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 March 31, 2020

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

Commission File Number: 000-55790

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

Nevada	39-2079974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
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 submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated filer:	☐	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
Legacy Education Alliance, Inc. Common Stock, par value $0.0001	LEAI	OTCQB

Number of shares of Legacy Education Alliance, Inc. Common Stock, $0.0001 par value, outstanding as of June 29, 2020: 23,162,502.

Index to Quarterly Report
on Form 10-Q for
Quarter Ended March 31, 2020

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”), including, but not limited to, the Cautionary Note Regarding Forward Looking Statements as set forth in our Current Report on Form 8-K filed with the SEC on April 16, 2020. There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. Although we believe the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions could themselves prove to be inaccurate. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior reports and other filings with the SEC, the information contained in this report updates and supersedes such information.

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

Presentation of Financial Statements

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

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

Reliance on SEC Relief from Filing Requirements

Pursuant to Section 36 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Securities and Exchange Commission (the “SEC”), issued, on March 4, 2020 and as revised on March 25, 2020, an order granting exemptions from specified provisions of the Exchange Act and certain rules thereunder (Release No. 34-88465) (the “SEC Order”). The SEC Order provides that a registrant subject to the reporting requirements of Exchange Act Section 13(a) or 15(d), and any person required to make any filings with respect to such registrant, is exempt from any requirement to file or furnish materials with the Commission under Exchange Act Sections 13(a), 13(f), 13(g), 14(a), 14(c), 14(f), 15(d) and Regulations 13A, Regulation 13D-G (except for those provisions mandating the filing of Schedule 13D or amendments to Schedule 13D), 14A, 14C and 15D, and Exchange Act Rules 13f-1, and 14f-1, as applicable, if certain conditions are satisfied. The Company relied on the SEC Order’s 45-day extension to file its Quarterly Report on Form 10-Q for the three months ended March 31, 2020 (the “Report”) due to the circumstances related to COVID-19.

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)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,510	$ 3,839
Restricted cash	2,111	2,389
Deferred course expenses	5,513	6,805
Prepaid expenses and other current assets	1,786	2,074
Inventory	45	47
Total current assets	10,965	15,154
Property and equipment, net	1,339	1,382
Right-of-use assets	50	122
Deferred tax asset, net	269	287
Other assets	41	413
Total assets	$ 12,664	$ 17,358
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,037	$ 2,311
Royalties payable	133	150
Accrued course expenses	153	576
Accrued salaries, wages and benefits	78	459
Operating lease liability, current portion	23	86
Other accrued expenses	1,810	1,660
Note payable	500	500
Deferred revenue	37,101	46,453
Discontinued operations-current liabilities	4,216	4,499
Total current liabilities	47,051	56,694
Operating lease liability, net of current portion	27	27
Total liabilities	47,078	56,721
Commitments and contingencies (Note 15)		
Stockholders' deficit:		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized, none issued	—	—
Common stock, $0.0001 par value; 200,000,000 authorized; 23,162,502 and 23,162,502 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	2	2
Additional paid-in capital	11,558	11,552
Cumulative foreign currency translation adjustment	2,620	710
Accumulated deficit	(48,594)	(51,627)
Total stockholders' deficit	(34,414)	(39,363)
Total liabilities and stockholders' deficit	$ 12,664	$ 17,358

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	$ 10,120	$ 20,458
Operating costs and expenses:		
Direct course expenses	3,532	10,478
Advertising and sales expenses	1,799	4,777
Royalty expenses	46	1,019
General and administrative expenses	1,775	4,092
Total operating costs and expenses	7,152	20,366
Income from operations	2,968	92
Other income (expense):		
Interest expense	(83)	(33)
Other income (expense), net	21	(31)
Total other expense, net	(62)	(64)
Income from continuing operations before income taxes	2,906	28
Income tax benefit	127	60
Net income from continuing operations	3,033	88
Net loss from discontinued operations	—	(193)
Net income/(loss)	$ 3,033	$ (105)
Basic earnings per common share - continuing operations	$ 0.13	$ 0.01
Basic loss per common share - discontinued operations	—	(0.01)
Basic earnings per common share	$ 0.13	$ 0.00
Diluted earnings per common share - continuing operations	$ 0.13	$ 0.01
Diluted loss per common share - discontinued operations	—	(0.01)
Diluted earnings per common share	$ 0.13	$ 0.00
Basic weighted average common shares outstanding	22,985	23,117
Diluted weighted average common shares outstanding	23,163	23,117
Comprehensive loss:		
Net income/(loss)	$ 3,033	$ (105)
Foreign currency translation adjustments, net of tax of $0	1,910	(392)
Total comprehensive income/(loss)	$ 4,943	$ (497)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

