

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

FORM 10-Q

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

For the quarterly period ended June 30, 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)

<u>Nevada</u> (State or other jurisdiction of incorporation or organization)	<u>39-2079974</u> (I.R.S. Employer Identification No.)
<u>1612 Cape Coral Parkway East, Cape Coral, FL 33904</u> (Address of principal executive offices, including zip code)	<u>(239) 542-0643</u> (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:	<input type="checkbox"/>	Accelerated filer:	<input type="checkbox"/>
Non-accelerated filer:	<input checked="" type="checkbox"/>	Smaller reporting company:	<input checked="" type="checkbox"/>
Emerging growth company:	<input type="checkbox"/>		

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 August 14, 2020: 23,242,502.

**Index to Quarterly Report  
on Form 10-Q for  
Quarter Ended June 30, 2020**

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some of the statements in this Quarterly Report on Form 10-Q under the headings “Condensed Consolidated Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports on Forms 10-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 dividend payments; our ability to manage our relationships with credit card processors, and our expectations regarding the impact of general economic conditions on our business; the effects of the COVID-19 coronavirus pandemic on the global and national economies and on our business operations; 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, Inc., including Tigent 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.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

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

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,843	\$ 3,839
Restricted cash	1,845	2,389
Deferred course expenses	4,203	6,805
Prepaid expenses and other current assets	1,370	2,074
Inventory	46	47
Total current assets	9,307	15,154
Property and equipment, net	1,318	1,382
Right-of-use assets	45	122
Deferred tax asset, net	1,191	287
Other assets	42	413
Total assets	<u>\$ 11,903</u>	<u>\$ 17,358</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 2,139	\$ 2,311
Royalties payable	133	150
Accrued course expenses	150	576
Accrued salaries, wages and benefits	162	459
Operating lease liability, current portion	24	86
Other accrued expenses	3,752	1,660
Short-term borrowings and current portion of long-term debt	500	500
Deferred revenue	30,216	46,453
Discontinued operations-current liabilities	4,191	4,499
Total current liabilities	41,267	56,694
Long-term debt, net of current portion	1,900	—
Operating lease liability, net of current portion	21	27
Total liabilities	<u>43,188</u>	<u>56,721</u>
Commitments and contingencies (Note 12)		
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 June 30, 2020 and December 31, 2019, respectively	2	2
Additional paid-in capital	11,566	11,552
Cumulative foreign currency translation adjustment	1,938	710
Accumulated deficit	(44,791)	(51,627)
Total stockholders' deficit	<u>(31,285)</u>	<u>(39,363)</u>
Total liabilities and stockholders' deficit	<u>\$ 11,903</u>	<u>\$ 17,358</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 7,785	\$ 19,497	\$ 17,905	\$ 39,955
Operating costs and expenses:				
Direct course expenses	1,528	10,240	5,060	20,718
Advertising and sales expenses	—	4,545	1,799	9,322
Royalty expenses	3	891	49	1,910
General and administrative expenses	1,282	4,249	3,057	8,341
Total operating costs and expenses	2,813	19,925	9,965	40,291
Income/(loss) from operations	4,972	(428)	7,940	(336)
Other income (expense):				
Interest expense, net	(20)	(20)	(103)	(53)
Other income (expense), net	(27)	484	(6)	453
Total other income (expense), net	(47)	464	(109)	400
Income from continuing operations before income taxes	4,925	36	7,831	64
Income tax benefit/(expense)	(1,122)	—	(995)	60
Net income from continuing operations	3,803	36	6,836	124
Net loss from discontinued operations <sup>1</sup>	—	(311)	—	(504)
Net income/(loss)	\$ 3,803	\$ (275)	\$ 6,836	\$ (380)
Basic earnings per common share - continuing operations	\$ 0.16	\$ 0.00	\$ 0.30	\$ 0.00
Basic loss per common share - discontinued operations	—	(0.01)	—	(0.02)
Basic earnings/(loss) per common share	\$ 0.16	\$ (0.01)	\$ 0.30	\$ (0.02)
Diluted earnings per common share - continuing operations	\$ 0.16	\$ 0.00	\$ 0.29	\$ 0.00
Diluted loss per common share - discontinued operations	—	(0.01)	—	(0.02)
Diluted earnings/(loss) per common share	\$ 0.16	\$ (0.01)	\$ 0.29	\$ (0.02)
Basic weighted average common shares outstanding	23,017	23,123	23,001	23,120
Diluted weighted average common shares outstanding	23,163	23,123	23,163	23,120
Comprehensive income/(loss):				
Net income/(loss)	\$ 3,803	\$ (275)	\$ 6,836	\$ (380)
Foreign currency translation adjustments, net of tax of \$0	(682)	341	1,228	(51)
Total comprehensive income/(loss)	\$ 3,121	\$ 66	\$ 8,064	\$ (431)

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)
Share-based compensation expense	—	—	29	—	—	29
Issuance of common stock	55	—	—	—	—	—
Foreign currency translation adjustment, net of tax of \$0	—	—	—	341	—	341
Net Loss	—	—	—	—	(275)	(275)
Balance at June 30, 2019	23,163	\$ 2	\$ 11,527	\$ 1,393	\$ (61,957)	\$ (49,035)

	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)
Share-based compensation expense	—	—	8	—	—	8
Foreign currency translation adjustment, net of tax of \$0	—	—	—	(682)	—	(682)
Net Income	—	—	—	—	3,803	3,803
Balance at June 30, 2020	23,163	\$ 2	\$ 11,566	\$ 1,938	\$ (44,791)	\$ (31,285)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ 6,836	\$ (380)
Less net loss from discontinued operations	—	(504)
Net income from continuing operations	\$ 6,836	\$ 124
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	42	93
Non-cash lease expense	29	14
Gain on the sale of fixed assets and investment property	(33)	(40)
Share-based compensation	14	57
Deferred income taxes	(923)	(139)
<i>Changes in operating assets and liabilities:</i>		
Deferred course expenses	2,474	(576)
Prepaid expenses and other receivable	641	(19)
Inventory	1	8
Other assets	10	(61)
Accounts payable-trade	(114)	(105)
Royalties payable	(17)	164
Accrued course expenses	(386)	852
Accrued salaries, wages and benefits	(298)	(30)
Operating lease liability	(28)	(14)
Other accrued expenses	2,910	(727)
Deferred revenue	(15,180)	3,244
Net cash (used in) provided by operating activities - continuing operations	(4,022)	2,845
Net cash provided by operating activities - discontinued operations	—	732
Net cash (used in) provided by operating activities	(4,022)	3,577
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	—	(13)
Proceeds from sales of investment property	365	—
Proceeds from sales of property and equipment	—	165
Net cash provided by investing activities - continuing operations	365	152
Net cash provided by investing activities - discontinued operations	—	—
Net cash provided by investing activities	365	152
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on debt	—	(18)
Proceeds from issuance of debt	1,900	—
Net cash provided by (used in) financing activities - continuing operations	1,900	(18)
Net cash provided by financing activities - discontinued operations	—	395
Net cash provided by financing activities	1,900	377
Effect of exchange rate differences on cash	(783)	275
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,540)	4,381
Cash and cash equivalents and restricted cash, beginning of period	\$ 6,228	\$ 6,637
Cash and cash equivalents and restricted cash, end of period	\$ 3,688	\$ 11,018
<b>Supplemental disclosures:</b>		
Cash paid during the period for interest	\$ 107	\$ 75
Cash paid during the period for income taxes, net of refunds received	\$ —	\$ (120)

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™ and Homemade Investor by Tarek El Moussa™. In October 2019, we launched our new proprietary line of coaching products to support our students through every phase of their journey with us, from beginner to experienced investor. 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.

