial accounts. In addition, Executive shall provide such assistance, cooperation, consultation, and information as the Company may reasonably request from time to time with respect to matters affecting or related to the Company and in which Executive was involved or has knowledge, including, but not limited to, governmental investigations, contracts, litigation, strategic transactions, and financial matters. The Company shall reimburse Executive for any reasonable out-of pocket expenses Executive in performing such acts and in executing, delivering instruments, documents, or letters.

8. **No Admission of Liability.** This Agreement shall not in any way be construed as an admission by either party that it has acted wrongfully with respect to the other, or that either party has any rights whatsoever against the other.

9. **Entire Agreement.** This Agreement contains the entire agreement of the Parties and replaces any prior or contemporaneous written or oral representations or understandings about this matter, including, but not limited to, the Employment Agreement. This Agreement may not be changed except in writing signed by the Parties or their respective attorneys.

10. **Governing Law.** This Agreement and all of the terms and conditions hereof, shall be construed and interpreted in accordance with the laws of Florida. Should it become necessary for either party to bring action to enforce this Agreement, such action shall be brought in the state or federal courts in and for Lee County, Florida.

11. **Knowing and Voluntary Assent.** The parties represent that they have had an opportunity to retain legal counsel to represent them in connection with this matter, that they have been advised of the legal effect and consequences of this Agreement, that they have entered into this Agreement knowingly, freely and voluntarily of their own volition, and that they have not been coerced, forced, harassed, threatened or otherwise unduly pressured to enter into this Agreement.

12. **Confidential Information, etc.** Executive hereby ratifies and affirms, and agrees to fully and faithfully perform Executive's obligations under the "Confidentiality, Non-Compete and Non-Solicitation Agreement (Executive)" dated September 1, 2017 by and between the Company, and Executive ("Confidentiality Agreement"), including, but not limited to, Section 2 (Proprietary Rights), Section 3 (Covenant Not to Compete), Section 4 (Covenant Not to Solicit Customers/Clients), Section 5 (Covenant Not to Solicit Executives, Independent Contractors and/or Vendors), and Section 6 (Covenant Not to Violate Company Confidences). Executive further acknowledges and agrees that such obligations survive the termination of Executive's employment with the Company in accordance with the terms of the Confidentiality Agreement.

13. **Severability/Waiver.** In the event that any one or more of the provisions contained herein shall for any reason be held to be unenforceable in any respect under the law, such unenforceability shall not affect any other provision of this Agreement, but, with respect only to the jurisdiction holding the provision to be unenforceable, this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

14. **Amendments and Modifications.** This Agreement may not be amended or modified except in writing signed by Executive and an authorized representative with actual authority to bind the Company, specifically stating that it is an Amendment to this Agreement.

15. **Counterparts/Duplicates.** This Agreement may be executed in any number of counterparts with the same effect as if each party hereto had signed the same document. All counterparts shall be construed together and shall constitute one agreement. The parties agree that the delivery of facsimile counterparts followed by the conveyance of originally signed documents shall be sufficient to evidence the parties' intent for the ratification of this document. This original Agreement or a duplicate copy of the original Agreement shall suffice in an action to enforce any of the terms and conditions herein.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year set forth below.

LEGACY EDUCATION ALLIANCE, INC.

By: /s/ James E. May

Name: James E. May

Title: CEO

Date: June 14, 2019

EXECUTIVE

/s/ Christian Baeza

Christian Baeza

Date: May 30, 2019

Exhibit 31.1

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

I, James E. May, certify that:

1. I have reviewed this Form 10-Q of Legacy Education Alliance Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Dated: August 14, 2019

/s/ JAMES E. MAY
James E. May
Chief Executive Officer

Exhibit 31.2

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

I, Michael English, 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: August 14, 2019

/s/ MICHAEL ENGLISH
Michael English
Interim Chief Financial Officer

Exhibit 32.1

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 June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, James E. May, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 14, 2019

/s/ JAMES E. MAY
James E. May
Chief Executive Officer

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

Exhibit 32.2

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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Michael English, Interim 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: August 14, 2019

/s/ MICHAEL ENGLISH
Michael English
Interim 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.