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

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31, 2019	23,163	$ 2	$ 11,552	$ 710	$ (51,627)	$ (39,363)
Share-based compensation expense	—	—	6	—	—	6
Foreign currency translation adjustment, net of tax of $0	—	—	—	1,910	—	1,910
Net Income	—	—	—	—	3,033	3,033
Balance at March 31, 2020	23,163	$ 2	$ 11,558	$ 2,620	$ (48,594)	$ (34,414)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	$ 3,033	$ (105)
Less net loss from discontinued operations	—	(193)
Net income from continuing operations	$ 3,033	$ 88
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	22	33
Non-cash lease expense	23	7
Gain on the sale of fixed assets and investment property	(33)	(10)
Share-based compensation	6	28
Deferred income taxes	—	(83)
Changes in operating assets and liabilities:		
Deferred course expenses	1,050	(463)
Prepaid expenses and other receivable	134	330
Inventory	1	(6)
Other assets	12	(35)
Accounts payable-trade	794	(68)
Royalties payable	30	184
Accrued course expenses	(382)	1,076
Accrued salaries, wages and benefits	(383)	(171)
Operating lease liability	(18)	(7)
Other accrued expenses	538	(1,131)
Deferred revenue	(7,377)	3,101
Net cash (used in) provided by operating activities - continuing operations	(2,550)	2,873
Net cash provided by operating activities - discontinued operations	—	665
Net cash (used in) provided by operating activities	(2,550)	3,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	—	(29)
Proceeds from sales of investment property	365	—
Proceeds from sales of property and equipment	—	165
Net cash provided by investing activities - continuing operations	365	136
Net cash provided by investing activities	365	136
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	—	(8)
Net cash (used in) financing activities - continuing operations	—	(8)
Net cash provided by financing activities - discontinued operations	—	395
Net cash provided by financing activities	—	387
Effect of exchange rate differences on cash	(422)	42
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,607)	4,103
Cash and cash equivalents and restricted cash, beginning of period	$ 6,228	$ 6,637
Cash and cash equivalents and restricted cash, end of period	$ 3,621	$ 10,740
Supplemental disclosures:		
Cash paid during the period for interest	$ 87	$ 42
Cash paid during the period for income taxes, net of refunds received	$ —	$ 12

See Notes to Unaudited Condensed Consolidated Financial Statements

LEGACY EDUCATION ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - General

Business Description.

Business Description. We are a provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques. Our programs are offered through a variety of formats and channels, including free workshops, basic trainings, symposiums, forums, telephone mentoring, one-on-one mentoring, coaching and e-learning. We market our products and services under two brands: Legacy Education^{TM} and Homemade Investor by Tarek El Moussa^{TM}. In October 2019, we launched our new proprietary line of coaching products to support our students through every phase of their journey with us, from beginner to experienced investor. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum, and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor by Tarek El Moussa* brand.

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

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

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

The accompanying unaudited Condensed Consolidated Financial Statements presented in this report are for us and our consolidated subsidiaries, each of which is a wholly-owned subsidiary. All significant intercompany transactions have been eliminated. These interim financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly our results of operations and financial position. Amounts reported in our Condensed Consolidated Statements of Operations and Comprehensive Income/(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 consolidated financial statements and notes have been prepared assuming we will continue as a going concern. For the quarter ended March 31, 2020 we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations as well as reducing our costs and increasing our operating margins, and to sustain adequate working capital to finance our operations. The failure to achieve the necessary levels of profitability and cash flows would be detrimental to us. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Use of Estimates.

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

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

Cash and Cash Equivalents.

We consider all highly liquid instruments with an original maturity of three months or less to be cash or cash equivalents. We continually monitor and evaluate our investment positions and the creditworthiness of the financial institutions with which we invest and maintain deposit accounts. When appropriate, we utilize Certificate of Deposit Account Registry Service (CDARS) to reduce banking risk for a portion of our cash in the United States. A CDAR consists of numerous individual investments, all below the FDIC limits, thus fully insuring that portion of our cash. At March 31, 2020 and December 31, 2019, we did not have a CDAR balance.

Restricted Cash.

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

Deposits with Credit Card Processors.

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

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

(in thousands)	**March 31, 2020**	**December 31, 2019**
Cash and cash equivalents	$ 1,510	$ 3,839
Restricted cash	2,111	2,389
Total cash, cash equivalents, and restricted cash shown in the cash flow statements	$ 3,621	$ 6,228

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.

Discontinued Operations.

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

Note 2 - New Accounting Pronouncements

Accounting Standards Adopted in the Current Period

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

Note 3 - Share-Based Compensation

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

Share-based compensation expenses related to our restricted stock grants were $6.0 thousand and $28.0 thousand for the three months ended March 31, 2020 and 2019, respectively, which are reported as a separate line item in the condensed consolidated statements of changes in stockholders' deficit.

Note 4 - Discontinued Operations

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

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

(in thousands)	March 31, 2020	December 31, 2019
Major classes of liabilities		
Accounts payable	3,192	3,408
Accrued course expenses	442	472
Other accrued expenses	582	619
Total major classes of liabilities - discontinued operations	$ 4,216	$ 4,499

The financial results of the discontinued operations are as follows:

	Three Months Ended March 31,	
(in thousands)	2020	2019
Revenue	$ —	$ 4,118
Total operating costs and expenses	—	4,208
Loss from discontinued operations	—	(90)
Interest expense	—	(8)
Other expense, net	—	(95)
Net loss from discontinued operations	$ —	$ (193)

Note 5 - Earnings Per Share ("EPS")

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

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

We excluded unvested restricted stock awards from the diluted weighted-average number of shares used in our diluted EPS calculation of 547,335 for the three months ended March 31, 2019 because we had a net loss in this period.