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. As a result of the COVID-19 coronavirus pandemic, and the resulting worldwide restrictions on travel and social distancing, we have temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. 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. Currently, our sales operations are limited to online sales events selling into our suite of online, on-demand, and over-the-phone products. Our product fulfillment operations similarly are limited to online, on-demand, and over-the-phone activities. 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.

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, Inc., 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 condensed 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 six months ended June 30, 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.

As a result of the COVID-19 coronavirus pandemic, and the resulting worldwide restrictions on travel and social distancing, we have temporarily ceased conducting live sales and fulfillment and furloughed substantially all of our employees. 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 June 30, 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 condensed 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 condensed consolidated balance sheet.

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

<i>(in thousands)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	\$ 1,843	\$ 3,839
Restricted cash	1,845	2,389
Total cash, cash equivalents, and restricted cash shown in the cash flow statement	<u>\$ 3,688</u>	<u>\$ 6,228</u>

#### *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.

We record our interim provision for income taxes by applying our estimated annual effective tax rate to our year-to-date pre-tax income and adjusting for discrete tax items recorded in the period. Deferred income taxes result from temporary differences between the reporting of amounts for financial statement purposes and income tax purposes. These differences relate primarily to different methods used for income tax reporting purposes, including for depreciation and amortization, warranty and vacation accruals, and deductions related to allowances for doubtful accounts receivable and inventory reserves. Our provision for income taxes included current federal and state income tax expense, as well as deferred federal and state income tax expense.

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 \$8.0 thousand and \$29.0 thousand for the three months ended June 30, 2020 and 2019, respectively, and \$14.0 thousand and \$57.0 thousand for the six months ended June 30, 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 condensed consolidated financial statements.

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

<i>(in thousands)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Major classes of liabilities		
Accounts payable	3,174	3,408
Accrued course expenses	533	472
Other accrued expenses	484	619
Total major classes of liabilities - discontinued operations	<u>\$ 4,191</u>	<u>\$ 4,499</u>

The financial results of the discontinued operations are as follows:

<i>(in thousands)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue	\$ —	\$ 4,201	\$ —	\$ 8,319
Total operating costs and expenses	—	4,326	—	8,534
Loss from discontinued operations	—	(125)	—	(215)
Interest expense	—	(54)	—	(62)
Other expense, net	—	(132)	—	(227)
Net loss from discontinued operations	<u>\$ —</u>	<u>\$ (311)</u>	<u>\$ —</u>	<u>\$ (504)</u>

#### **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 540,118 and 559,286 for the three and six months ended June 30, 2019 because we had a net loss in these periods.

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

Our weighted average unvested restricted stock awards outstanding were 146,244 and 540,118 for the three months ended June 30, 2020 and 2019, respectively, and 162,197 and 559,286 for the six months ended June 30, 2020 and 2019, respectively.

The calculations of basic and diluted EPS are as follows:

	<u>Three Months Ended June 30, 2020</u>			<u>Three Months Ended June 30, 2019</u>		
	<u>Net Income</u>	<u>Weighted Average Shares Outstanding</u>	<u>Earnings Per Share</u>	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>
	<u>(in thousands, except per share data)</u>			<u>(in thousands, except per share data)</u>		
<i>Basic:</i>						
As reported	\$ 3,803	23,163		\$ (275)	23,123	
Amounts allocated to unvested restricted shares	(24)	(146)		—	—	
Amounts available to common stockholders	\$ 3,779	23,017	\$ 0.16	\$ (275)	23,123	\$ (0.01)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	24	146		—	—	
Non participating share units		—			—	
Amounts reallocated to unvested restricted shares	(24)	—		—	—	
Amounts available to stockholders and assumed conversions	\$ 3,779	23,163	\$ 0.16	\$ (275)	23,123	\$ (0.01)
	<u>Six Months Ended June 30, 2020</u>			<u>Six Months Ended June 30, 2019</u>		
	<u>Net Income</u>	<u>Weighted Average Shares Outstanding</u>	<u>Earnings Per Share</u>	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>
	<u>(in thousands, except per share data)</u>			<u>(in thousands, except per share data)</u>		
<i>Basic:</i>						
As reported	\$ 6,836	23,163		\$ (380)	23,120	
Amounts allocated to unvested restricted shares	(48)	(162)		—	—	
Amounts available to common stockholders	\$ 6,788	23,001	\$ 0.30	\$ (380)	23,120	\$ (0.02)
<i>Diluted:</i>						
Amounts allocated to unvested restricted shares	48	162		—	—	
Non participating share units		—			—	
Amounts reallocated to unvested restricted shares	(48)	—		—	—	
Amounts available to stockholders and assumed conversions	\$ 6,788	23,163	\$ 0.29	\$ (380)	23,120	\$ (0.02)

## 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 June 30, 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 and Long-Term Debt**

<i>(in thousands)</i>	As of June 30, 2020	As of December 31, 2019
Promissory note	\$ 500	\$ 500
Paycheck Protection Program loan	1,900	—
Total debt	2,400	500
Less current portion of long-term debt	(500)	(500)
Total long-term debt, net of current portion	<u>\$ 1,900</u>	<u>\$ —</u>

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

2020	\$ 500
2021	—
2022	1,900
Total debt	<u>\$ 2,400</u>

On September 13, 2018, we entered into a Promissory Note and Mortgage and Security Agreement pursuant to which we borrowed the principal amount of \$500 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, though the lender agreed to extend the maturity date until a new Promissory Note with a different lender was obtained on August 6, 2020, on which date the outstanding principal balance and interests were paid in full. See Note 14 “*Subsequent Events*”.

On April 27, 2020, Elite Legacy Education, Inc., a subsidiary of the Company, entered into a Promissory Note in favor of Pacific Premier Bank, the lender, through the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) established pursuant to the CARES Act. The unsecured loan (the “PPP Loan”) proceeds were in the amount of \$1,899,832, 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.