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 178,151 and 547,335 for the three months ended March 31, 2020 and 2019, respectively.

The calculations of basic and diluted EPS are as follows:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Net Income	Weighted Average Shares Outstanding	Earnings Per Share	Net Loss	Weighted Average Shares Outstanding	Loss Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
Basic:						
As reported	$ 3,033	23,163		$ (105)	23,117	
Amounts allocated to unvested restricted shares	(23)	(178)		—	—	
Amounts available to common stockholders	$ 3,010	22,985	$ 0.13	$ (105)	23,117	$ 0.00
Diluted:						
Amounts allocated to unvested restricted shares	23	178		—	—	
Amounts reallocated to unvested restricted shares	(23)	—		—	—	
Amounts available to stockholders and assumed conversions	$ 3,010	23,163	$ 0.13	$ (105)	23,117	$ 0.00

Note 6 - Fair Value Measurements

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

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

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

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

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

We did not have any financial liabilities or financial assets measured and recorded at fair value on our condensed consolidated balance sheets on a recurring basis as of March 31, 2020 and December 31, 2019.

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

Note 7 - Short-Term Debt

(in thousands)	As of March 31, 2020	As of December 31, 2019
Promissory notes	$ 500	$ 500
Total short-term borrowings	$ 500	$ 500

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

2020	$ 500
Total debt	$ 500

On September 13, 2018, we entered into a Promissory Note and Mortgage and Security Agreement pursuant to which we borrowed the principal amount of $500 thousand from USA ReGrowth Fund LLC. At closing, we received $459,269 in net proceeds after closing costs and other fees and costs. The Promissory Note, repayment of which was initially due on March 13, 2019, was issued in an aggregate principal amount of $500 thousand and bore interest at a fixed rate of 12% per annum during the initial 120 days of the term of the Promissory Note, and a fixed rate of 30% per annum until all amounts due under the Promissory Note are paid in full. Pursuant to the Mortgage and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the property located at 1612 East Cape Coral Parkway, Cape Coral, FL 33904 (“Corporate HQ”). On March 8, 2019, we executed an extension of the maturity date to September 13, 2019. During the initial 120 days of the extension period, the Promissory Note bore interest at a fixed rate of 12% per annum and a fixed rate of 30% per annum thereafter until all amounts due thereunder are paid. On September 13, 2019, we executed a second extension of the maturity date to March 13, 2020. During the initial 120 days of the second extension period, the Promissory Note bears a fixed rate of 12% per annum and a fixed rate of 30% per annum thereafter until all amounts due thereunder are paid. The extension matured on March 13, 2020. Currently, the lender has agreed to extend the maturity date as we attempt to obtain capital with which we can retire this loan, either through a sale of the Corporate HQ or through other lending sources, failing which we will seek to extend the loan with the current lender.

Note 8 - Income Taxes

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

We recorded an income tax benefit of $127.0 thousand and $60.0 thousand for the three months ended March 31, 2020 and 2019, respectively. Our effective tax rate was (4.3) % and 36.4% for the three months ended March 31, 2020 and 2019. 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.

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

As of March 31, 2020 and December 31, 2019, we retained a valuation allowances of $4.7 million and $4.7 million, respectively.

During the three months ended March 31, 2020 and 2019, we had no material changes in uncertain tax positions. We do not expect any significant changes to unrecognized tax benefits in the next year. We estimate $0.3 million and $0.3 million of the unrecognized tax benefits, if recognized, would impact the effective tax rate at March 31, 2020 and December 31, 2019, respectively.

We record interest and penalties related to unrecognized tax benefits within the provision for income taxes. We believe that no current tax positions that have resulted in unrecognized tax benefits will significantly increase or decrease within one year. We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions.

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

Note 9 - Concentration Risk

Cash and cash equivalents.

We maintain deposits in banks in amounts that might exceed the federal deposit insurance available. Management believes the potential risk of loss on these cash and cash equivalents to be minimal. All cash balances as of March 31, 2020 and December 31, 2019, including foreign subsidiaries, without FDIC coverage were $0.6 million and $2.5 million, respectively.

Revenue

A significant portion of our revenue was derived from the Rich Dad brands. For the three months ended March 31, 2020 and 2019, Rich Dad brands provided 69.6% and 84.3% of our revenue. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 10 — *Segment Information*).

On September 16, 2019, we received notice from Rich Dad Operating Company, LLC ("RDOC"), indicating that RDOC did not intend to extend the term of the September 1, 2013, Rich Dad Operating License Agreement (as amended, the "License Agreement") by and between the Company and RDOC. The term of the License Agreement expired on September 30, 2019. Notwithstanding the expiration of the License Agreement, the Company may continue to use Licensed Intellectual Property, as defined in the License Agreement, including, but not limited to, the Rich Dad trademark and stylized logo, for the purpose of honoring and fulfilling orders by its customers in existence as of the date of the expiration of the Agreement.