## **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 income tax expense of \$1,122 thousand and no income tax expense or benefit for the three months ended June 30, 2020 and 2019, respectively. We recorded income tax expense of \$995 thousand and an income tax benefit of \$60 thousand for the six months ended June 30, 2020 and 2019, respectively. Our effective tax rate was 22.8% and 0.0% for the three months ended June 30, 2020 and 2019, and 12.8% and 13.6% for the six months ended June 30, 2020 and 2019, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of a reversal of a valuation allowance across several jurisdictions.

In the second quarter of 2020, we determined that a \$922 thousand valuation allowance against U.S. and non U.S. deferred taxes was no longer required. The Company assessed the weight of all available positive and negative evidence and determined it was more likely than not that future earnings will be sufficient to realize the associated deferred tax assets. As of June 30, 2020 and December 31, 2019, we retained a valuation allowances of \$3.7 million and \$4.7 million, respectively.

During the six months ended June 30, 2020 and 2019 there were 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, which if recognized, would impact the effective tax rate at June 30, 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.

We are not currently under examination in any jurisdiction. In the event of any future tax assessments, we have elected to record the income taxes and any related interest and penalties as income tax expense on our condensed consolidated statements of operations and comprehensive income/(loss).

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 June 30, 2020 and December 31, 2019, including foreign subsidiaries, without FDIC coverage were \$1.0 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 June 30, 2020 and 2019, Rich Dad brands provided 89.8% and 83.4% of our revenue. For the six months ended June 30, 2020 and 2019, Rich Dad brands provided 78.8% and 83.9% of our revenue. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 10 — *Segment Information*).

The License Agreement with Rich Dad Operating Company, LLC pursuant to which we licensed the Rich Dad Education brand 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:

As a percentage of total revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
North America	68.9%	71.7%	77.6%	72.5%
U.K.	1.8%	3.6%	2.3%	6.0%
Other foreign markets	29.3%	24.7%	20.1%	21.5%
<b>Total consolidated revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Operating results for the segments are as follows:

Segment revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 5,366	\$ 13,980	\$ 13,903	\$ 28,967
U.K.	138	697	410	2,383
Other foreign markets	2,281	4,820	3,592	8,605
<b>Total consolidated revenue</b>	<b>\$ 7,785</b>	<b>\$ 19,497</b>	<b>\$ 17,905</b>	<b>\$ 39,955</b>

Segment gross profit contribution *	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 3,888	\$ 3,472	\$ 7,794	\$ 7,767
U.K.	222	(102)	446	275
Other foreign markets	2,144	451	2,757	(37)
<b>Total consolidated gross profit</b>	<b>\$ 6,254</b>	<b>\$ 3,821</b>	<b>\$ 10,997</b>	<b>\$ 8,005</b>

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

Depreciation and amortization expenses	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 14	\$ 41	\$ 28	\$ 72
U.K.	3	18	7	19
Other foreign markets	3	1	7	2
<b>Total consolidated depreciation and amortization expenses</b>	<b>\$ 20</b>	<b>\$ 60</b>	<b>\$ 42</b>	<b>\$ 93</b>

	June 30, 2020	December 31, 2019
<b>Segment identifiable assets</b>	<b>(In thousands)</b>	
North America	\$ 5,614	\$ 9,937
U.K.	3,686	4,135
Other foreign markets	2,603	3,286
<b>Total consolidated identifiable assets</b>	<b>\$ 11,903</b>	<b>\$ 17,358</b>

#### 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. As of June 30, 2020, we have deferred revenue of \$28.0 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from six to eighteen months. The revenue associated with these performance obligations is recognized as the obligation is satisfied. As of June 30, 2020, we maintain a reserve for breakage of \$2.2 million for the fulfillment of our obligation to students whose contracts expired during our COVID-19 60-day operational hiatus during Q2 (see Note 1 "General").

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Three Months Ended June 30, 2020				Three Months Ended June 30, 2019			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	4,909	138	2,251	7,298	8,532	452	1,990	10,974
Products	—	—	—	—	2,702	172	1,421	4,295
Coaching and Mentoring	85	—	—	85	1,400	33	1,330	2,763
Online and Subscription	372	—	30	402	430	—	79	509
Other	—	—	—	—	916	40	—	956
<b>Total revenue</b>	<b>5,366</b>	<b>138</b>	<b>2,281</b>	<b>7,785</b>	<b>13,980</b>	<b>697</b>	<b>4,820</b>	<b>19,497</b>

  

Revenue Type:	Six Months Ended June 30, 2020				Six Months Ended June 30, 2019			
	North America	U.K.	Other foreign markets	Total Consolidated Revenue	North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	11,064	410	3,264	14,738	16,885	1,679	4,160	22,724
Products	407	—	—	407	5,484	535	1,801	7,820
Coaching and Mentoring	1,059	—	227	1,286	2,799	128	2,495	5,422
Online and Subscription	950	—	101	1,051	928	1	149	1,078
Other	423	—	—	423	2,871	40	—	2,911
<b>Total revenue</b>	<b>13,903</b>	<b>410</b>	<b>3,592</b>	<b>17,905</b>	<b>28,967</b>	<b>2,383</b>	<b>8,605</b>	<b>39,955</b>

#### 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 \$0.0 million and \$0.9 million for the three months ended June 30, 2020 and 2019, respectively, and \$0.1 million and \$1.9 million for the six months ended June 30, 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 June 30, 2020 and December 31, 2019, were \$1.8 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 June 30, 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 (the “Court”) against one of our UK subsidiaries, Elite Legacy Education UK Ltd. (“ELE UK”), by one of its creditors (“Petitioner”) pursuant to which the Petitioner was claiming a debt of £461,459.70 plus late payment interest and statutory compensation was due and owing. The Petitioner sought an order from the Court to wind up the affairs of ELE UK under the UK Insolvency Act of 1986. ELE UK has disputed the claim of the Petitioner and on June 11, 2020, ELE UK obtained a court order vacating the hearing on the Petition originally set for June 24, 2020. On July 24, 2020, the Court entered an order finding that there was a genuine dispute on substantial grounds with respect to £392,761.70 of the Petitioner’s claim, and that only £68,698 plus late payment interest and statutory compensation was due and owing. The Court further restrained the Petitioner from advertising its Winding-Up Petition until August 14, 2020 and, provided, ELEUK pays the Petitioner the sums awarded under the Court’s order, plus late payment interest and statutory compensation on or before August 14, 2020, the Petitioner’s Winding-Up Petition would be dismissed.

## 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 June 30, 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 June 30, 2020 and December 31, 2019:

<i>(in thousands)</i>	Classification on the Balance Sheet	June 30, 2020	December 31, 2019
<b>Assets</b>			
Operating lease assets	Operating lease right of use assets	\$ 45	\$ 122
	Total lease assets	<u>\$ 45</u>	<u>\$ 122</u>
<b>Liabilities</b>			
Current liabilities:			
Operating lease liabilities	Current operating lease liabilities	\$ 24	\$ 86
Noncurrent liabilities:			
Operating lease liabilities	Long-term operating lease liabilities	\$ 21	\$ 27
	Total lease liabilities	<u>\$ 45</u>	<u>\$ 113</u>

### Lease cost for the three and six months ended June 30, 2020 and 2019

The table below presents the lease related costs recorded on the Company's Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019:

<i>(in thousands)</i>	Classification	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Lease cost					
Operating lease cost	General and administrative expenses	\$ 6	\$ 7	\$ 29	\$ 14
	Total lease cost	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 29</u>	<u>\$ 14</u>

### Other Information

The table below presents supplemental cash flow information related to leases for the six months ended June 30, 2020 and 2019:

<i>(in thousands)</i>	Six Months Ended June 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 28	\$ 14
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 June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Weighted average remaining lease term - operating leases	1.82 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 June 30, 2020:

<u>Amounts due in</u>	<u>Operating Leases</u> <u>(in thousands)</u>
2020	\$ 14
2021	27
2022	9
Total minimum lease payments	50
Less: effect of discounting	(5)
Present value of future minimum lease payments	45
Less: current obligations under leases	(24)
Long-term lease obligations	<u>\$ 21</u>

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

### Note 14 – Subsequent Events

#### Impact from COVID-19 Coronavirus.

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.

*Entry Into Material Commercial Contract.*

On July 24, 2020 (the “Effective Date”), 1612 E. Cape Coral Parkway Holding Co., LLC (the Seller”), a subsidiary of the Company, entered into a Commercial Contract with Daniel Thom, as Trustee of Torstonbo Trust, a Florida revocable trust (“Buyer”) for the sale of the real property and improvements located at 1612 E. Cape Coral Parkway, Cape Coral, Florida (the “Property”), subject to the terms and conditions of the Commercial Contract. The Property is currently used as the US headquarters of the Company and various of its subsidiaries. The aggregate purchase price for the Property is \$2.5 million to be paid in cash at closing. The Property is encumbered by a mortgage with an outstanding principal amount of \$0.5 million (see Note 7 “*Short-Term and Long-Term Debt*”), which, along with accrued interest, will be paid at Closing.

The material terms of the Commercial Contract include: (i) an initial deposit from the Buyer of \$0.2 million, non-refundable to the Buyer (except as otherwise provided in the Commercial Contract) after the expiration of a 20-day due diligence period, which ended on August 13, 2020; (ii) a second deposit into escrow from the Buyer of \$0.2 million within three (3) days after the expiration of the 20-day due diligence period; and (iii) a closing date thirty (30) days following the Effective Date. The Commercial Contract provides that subject to certain conditions to Closing contained in the Commercial Contract, including the obligation of Seller to deliver marketable title, the Seller will deliver the Property to the Buyer at closing in its current condition “as is” condition, ordinary wear and tear excepted and without warranty other than marketability of title. There is no financing contingency. The foregoing description of the Commercial Contract does not purport to be complete and is qualified in its entirety by reference to the text of such agreement.

*Promissory Note and Mortgage, Assignment of Rents and Security Agreement*

On August 6, 2020, 1612 E. Cape Coral Parkway Holding Co., LLC (“Borrower”), a Florida limited liability company and subsidiary of the Company entered into a Promissory Note and Mortgage, Assignment of Rents, and Security Agreement (collectively, the “Loan Documents”) with Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC (collectively “Lenders”) pursuant to which Borrower borrowed the principal amount of \$1 million. The Promissory Note requires monthly payments of interest only at a fixed rate of 12% per annum. Payment of unpaid principal and any accrued and unpaid interest is due on August 5, 2021. Pursuant to the Mortgage, Assignment of Rents and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the real property and improvements located at 1612 East Cape Coral Parkway, Cape Coral, FL. 33904 (the “Collateral”). At closing, we received \$396,762 in net proceeds after closing costs and other fees and costs and after paying off the outstanding principal in the amount of \$0.5 million, plus accrued interest, under a Promissory Note held by USA Regrowth Fund LLC.

The Borrower may prepay any part of the loan at any time however any such prepayments made before February 6, 2021 will be subject to a prepayment fee unless such prepayment is made in connection with the sale of the Collateral to a bona fide third-party purchaser. The Loan Documents contain covenants usual and customary for loans of its type, including, the obligation to maintain, repair, and insure, and not to encumber the Collateral.

## 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<sup>TM</sup>, 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<sup>TM</sup> 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<sup>TM</sup>: 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**

### *Impact from COVID-19 Coronavirus.*

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.

### *Entry Into Material Commercial Contract.*

On July 24, 2020 (the "Effective Date"), 1612 E. Cape Coral Parkway Holding Co., LLC (the Seller"), a subsidiary of the Company, entered into a Commercial Contract with Daniel Thom, as Trustee of Torstonbo Trust, a Florida revocable trust ("Buyer") for the sale of the real property and improvements located at 1612 E. Cape Coral Parkway, Cape Coral, Florida (the "Property"), subject to the terms and conditions of the Commercial Contract. The Property is currently used as the US headquarters of the Company and various of its subsidiaries. The aggregate purchase price for the Property is \$2.5 million to be paid in cash at closing. The Property is encumbered by a mortgage in favor of USA Regrowth Fund LLC securing an outstanding loan in the principal amount of \$0.5 million, which, along with accrued interest, will be paid at Closing.

The material terms of the Commercial Contract include: (i) an initial deposit from the Buyer of \$0.2 million, non-refundable to the Buyer (except as otherwise provided in the Commercial Contract Agreement) after the expiration of a 20-day due diligence period, which ended on August 13, 2020; (ii) a second deposit into escrow from the Buyer of \$0.2 million within three (3) days after the expiration of the 20-day due diligence period; and (iii) a closing date thirty (30) days following the Effective Date. The Commercial Contract provides that subject to certain conditions to Closing contained in the Commercial Contract, including the obligation of Seller to deliver marketable title, the Seller will deliver the Property to the Buyer at closing in its current condition "as is" condition, ordinary wear and tear excepted and without warranty other than marketability of title. There is no financing contingency. The foregoing description of the Commercial Contract does not purport to be complete and is qualified in its entirety by reference to the text of such agreement.

### *Promissory Note and Mortgage, Assignment of Rents and Security Agreement*

On August 6, 2020, 1612 E. Cape Coral Parkway Holding Co., LLC ("Borrower"), a Florida limited liability company and subsidiary of the Company entered into a Promissory Note and Mortgage, Assignment of Rents, and Security Agreement (collectively, the "Loan Documents") with Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC (collectively "Lenders") pursuant to which Borrower borrowed the principal amount of \$1 million. The Promissory Note requires monthly payments of interest only at a fixed rate of 12% per annum. Payment of unpaid principal and any accrued and unpaid interest is due on August 5, 2021. Pursuant to the Mortgage, Assignment of Rents and Security Agreement, repayment of the Promissory Note is secured by a first mortgage on the real property and improvements located at 1612 East Cape Coral Parkway, Cape Coral, FL 33904 (the "Collateral"). At closing, we received \$396,762 in net proceeds after closing costs and other fees and costs and after paying off the outstanding principal in the amount of \$0.5 million, plus accrued interest, under a Promissory Note held by USA Regrowth Fund LLC.