Note 10 - Segment Information

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

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

	Three Months Ended March 31,	
As a percentage of total revenue	**2020**	**2019**
North America	84.4%	73.3%
U.K.	2.7%	8.2%
Other foreign markets	12.9%	18.5%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

	Three Months Ended March 31,	
Segment revenue	**2020**	**2019**
	(In thousands)	
North America	$ 8,537	$ 14,987
U.K.	272	1,686
Other foreign markets	1,311	3,785
Total consolidated revenue	$ 10,120	$ 20,458

	Three Months Ended March 31,	
	2020	**2019**
Segment gross profit contribution *	(In thousands)	
North America	$ 3,906	$ 4,295
U.K.	224	377
Other foreign markets	613	(488)
Total consolidated gross profit	$ 4,743	$ 4,184

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

	Three Months Ended March 31,	
	2020	**2019**
Depreciation and amortization expenses	(In thousands)	
North America	$ 14	$ 31
U.K.	4	1
Other foreign markets	4	1
Total consolidated depreciation and amortization expenses	$ 22	$ 33

	March 31, 2020	December 31, 2019
Segment identifiable assets	(In thousands)	
North America	$ 6,681	$ 9,937
U.K.	3,683	4,135
Other foreign markets	2,300	3,286
Total consolidated identifiable assets	$ 12,664	$ 17,358

Note 11 - Revenue Recognition

We recognize revenue when our customers obtain control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services, in accordance with implemented Topic 606 - an update to Topic 605. Revenue amounts presented in our condensed consolidated financial statements are recognized net of sales tax, value-added taxes, and other taxes.

In the normal course of business, we recognize revenue based on the customers' attendance of the course, mentoring training, coaching session or delivery of the software, data or course materials on-line. After a customer contract expires, we record breakage revenue less a reserve for cases where we allow a customer to attend after expiration. We have deferred revenue of $37.1 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from six months to two years as of March 31, 2020. 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 March 31, 2020				Three Months Ended March 31, 2019			
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	6,155	272	1,013	7,440	8,353	1,227	2,170	11,750
Products	407	-	-	407	2,782	363	380	3,525
Coaching and Mentoring	974	-	227	1,201	1,399	95	1,165	2,659
Online and Subscription	578	-	71	649	498	1	70	569
Other	423	-	-	423	1,955	-	-	1,955
Total revenue	8,537	272	1,311	10,120	14,987	1,686	3,785	20,458

Note 12 - Commitments and Contingencies

Licensing agreements.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including Rich Dad, and Homemade Investor. Total royalty expenses included in our Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) were $0.1 million and $1.0 million for the three months ended March 31, 2020 and 2019, respectively.

Custodial and Counterparty Risk.

We are subject to custodial and other potential forms of counterparty risk in respect to a variety of contractual and operational matters. In the course of ongoing Company-wide risk assessment, management monitors our arrangements that involve potential counterparty risk, including the custodial risk associated with amounts prepaid to certain vendors and deposits with credit card and other payment processors. Deposits held by our credit card processors at March 31, 2020 and December 31, 2019, were $2.1 million and $2.3 million, respectively. These balances are included on the Condensed Consolidated Balance Sheets in restricted cash. While these balances reside in major financial institutions, they are only partially covered by federal deposit insurance and are subject to the financial risk of the parties holding these funds. When appropriate, we utilize Certificate of Deposit Account Registry Service (CDARS) to reduce banking risk for a portion of our cash in the United States. A CDAR consists of numerous individual investments, all below the FDIC limits, thus fully insuring that portion of our cash. At March 31, 2020 and December 31, 2019, we did not have a CDAR balance.

Litigation.

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

Tranquility Bay of Pine Island, LLC v. Tigrent, Inc., et al. On March 16, 2017, suit was filed in the Twentieth Judicial Circuit In and For Lee County, Florida by Tranquility Bay of Pine Island, LLC ("TBPI") against Tigrent Inc. and various of its present and former shareholders, officers and directors. By amendment dated May 24, 2019, the Company and its then General Counsel and now Chief Executive Officer were named as defendants to a civil conspiracy count. The suit primarily relates to the alleged obligation of Tigrent to indemnify the Plaintiff pursuant to an October 6, 2010 Forbearance Agreement. The suit includes claims for Breach of Contract, Permanent and Temporary Injunction, Breach of Fiduciary Duty, Civil Conspiracy, Tortious Interference and Fraudulent Transfer. On March 20, 2019, the Court dismissed the complaint in its entirety with leave to amend. On April 11, 2019, TBPI filed its Second Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent Inc. ("Tigrent"), Legacy Education Alliance Holding, Inc. ("Holdings"), and certain shareholders of the Company. The suit includes claims for Breach of Contract, Breach of Fiduciary Duty against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of the Company. On May 24, 2019, with leave from the court, TBPI filed its Third Amended Complaint in Twentieth Judicial Circuit In and For Lee County, Florida against Tigrent, Holdings, and certain shareholders of the Company. The suit includes claims for Breach of Contract against Tigrent, Breach of Fiduciary Duty against Tigrent, Damages for Violation of the Florida Deceptive and Unfair Trade Practices Act, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of Tigrent, including the Company's CEO, James E. May. On June 23, 2020, the Court entered summary judgment in favor of Tigrent with respect to TBPI's claims against Tigrent alleging (i) breach of fiduciary duty, (ii) violation of the Florida Deceptive and Unfair Trade Practices Act, and (iii) indemnification against certain attorney's fees claimed to have been incurred by TBPI. The Company believes the claims of the plaintiff are without merit and intends to defend this matter vigorously.