The Borrower may prepay any part of the loan at any time however any such prepayments made before February 6, 2021 will be subject to a prepayment fee unless such prepayment is made in connection with the sale of the Collateral to a bona fide third-party purchaser. The Loan Documents contain covenants usual and customary for loans of its type, including, the obligation to maintain, repair, and insure, and not to encumber the Collateral.

## **Results of Operations**

Our financial results in Q2 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 7,785	\$ 19,497	\$ 17,905	\$ 39,955
Operating costs and expenses:				
Direct course expenses	1,528	10,240	5,060	20,718
Advertising and sales expenses	—	4,545	1,799	9,322
Royalty expenses	3	891	49	1,910
General and administrative expenses	1,282	4,249	3,057	8,341
Total operating costs and expenses	2,813	19,925	9,965	40,291
Income/(loss) from operations	4,972	(428)	7,940	(336)
Other income (expense):				
Interest expense, net	(20)	(20)	(103)	(53)
Other income (expense), net	(27)	484	(6)	453
Total other income (expense), net	(47)	464	(109)	400
Income from continuing operations before income taxes	4,925	36	7,831	64
Income tax benefit/(expense)	(1,122)	—	(995)	60
Net income from continuing operations	3,803	36	6,836	124
Net loss from discontinued operations <sup>1</sup>	—	(311)	—	(504)
Net income/(loss)	\$ 3,803	\$ (275)	\$ 6,836	\$ (380)
Basic earnings per common share - continuing operations	\$ 0.16	\$ 0.00	\$ 0.30	\$ 0.00
Basic loss per common share - discontinued operations	—	(0.01)	—	(0.02)
Basic earnings/(loss) per common share	\$ 0.16	\$ (0.01)	\$ 0.30	\$ (0.02)
Diluted earnings per common share - continuing operations	\$ 0.16	\$ 0.00	\$ 0.29	\$ 0.00
Diluted loss per common share - discontinued operations	—	(0.01)	—	(0.02)
Diluted earnings/(loss) per common share	\$ 0.16	\$ (0.01)	\$ 0.29	\$ (0.02)
Basic weighted average common shares outstanding	23,017	23,123	23,001	23,120
Diluted weighted average common shares outstanding	23,163	23,123	23,163	23,120
Comprehensive income/(loss):				
Net income/(loss)	\$ 3,803	\$ (275)	\$ 6,836	\$ (380)
Foreign currency translation adjustments, net of tax of \$0	(682)	341	1,228	(51)
Total comprehensive income/(loss)	\$ 3,121	\$ 66	\$ 8,064	\$ (431)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	100%	100%	100%	100%
Operating costs and expenses:				
Direct course expenses	19.7	52.5	28.3	51.9
Advertising and sales expenses	—	23.3	10.0	23.3
Royalty expenses	—	4.6	0.3	4.8
General and administrative expenses	16.5	21.7	17.1	20.9
Total operating costs and expenses	36.2	102.1	55.7	100.9
Income/(loss) from operations	63.8	(2.1)	44.3	(0.9)
Other income (expense):				
Interest expense, net	(0.3)	(0.1)	(0.6)	(0.1)
Other income (expense), net	(0.3)	2.4	—	1.1
Total other income (expense), net	(0.6)	2.3	(0.6)	1.0
Income from continuing operations before income taxes	63.2	0.2	43.7	0.1
Income tax benefit/(expense)	(14.4)	—	(5.6)	0.2
Net income from continuing operations	48.8	0.2	38.1	0.3
Net loss from discontinued operations <sup>†</sup>	—	(1.6)	—	(1.3)
Net income/(loss)	\$ 48.8%	\$ (1.4)%	\$ 38.1%	\$ (1.0)%

### Outlook

Cash sales were \$3.4 million for the six months ended June 30, 2020 compared to \$45.0 million for the six months ended June 30, 2019, a decrease of \$41.6 million or 92.4%.

The decrease was driven by a \$27.2 million decrease in our North American segment, a \$10.6 million decrease in our Other Foreign Markets segment and a \$3.8 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:

As a percentage of total revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
North America	68.9%	71.7%	77.6%	72.5%
U.K.	1.8%	3.6%	2.3%	6.0%
Other foreign markets	29.3%	24.7%	20.1%	21.5%
<b>Total consolidated revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

  

Segment revenue	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
North America	\$ 5,366	\$ 13,980	\$ 13,903	\$ 28,967
U.K.	138	697	410	2,383
Other foreign markets	2,281	4,820	3,592	8,605
<b>Total consolidated revenue</b>	<b>\$ 7,785</b>	<b>\$ 19,497</b>	<b>\$ 17,905</b>	<b>\$ 39,955</b>

### **North America**

Revenue derived from the Rich Dad brands in our North America segment was \$4.7 million and \$11.1 million or as a percentage of total segment revenue was 87.9% and 79.1% for the three months ended June 30, 2020 and 2019, and \$10.4 million and \$23.2 million or as a percentage of total segment revenue was 75.1% and 79.9% for the six months ended June 30, 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 \$26.0 thousand and \$380.0 thousand or as a percentage of total segment revenue was 0.5% and 2.7% for the three and six months ended June 30, 2020, respectively.

The North America segment revenue was \$5.4 million and \$14.0 million or as a percentage of total revenue was 68.9% and 71.7% for the three months ended June 30, 2020 and 2019, and \$13.9 million and \$29.0 million or as a percentage of total revenue was 77.6% and 72.5% for the six months ended June 30, 2020 and 2019, respectively. The decrease in revenue of \$8.5 million or 39.2% during the three months ended June 30, 2020 compared to the same period in 2019, was due to a decrease in recognition of revenue from attendance (i.e. fulfillment) of \$9.9 million or 87.6%, which was partially offset by an increase in revenue from expired contracts of \$1.3 million or 46.0%. The decrease in revenue of \$15.1 million or 52.1% during the six months ended June 30, 2020 compared to the same period in 2019, was due to a decrease in recognition of revenue from attendance (i.e. fulfillment) of \$17.3 million or 75.2%, which was partially offset by an increase in revenue from expired contracts of \$2.2 million or 37.4%.

### **U.K.**

Revenue derived from the Rich Dad brands in our U.K. segment was \$0.1 million and \$0.5 million or as a percentage of total segment revenue was 100.0% and 71.4% for the three months ended June 30, 2020 and 2019, and \$0.3 million and \$1.9 million or as a percentage of total segment revenue was 75.0% and 82.6% for the six months ended June 30, 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 \$0.1 million and \$0.7 million or as a percentage of total revenue was 1.3% and 3.6% for the three months ended June 30, 2020 and 2019, and \$0.4 million and \$2.3 million or as a percentage of total revenue was 2.2% and 5.8% for the six months ended June 30, 2020 and 2019, respectively. The decrease in revenue of \$0.6 million or 85.7% for the three months ended June 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$0.6 million or 100.0%. The decrease in revenue of \$1.9 million or 82.6% for the six months ended June 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$1.9 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 \$2.2 million and \$4.7 million or as a percentage of total segment revenue was 95.1% and 97.7% for the three months ended June 30, 2020 and 2019, and \$3.4 million and \$8.4 million or as a percentage of total segment revenue was 93.7% and 98.1% for the six months ended June 30, 2020 and 2019, respectively.