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

In the Matter of Elite Legacy Education UK Ltd. On March 18, 2020, a Winding-Up Petition, CR-2020-001958, was filed in the High Court of Justice, Business and Property Courts of England and Wales against one of our UK subsidiaries, Elite Legacy Education UK Ltd. ("ELE UK"), by one its creditors. The Petition seeks an order from the Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. ELE UK has disputed the claim of the creditor that filed the Petition and on June 11, 2020, ELE UK obtained a court order vacating the hearing on the Petition originally set for June 24, 2020. A hearing on ELE UK's application for an injunction against the winding-up petition has been set for July 24, 2020. Because there are a number of intercompany relationships between the Company and ELE UK, the economic effect of such an order, if granted, is unknown at this time.

Note 13 - Leases

Right-of-Use Assets and Leases Obligations

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

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

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

Lease Position as of March 31, 2020 and December 31, 2019

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

Classification on the Balance Sheet	**March 31, 2020**	**December 31, 2019**
Operating lease right of use assets	$ 50	$ 122
Total lease assets	$ 50	$ 122
Current operating lease liabilities	$ 23	$ 86
Long-term operating lease liabilities	$ 27	$ 27
Total lease liabilities	$ 50	$ 113

Lease cost for the three months ended March 31, 2020 and 2019

The table below presents the lease related costs recorded on the Company's Condensed Consolidated Statements of Operations for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
Classification	**2020**	**2019**
General and administrative expenses	$ 23	$ 7
Total lease cost	$ 23	$ 7

Other Information

The table below presents supplemental cash flow information related to leases for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
(in thousands)	**2020**	**2019**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 18	$ 7
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	$ (49)	$ 75

Lease Terms and Discount Rates

The table below presents certain information related to the weighted average remaining lease terms and weighted average discount rates for the Company's operating leases as of March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Weighted average remaining lease term - operating leases	1.99 years	1.67 years
Weighted average discount rate - operating leases	12.00%	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 March 31, 2020:

Amounts due in	Operating Leases
	(in thousands)
2020	$ 39
2021	27
2022	9
Total minimum lease payments	75
Less: effect of discounting	(25)
Present value of future minimum lease payments	50
Less: current obligations under leases	(23)
Long-term lease obligations	$ 27

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

Note 14 – Subsequent Events

Historically, our operations have relied heavily on our and our students' ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which we operate. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. We resumed sales operations in June 2020 with online sales events selling into our suite of online, on-demand, and over-the-phone products. We also resumed online, on-demand, and over-the-phone fulfillment activities in June 2020. These activities required the re-engagement by the Company of some furloughed employees and independent contractors. We have simplified our product offerings and restructured our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that the Company will be effective in selling its products and services, or what the impact such activities will have on our financial performance. The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers. We are not able to fully quantify the impact that these factors will have on our financial results during 2020 and beyond, but expect developments related to COVID-19 to materially affect the Company's financial performance in 2020.

On April 16, 2020, the Company applied for a loan through the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") established pursuant to the recently enacted the CARES Act. On April 27, 2020, the Company received loan proceeds in the amount of $1,899,832 under the PPP. The unsecured loan (the "PPP Loan") is evidenced by a promissory note issued by Elite Legacy Education, Inc., a subsidiary of the Company, (the "Note") in favor of Pacific Premier Bank, the lender. The PPP Loan matures on April 24, 2022, bears interest at a fixed rate of 1% per annum, and is payable in 17 equal monthly payments of interest only and a final payment of the full principal plus interest for one month. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. The Company intends to use a significant portion of the PPP Loan proceeds for qualifying expenses but no assurance is provided that the Company will obtain forgiveness of the PPP Loan in whole or in part.

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

INTRODUCTION

You should read the following discussion of our financial condition and results of operations with our audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. This discussion contains forward-looking statements and involves numerous risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Information."

Business Overview

We are a provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques. Our programs are offered through a variety of formats and channels, including free workshops, basic trainings, forums, telephone mentoring, one-on-one mentoring, coaching and e-learning. We market our products and services under two brands: Legacy Education™; and Homemade Investor in conjunction with HGTV's star Tarek El Moussa. In October 2019, we launched our new proprietary line of coaching products to support our students through every phase of their journey with us, from beginner to experienced investor. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor by Tarek El Moussa* brand. In December 2019, we held our first virtual (online) symposium and our first Legacy Investor Forum, and entered into the Development Agreement with T&B Seminars, Inc. for the development of the *Homemade Investor by Tarek El Moussa* brand.

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

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

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

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

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

- Homemade Investor by Tarek El Moussa™ introduces people to the investor mindset, real estate investing strategies, and ways to generate cash flow that are designed to help build a foundation of knowledge for their financial goals. Currently, our Homemade Investor events are offered nationwide including free workshops, 3-day trainings and large stage events with Tarek presenting as the keynote speaker, all selling into our advanced training products.

- Legacy Education™: provides practical, high-quality and value-based educational training on the topics of personal finance, entrepreneurship, real estate, financial markets and investing strategies and techniques. This training program encompasses hands-on experience and the true spirit of investing from beginner to educated investor.

Recent Developments

Historically, our operations have relied heavily on our and our students' ability to travel and attend live events where large groups of people gather in local markets within each of the segments in which we operate. On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic. As a result of worldwide restrictions on travel and social distancing, in March 2020 we temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. We resumed sales operations in June 2020 with online sales events selling into our suite of online, on-demand, and over-the-phone products. We also resumed online, on-demand, and over-the-phone fulfillment activities in June 2020. These activities required the re-engagement by the Company of some furloughed employees and independent contractors. We have simplified our product offerings and restructured our compensation program with respect to both employees and independent contractors to reduce costs and improve margins, but there can be no assurances that the Company will be effective in selling its products and services, or what the impact such activities will have on our financial performance. The ultimate impact from COVID-19 on the Company's operations and financial results during 2020 will depend on, among other things, the ultimate severity and scope of the pandemic, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which the economy recovers. We are not able to fully quantify the impact that these factors will have on our financial results during 2020 and beyond, but expect developments related to COVID-19 to materially affect the Company's financial performance in 2020.

On April 16, 2020, the Company applied for a loan through the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") established pursuant to the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). On April 27, 2020, the Company received loan proceeds in the amount of $1,899,832.00 under the PPP. The unsecured loan (the "PPP Loan") is evidenced by a promissory note issued by Elite Legacy Education, Inc., a subsidiary of the Company, (the "Note") in favor of Pacific Premier Bank, the lender. The Company plans to use the PPP Loan proceeds to cover payroll costs, rent and utilities in accordance with the relevant terms and conditions of the CARES Act.

Results of Operations

Our financial results in Q1 2020 were negatively affected by the COVID-19 pandemic impact, slower than we anticipated establishment of our new Homemade Investor brand, as well as the effect of winding down our Rich Dad brand and other matters as disclosed in the litigation section of note 12 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

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

(in thousands, except per share data)	Three Months Ended March 31, 2020	2019
Revenue	$ 10,120	$ 20,458
Operating costs and expenses:		
Direct course expenses	3,532	10,478
Advertising and sales expenses	1,799	4,777
Royalty expenses	46	1,019
General and administrative expenses	1,775	4,092
Total operating costs and expenses	7,152	20,366
Income from operations	2,968	92
Other income (expense):		
Interest expense	(83)	(33)
Other income (expense), net	21	(31)
Total other expense, net	(62)	(64)
Income from continuing operations before income taxes	2,906	28
Income tax benefit	127	60
Net income from continuing operations	3,033	88
Net loss from discontinued operations	—	(193)
Net income/(loss)	$ 3,033	$ (105)
Basic earnings per common share - continuing operations	$ 0.13	$ 0.01
Basic loss per common share - discontinued operations	—	(0.01)
Basic earnings per common share	$ 0.13	$ 0.00
Diluted earnings per common share - continuing operations	$ 0.13	$ 0.01
Diluted loss per common share - discontinued operations	—	(0.01)
Diluted earnings per common share	$ 0.13	$ 0.00
Basic weighted average common shares outstanding	22,985	23,117
Diluted weighted average common shares outstanding	23,163	23,117
Comprehensive loss:		
Net income/(loss)	$ 3,033	$ (105)
Foreign currency translation adjustments, net of tax of $0	1,910	(392)
Total comprehensive income/(loss)	$ 4,943	$ (497)

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

	Three Months Ended March 31,	
	2020	2019
Revenue	100%	100%
Operating costs and expenses:		
Direct course expenses	34.9	51.2
Advertising and sales expenses	17.8	23.4
Royalty expenses	0.5	5.0
General and administrative expenses	17.5	20.0
Total operating costs and expenses	70.7	99.6
Income from operations	29.3	0.4
Other income (expense):		
Interest expense	(0.8)	(0.2)
Other income (expense), net	0.2	(0.1)
Total other expense, net	(0.6)	(0.3)
Income from continuing operations before income taxes	28.7	0.1
Income tax benefit	1.3	0.3
Net income from continuing operations	30.0	0.4
Net loss from discontinued operations	—	(0.9)
Net income/(loss)	$ 30.0%	$ (0.5)%

Outlook

Cash sales were $3.1 million for the three months ended March 31, 2020 compared to $24.4 million for the three months ended March 31, 2019, a decrease of $21.3 million or 87.3%.

The decrease was driven by a $12.8 million decrease in our North American segment, a $5.8 million decrease in our Other Foreign Markets segment and a $2.7 million decrease in our U.K. segment.