The Other Foreign Markets segment revenue was \$2.3 million and \$4.8 million or as a percentage of total revenue was 29.3% and 24.7% for the three months ended June 30, 2020 and 2019, and \$3.6 million and \$8.6 million or as a percentage of total revenue was 20.1% and 21.5% for the six months ended June 30, 2020 and 2019, respectively. The decrease in revenue of \$2.5 million or 52.1% for the three months ended June 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$2.7 million or 95.3%, which was partially offset by an increase in revenue from expired contracts of \$0.2 million or 9.9%. The decrease in revenue of \$5.0 million or 58.1% for the six months ended June 30, 2020 compared to the same period in 2019, was due to a decreased attendance (i.e. fulfillment) of \$3.6 million or 67.5% and a decrease in revenue from expired contracts of \$1.4 million or 43.5%.

### ***Three months ended June 30, 2020 Compared to Three months ended June 30, 2019***

#### *Revenue*

Revenue was \$7.8 million for the three months ended June 30, 2020 compared to \$19.5 million for the three months ended June 30, 2019. Revenue decreased \$11.7 million or 60.0% during the three months ended June 30, 2020 compared to the same period in 2019. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of \$13.1 million or 89.8%, which was partially offset by an increase in recognition of revenue from expired contracts of \$1.4 million or 29.3%. The decrease in attendance was mainly due to governmental and private travel restrictions and students' concerns around public gatherings and social distancing as a result of the coronavirus pandemic.

Cash sales were \$0.2 million for the three months ended June 30, 2020 compared to \$20.4 million for the three months ended June 30, 2019, a decrease of \$20.2 million or 99.0%. The decrease was driven by a \$14.4 million decrease in our North American segment, a \$4.8 million decrease in our Other Foreign Markets segment and a \$1.0 million decrease in our U.K. segment.

#### *Operating Expenses*

Total operating costs and expenses were \$2.8 million for the three months ended June 30, 2020 compared to \$19.9 million for the three months ended June 30, 2019, a decrease of \$17.1 million or 85.9%. The decrease was primarily due to a \$8.7 million decrease in direct course expenses, a \$4.5 million decrease in advertising and sales expenses, a \$3.0 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 \$1.5 million for the three months ended June 30, 2020 compared to \$10.2 million for the three months ended June 30, 2019, a decrease of \$8.7 million or 85.3%, 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.

We did not incur any advertising and sales expenses during the three months ended June 30, 2020. Advertising and sales expenses were \$4.5 million for the three months ended June 30, 2019, a decrease of \$4.5 million, or 100.0%. As a percentage of revenue, advertising and sales expenses were 0.0% and 23.3% of revenue for the three months ended June 30, 2020 and 2019, a decrease of 23.3%.

#### *Royalty expenses*

We are required to pay royalties under the licensing and related agreements pursuant to which we around the Homemade Investor brand, and during 2019 around the Rich Dad brand, whereby we have exclusive rights to develop, market, and sell Homemade Investor and Rich Dad, respectively, 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 \$3.0 thousand for the three months ended June 30, 2020 compared to \$891.0 thousand for the three months ended June 30, 2019, a decrease of \$888.0 thousand or 99.7%.

### *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 \$1.3 million for the three months ended June 30, 2020 compared to \$4.3 million for the three months ended June 30, 2019, a decrease of \$3.0 million, or 69.8%. 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 income tax expense of \$1,122 thousand and no income tax expense or benefit for the three months ended June 30, 2020 and 2019, respectively. Our effective tax rate was 22.8% and 0.0% for the three months ended June 30, 2020 and 2019, respectively.

We record a valuation allowance when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. As of June 30, 2020, and December 31, 2019, valuation allowances of \$3.7 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 \$3.8 million or \$0.16 per basic and diluted common share for the three months ended June 30, 2020 compared to net income from continuing operations of \$0.0 million or \$0.00 per basic and diluted common share for the three months ended June 30, 2019, an increase in net income from continuing operations of \$3.8 million or \$0.16 per basic and diluted common share.

### *Net income (loss) from discontinued operations*

Net loss from discontinued operations was \$0.3 million or (\$0.01) per basic and diluted common share for the three months ended June 30, 2019. There was no net income (loss) from discontinued operations for the three months ended June 30, 2020.

### *Net Income/(Loss)*

Net income was \$3.8 million or \$0.16 per basic and diluted common share for the three months ended June 30, 2020, compared to a net loss of \$0.3 million or (\$0.01) per basic and diluted common share for the three months ended June 30, 2019, an increase in net income of \$4.1 million or \$0.17 per basic and diluted common share.

### ***Six months ended June 30, 2020 Compared to Six months ended June 30, 2019***

#### *Revenue*

Revenue was \$17.9 million for the six months ended June 30, 2020 compared to \$40.0 million for the six months ended June 30, 2019. Revenue decreased \$22.1 million or 55.3% during the six months ended June 30, 2020 compared to the same period in 2019. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of \$22.8 million or 75.5%, which was partially offset by an increase in recognition of revenue from expired contracts of \$0.7 million or 7.8%. The decrease in attendance was mainly due to governmental and private travel restrictions and students' concerns around public gatherings and social distancing resulting from the coronavirus pandemic.

Cash sales were \$3.4 million for the six months ended June 30, 2020 compared to \$45.0 million for the six months ended June 30, 2019, a decrease of \$41.6 million or 92.4%. The decrease was driven by a \$27.2 million decrease in our North American segment, a \$10.6 million decrease in our Other Foreign Markets segment and a \$3.8 million decrease in our U.K. segment.

#### *Operating Expenses*

Total operating costs and expenses were \$10.0 million for the six months ended June 30, 2020 compared to \$40.3 million for the six months ended June 30, 2019, a decrease of \$30.3 million or 75.2%. The decrease was primarily due to a \$15.6 million decrease in direct course expenses, a \$7.6 million decrease in advertising and sales expenses, a \$5.3 million decrease in general and administrative expenses and a \$1.8 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 \$5.1 million for the six months ended June 30, 2020 compared to \$20.7 million for the six months ended June 30, 2019, a decrease of \$15.6 million or 75.4%, 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 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 six months ended June 30, 2020 compared to \$9.3 million for the six months ended June 30, 2019, a decrease of \$7.6 million, or 80.6%. As a percentage of revenue, advertising and sales expenses were 10.0% and 23.3% of revenue for the six months ended June 30, 2020 and 2019, a decrease of 13.3%.