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

Operating Segments

Our operations are managed through three operating segments: (i) North America, (ii) the United Kingdom, and (iii) Other Foreign Markets. The proportion of our total revenue attributable to each segment is as follows:

	Three Months Ended March 31,	
As a percentage of total revenue	**2020**	**2019**
North America	84.4%	73.3%
U.K.	2.7%	8.2%
Other foreign markets	12.9%	18.5%
Total consolidated revenue	100.0%	100.0%

Segment revenue	Three Months Ended March 31, 2020	2019
	(In thousands)	
North America	$ 8,537	$ 14,987
U.K.	272	1,686
Other foreign markets	1,311	3,785
Total consolidated revenue	$ 10,120	$ 20,458

North America

Revenue derived from the Rich Dad brands in our North America segment was $5.7 million and $12.1 million or as a percentage of total segment revenue was 67.0% and 80.7% for the three months ended March 31, 2020 and 2019, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets training. Revenue derived from our Homemade Investor brand was $0.4 million and 4.7% as a percentage of total revenue for the three months ended March 31, 2020.

The North America segment revenue was $8.5 million and $15.0 million or as a percentage of total revenue was 84.4% and 73.3% for the three months ended March 31, 2020 and 2019, respectively. The decrease in revenue of $6.5 million or 43.0% during the three months ended March 31, 2020 compared to the same period in 2019, was due to a decrease in recognition of revenue from attendance (i.e. fulfillment) of $6.9 million or 59.1%, which was partially offset by an increase in revenue from expired contracts of $0.4 million or 15.0%.

U.K.

Revenue derived from the Rich Dad brands in our U.K. segment was $0.2 million and $1.4 million or as a percentage of total segment revenue was 71.7% and 87.5% for the three months ended March 31, 2020 and 2019, respectively. The majority pertained to real estate-related education, with the balance pertaining to financial markets education.

The U.K. segment revenue was $0.3 million and $1.7 million or as a percentage of total revenue was 2.7% and 8.2% for the three months ended March 31, 2020 and 2019, respectively. The decrease in revenue of $1.4 million or 83.9% for the three months ended March 31, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of $1.4 million or 100.0%.

Other Foreign Markets

We operate in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. Revenue derived from the Rich Dad brands was $1.2 million and $3.7 million or as a percentage of total segment revenue was 91.4% and 98.6% for the three months ended March 31, 2020 and 2019, respectively.

The Other Foreign Markets segment revenue was $1.3 million and $3.8 million or as a percentage of total revenue was 12.9% and 18.5% for the three months ended March 31, 2020 and 2019, respectively. The decrease in revenue of $2.5 million or 65.4% for the three months ended March 31, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of $2.4 million or 100.0% and a decrease in revenue from expired contracts of $0.1 million or 3.3%.

Three months ended March 31, 2020 Compared to Three months ended March 31, 2019

Revenue

Revenue was $10.1 million for the three months ended March 31, 2020 compared to $20.5 million for the three months ended March 31, 2019. Revenue decreased $10.4 million or 50.7% during the three months ended March 31, 2020 compared to the same period in 2019. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of $10.8 million or 69.2%, which was partially offset by an increase in recognition of revenue from expired contracts of $0.4 million or 8.9%. The decrease in attendance was mainly due to students concerns around public gatherings and social distancing from the coronavirus pandemic.

Cash sales were $3.1 million for the three months ended March 31, 2020 compared to $24.4 million for the three months ended March 31, 2019, a decrease of $21.3 million or 87.3%. The decrease was driven by a $12.8 million decrease in our North American segment, a $5.8 million decrease in our Other Foreign Markets segment and a $2.7 million decrease in our U.K. segment.

Operating Expenses

Total operating costs and expenses were $7.2 million for the three months ended March 31, 2020 compared to $20.4 million for the three months ended March 31, 2019, a decrease of $13.2 million or 64.7%. The decrease was primarily due to a $7.0 million decrease in direct course expenses, a $3.0 million decrease in advertising and sales expenses, a $2.3 million decrease in general and administrative expenses and a $0.9 million decrease in royalty expenses.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were $3.5 million for the three months ended March 31, 2020 compared to $10.5 million for the three months ended March 31, 2019, a decrease of $7.0 million or 66.7%, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers.

Advertising and sales expenses

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

Advertising and sales expenses were $1.8 million for the three months ended March 31, 2020 compared to $4.8 million for the three months ended March 31, 2019, a decrease of $3.0 million, or 62.5 %. As a percentage of revenue, advertising and sales expenses were 17.8% and 23.4% of revenue for the three months ended March 31, 2020 and 2019, a decrease of 5.6%.

Royalty expenses

The licensing and related agreement around the Homemade Investor brand, and during 2019 around the Rich Dad brand, whereby we have exclusive rights to develop, market, and sell branded live seminars, training courses, and related products worldwide. In connection with these agreements, in their respective terms of 2020 and 2019, we are required to pay royalties. Royalty expenses were $0.1 million for the three months ended March 31, 2020 compared to $1.0 million for the three months ended March 31, 2019, a decrease of $0.9 million or 90.0%.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were $1.8 million for the three months ended March 31, 2020 compared to $4.1 million for the three months ended March 31, 2019, a decrease of $2.3 million, or 56.1%. The decrease in general and administrative expenses was partially a result of a decrease in our personnel expenses due to the fact that we furloughed substantially all of our employees as described in the recent developments section under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Income tax expense

We recorded an income tax benefit of $127 thousand and $60 thousand for the three months ended March 31, 2020 and 2019, respectively. Our effective tax rate was 3.0% and 36.1% for the three months ended March 31, 2020 and 2019, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of the mix of pre-tax income or loss earned in certain jurisdictions and the change in our valuation allowance.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of March 31, 2020, and December 31, 2019, valuation allowances of $4.7 million and $4.7 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets.