#### *Royalty expenses*

We are required to pay royalties under the licensing and related agreements pursuant to which we develop, market, and sell Rich Dad and Homemade Investor branded live seminars, training courses, and related products worldwide. Royalty expenses were \$0.1 million for the six months ended June 30, 2020 compared to \$1.9 million for the six months ended June 30, 2019, a decrease of \$1.8 million or 94.7%.

### *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 \$3.1 million for the six months ended June 30, 2020 compared to \$8.4 million for the six months ended June 30, 2019, a decrease of \$5.3 million, or 63.1%. 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 expense of \$995 thousand and income tax benefit of \$60 thousand for the six months ended June 30, 2020 and 2019, respectively. Our effective tax rate was 12.8% and 13.6% for the six months ended June 30, 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 June 30, 2020, and December 31, 2019, valuation allowances of \$3.7 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 \$6.8 million or \$0.30 per basic and \$0.29 per diluted common share for the six months ended June 30, 2020 compared to net income from continuing operations of \$0.1 million or \$0.00 per basic and diluted common share for the six months ended June 30, 2019, an increase in net income from continuing operations of \$6.7 million or \$0.30 per basic and \$0.27 per diluted common share.

### *Net income (loss) from discontinued operations*

Net loss from discontinued operations was \$0.5 million or (\$0.02) per basic and diluted common share for the six months ended June 30, 2019. There was no net income (loss) from discontinued operations for the six months ended June 30, 2020.

### *Net Income/(Loss)*

Net income was \$6.8 million or \$0.30 per basic and \$0.29 per diluted common share for the six months ended June 30, 2020, compared to a net loss of \$0.4 million or (\$0.02) per basic and diluted common share for the six months ended June 30, 2019, an increase in net income of \$7.2 million or \$0.30 per basic and \$0.29 per 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 six months ended June 30, 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 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):

	Six Months Ended June 30,	
	2020	2019
Net cash (used in) provided by operating activities	(4,022)	3,577
Net cash provided by investing activities	365	152
Net cash provided by financing activities	1,900	377
Effect of exchange rate differences on cash	(783)	275
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,540)	4,381

### Operating Cash Flows and Liquidity

Net cash used in operating activities was \$4.0 million in the six month ended June 30, 2020 compared to net cash provided by operating activities of \$3.6 million in the six month ended June 30, 2019, representing a period-over-period decrease of \$7.6 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 six month ended June 30, 2020 compared to net cash provided by investing activities of \$152.0 thousand in the six month ended June 30, 2019, representing our sale of property and equipment and investment property.



### *Financing Cash Flows*

Our consolidated capital structure as of June 30, 2020 was 20% debt and 80% equity. As of December 31, 2019 our consolidated capital structure was 3% debt and 97% equity.

Net cash provided by financing activities totaled \$1.9 million and \$0.4 million during the six months ended June 30, 2020 and 2019, respectively, representing our proceeds from issuance of the Paycheck Protection Program loan in 2020 and promissory note in 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 June 30, 2020, and December 31, 2019, our consolidated current deferred revenue was \$30.2 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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, and 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.

### 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 June 30, 2020.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
3.3	<a href="#">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)</a>
3.4	<a href="#">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)</a>
10.1	<a href="#">Commercial Contract, dated July 24, 2020, by and between Daniel Thom, as Trustee of Torstonbo Trust, and 1612 E. Cape Coral Parkway Holding Co., LLC</a>
10.2	<a href="#">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)</a>
10.3	<a href="#">Promissory Note and Mortgage, Assignment of Rents and Security Agreement, dated August 6, 2020, by and between 1612 E. Cape Coral Parkway Holding Co., LLC and Northern Equity Group, Inc., JKH Ventures, Inc., and Donald Ross, LLC</a>
31.1*	<a href="#">Certification of The Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of The Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>
101*	The following materials from Legacy Education Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2020 (Unaudited) and December 31, 2019, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three and six months ended June 30, 2020 and 2019 (Unaudited), (iii) Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended June 30, 2020 and 2019 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 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.

Dated: August 14, 2020

**LEGACY EDUCATION ALLIANCE, INC.**

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

Dated: August 14, 2020

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

Commercial Contract

1 1. PARTIES AND PROPERTY: Daniel Thom, as Trustee of Torstonbo Trust, a Florida revocable trust ("Buyer")  
 2 agrees to buy and 1612 E. Cape Coral Parkway Holding Co., LLC ("Seller")  
 3 agrees to sell the property at:  
 4 Street Address: 1612 Cape Coral Pkwy E., Cape Coral, FL 33904  
 5 \_\_\_\_\_  
 6 Legal Description: See Exhibit A to attached Addendum  
 7 \_\_\_\_\_  
 8 and the following Personal Property: \_\_\_\_\_  
 9 \_\_\_\_\_

10 (all collectively referred to as the "Property") on the terms and conditions set forth below.

11 2. PURCHASE PRICE: \$ 2,500,000.00  
 12 (a) Deposit held in escrow by: Old Republic National Title Insurance Company \$ 200,000.00  
 13 ("Escrow Agent") (checks are subject to actual and final collection)  
 14 Escrow Agent's address: \_\_\_\_\_ Phone: \_\_\_\_\_  
 15 (b) Additional deposit to be made to Escrow Agent  
 16  within \_\_\_\_\_ days (3 days, if left blank) after completion of Due Diligence Period or  
 17  within 23 days after Effective Date \$ 200,000.00  
 18 (c) Additional deposit to be made to Escrow Agent  
 19  within \_\_\_\_\_ days (3 days, if left blank) after completion of Due Diligence Period or  
 20  within \_\_\_\_\_ days after Effective Date \$ \_\_\_\_\_  
 21 (d) Total financing (see Paragraph 5) \$ \_\_\_\_\_  
 22 (e) Other \$ \_\_\_\_\_  
 23 (f) All deposits will be credited to the purchase price at closing.  
 24 Balance to close, subject to adjustments and prorations, to be paid  
 25 via wire transfer. \$ 2,100,000.00

26 For the purposes of this paragraph, "completion" means the end of the Due Diligence Period or upon delivery of  
27 Buyer's written notice of acceptability.

28 3. TIME FOR ACCEPTANCE; EFFECTIVE DATE; COMPUTATION OF TIME: Unless this offer is signed by Seller  
 29 and Buyer and an executed copy delivered to all parties on or before 7-24-2020, this offer  
 30 will be withdrawn and the Buyer's deposit, if any, will be returned. The time for acceptance of any counter offer will be  
 31 3 days from the date the counter offer is delivered. The "Effective Date" of this Contract is the date on which the  
 32 last one of the Seller and Buyer has signed or Initialed and delivered this offer or the final counter offer or  
 33 \_\_\_\_\_. Calendar days will be used when computing time periods, except time periods of 5  
 34 days or less. Time periods of 5 days or less will be computed without including Saturday, Sunday, or national legal  
 35 holidays. Any time period ending on a Saturday, Sunday, or national legal holiday will extend until 5:00 p.m. of the next  
 36 business day. Time is of the essence in this Contract.