Net income (loss) from continuing operations

Net income from continuing operations was $3.0 million or $0.13 per basic and diluted common share for the three months ended March 31, 2020 compared to net income of $0.1 million or $0.01 per basic and diluted common share for the three months ended March 31, 2019, an increase in net income of $2.9 million or $0.12 per basic and diluted common share.

Net income (loss) from discontinued operations

Net loss from discontinued operations was $0.2 million or ($0.01) per basic and diluted common share for the three months ended March 31, 2019. There was no net income (loss) from discontinued operations for the three months ended March 31, 2020.

Net Income/(Loss)

Net income was $3.0 million or $0.13 per basic and diluted common share for the three months ended March 31, 2020, compared to a net loss of $0.1 million or $0.0 per basic and diluted common share for the three months ended March 31, 2019, an increase in net income of $3.1 million or $0.13 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, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

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

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our 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.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2020 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will not be sufficient to fund our expected financial obligations and anticipated liquidity requirements for the fiscal year 2020. However, we are exploring alternative sources of capital. For the quarter ended March 31, 2020, we had an accumulated deficit and a working capital deficit. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations 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 following is a summary of our cash flow activities for the periods stated (in thousands):

	Three Months Ended March 31,	
	2020	**2019**
Net cash (used in) provided by operating activities	(2,550)	3,538
Net cash provided by investing activities	365	136
Net cash provided by financing activities	—	387
Effect of exchange rate differences on cash	(422)	42
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,607)	4,103

Operating Cash Flows and Liquidity

Net cash used in operating activities was $2.6 million in the three month ended March 31, 2020 compared to net cash provided by operating activities of $3.5 million in the three month ended March 31, 2019, representing a period-over-period decrease of $6.1 million. This decrease was primarily the result of a decrease in current liabilities for deferred revenue.

Investing Cash Flows

Net cash provided by investing activities totaled $365.0 thousand in the three month ended March 31, 2020 compared to net cash provided by investing activities of $136.0 thousand in the three month ended March 31, 2019, representing our sale of property and equipment and investment property.

Financing Cash Flows

Our consolidated capital structure as of March 31, 2020 and December 31, 2019 was 100.0% equity.

There was no cash used in or provided by financing activities during the three months ended March 31, 2020Net cash provided by financing activities totaled $387.0 thousand during the three months ended March 31, 2019.

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 March 31, 2020, and December 31, 2019, our consolidated current deferred revenue was $37.1 million and $46.5 million, respectively.

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

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2020.

Item 4. Controls and Procedures.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. As of March 31, 2020, based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were not effective.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of March 31, 2020 based upon criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, as of March 31, 2020, we have determined that we presently do not have an internal control system or procedures that are effective and may be relied upon in connection with our financial reporting. The weaknesses in our internal control system that were identified by our management generally include weakness that present a reasonable possibility that a material misstatement of our annual or interim financial statements will not be identified, prevented or detected on a timely basis, and specifically include:

- Financial Reporting Systems: The weakness in our internal control system identified by our management relate to the implementation of our new ERP system, which went into production on January 1, 2018. Our ERP software is not able to produce complete and accurate information in regard to revenues and deferred revenues for consistent financial reporting purposes.

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

For information regarding risk factors, please refer to Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

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

There were no sales or repurchases of the Company's equity securities during the three month ended March 31, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on November 10, 2014)
3.2	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on November 10, 2014)
3.3	Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on February 17, 2017)
3.4	Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on January 12, 2018)
10.1	Employment Agreement dated March 18, 2020 by and between Legacy Education Alliance, Inc. and Vanessa Guzmán-Clark (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on March 20, 2020)
10.2	Promissory Note, dated April 24, 2020, by and between Pacifica Premier Bank and Elite Legacy Education, Inc. (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on May 1, 2020)
31.1*	Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of The Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101*	The following materials from Legacy Education Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2020 (Unaudited) and December 31, 2019, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three months ended March 31, 2020 and 2019 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended March 31, 2020 and 2019 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019 (Unaudited) and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

* Filed herewith.

SIGNATURES

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

LEGACY EDUCATION ALLIANCE, INC.

Dated: June 29, 2020

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

Dated: June 29, 2020

By: /s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark
Chief Financial Officer

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: June 29, 2020

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

Exhibit 31.2

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

I, Vanessa Guzmán-Clark, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: June 29, 2020

/s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark
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 March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, James E. May, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: June 29, 2020

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

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

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 March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Vanessa Guzmán-Clark, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: June 29, 2020

/s/ VANESSA GUZMÁN-CLARK
Vanessa Guzmán-Clark
Chief Financial Officer

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