37 4. CLOSING DATE AND LOCATION: 30 days from effective date  
 38 (a) Closing Date: This transaction will be closed on August 26, 2020 (Closing Date). Unless  
 39 specifically extended by other provisions of this Contract. The Closing Date will prevail over all other time periods  
 40 including, but not limited to, Financing and Due Diligence periods. In the event insurance underwriting is suspended

Buyer [Signature] and Seller [Signature] acknowledge receipt of a copy of this page, which is Page 1 of 8 Pages.

41 on Closing Date and Buyer is unable to obtain property insurance, Buyer may postpone closing up to 5 days after  
42 the insurance underwriting suspension is lifted.

43 (b) Location: Closing will take place in TBD County, Florida. (If left blank, closing will take place in the  
44 county where the property is located.) Closing may be conducted by mail or electronic means.

45 **5. THIRD PARTY FINANCING:**

46 **BUYER'S OBLIGATION:** On or before N/A days (5 days if left blank) after Effective Date, Buyer will apply for third  
47 party financing in an amount not to exceed N/A % of the purchase price or \$ N/A, with a fixed  
48 interest rate not to exceed \_\_\_\_\_ % per year with an initial variable interest rate not to exceed \_\_\_\_\_ %, with points or  
49 commitment or loan fees not to exceed \_\_\_\_\_ % of the principal amount, for a term of \_\_\_\_\_ years, and amortized  
50 over \_\_\_\_\_ years, with additional terms as follows:

51 Not contingent on financing.

52 Buyer will timely provide any and all credit, employment, financial and other information reasonably required by any  
53 lender. Buyer will use good faith and reasonable diligence to (i) obtain Loan Approval within \_\_\_\_\_ days (45 days if left  
54 blank) from Effective Date (Loan Approval Date), (ii) satisfy terms and conditions of the Loan Approval, and (iii) close  
55 the loan. Buyer will keep Seller and Broker fully informed about loan application status and authorizes the mortgage  
56 broker and lender to disclose all such information to Seller and Broker. Buyer will notify Seller immediately upon  
57 obtaining financing or being rejected by a lender. **CANCELLATION:** If Buyer, after using good faith and reasonable  
58 diligence, fails to obtain Loan Approval by Loan Approval Date, Buyer may within \_\_\_\_\_ days (3 days if left blank)  
59 deliver written notice to Seller stating Buyer either waives this financing contingency or cancels this Contract.  
60 If Buyer does neither, then Seller may cancel this Contract by delivering written notice to Buyer at any time thereafter.  
61 Unless this financing contingency has been waived, this Contract shall remain subject to the satisfaction, by closing, of  
62 those conditions of Loan Approval related to the Property. **DEPOSIT(S)** (for purposes of Paragraph 5 only): If Buyer  
63 has used good faith and reasonable diligence but does not obtain Loan Approval by Loan Approval Date and  
64 thereafter either party elects to cancel this Contract as set forth above or the lender fails or refuses to close on or  
65 before the Closing Date without fault on Buyer's part, the Deposit(s) shall be returned to Buyer, whereupon both  
66 parties will be released from all further obligations under this Contract, except for obligations stated herein as surviving  
67 the termination of this Contract. If neither party elects to terminate this Contract as set forth above or Buyer fails to use  
68 good faith or reasonable diligence as set forth above, Seller will be entitled to retain the Deposit(s) if the transaction  
69 does not close. For purposes of this Contract, "Loan Approval" means a statement by the lender setting forth the terms  
70 and conditions upon which the lender is willing to make a particular mortgage loan to a particular buyer. Neither a pre-  
71 approval letter nor a prequalification letter shall be deemed a Loan Approval for purposes of this Contract.

72 **6. TITLE:** Seller has the legal capacity to and will convey marketable title to the Property by  statutory warranty  
73 deed  special warranty deed  other \_\_\_\_\_, free of liens, easements and  
74 encumbrances of record or known to Seller, but subject to property taxes for the year of closing; covenants,  
75 restrictions and public utility easements of record; existing zoning and governmental regulations; and (list any other  
76 matters to which title will be subject) \_\_\_\_\_

77 \_\_\_\_\_;  
78 provided there exists at closing no violation of the foregoing and none of them prevents Buyer's intended use of the  
79 Property as \_\_\_\_\_

80 (a) Evidence of Title: The party who pays the premium for the title insurance policy will select the closing agent  
81 and pay for the title search and closing services. Seller will, at (check one)  Seller's  Buyer's expense and  
82 within 20 days after Effective Date or at least \_\_\_\_\_ days before Closing Date deliver to Buyer (check one)  
83  (i) a title insurance commitment by a Florida licensed title insurer setting forth those matters to be discharged by  
84 Seller at or before Closing and, upon Buyer recording the deed, an owner's policy in the amount of the purchase  
85 price for fee simple title subject only to exceptions stated above. If Buyer is paying for the evidence of title and  
86 Seller has an owner's policy, Seller will deliver a copy to Buyer within 15 days after Effective Date.  (ii) an  
87 abstract of title, prepared or brought current by an existing abstract firm or certified as correct by an existing firm.  
88 However, if such an abstract is not available to Seller, then a prior owner's title policy acceptable to the proposed  
89 insurer as a base for reissuance of coverage may be used. The prior policy will include copies of all policy  
90 exceptions and an update in a format acceptable to Buyer from the policy effective date and certified to Buyer or

Buyer  and Seller  acknowledge receipt of a copy of this page, which is Page 2 of 8 Pages.

91 Buyer's closing agent together with copies of all documents recited in the prior policy and in the update. If such  
92 an abstract or prior policy is not available to Seller then (i.) above will be the evidence of title.

93 (b) Title Examination: Buyer will, within 15 days from receipt of the evidence of title deliver written notice to Seller  
94 of title defects. Title will be deemed acceptable to Buyer if (1) Buyer fails to deliver proper notice of defects or (2)  
95 Buyer delivers proper written notice and Seller cures the defects within 10 days from receipt of the notice  
96 ("Curative Period"). Seller shall use good faith efforts to cure the defects. If the defects are cured within the  
97 Curative Period, closing will occur on the latter of 10 days after receipt by Buyer of notice of such curing or the  
98 scheduled Closing Date. Seller may elect not to cure defects if Seller reasonably believes any defect cannot be  
99 cured within the Curative Period. If the defects are not cured within the Curative Period, Buyer will have 10 days  
100 from receipt of notice of Seller's inability to cure the defects to elect whether to terminate this Contract or accept  
101 title subject to existing defects and close the transaction without reduction in purchase price.

102 (c) Survey: (check applicable provisions below)

103 (i.)  Seller will, within 5 days from Effective Date, deliver to Buyer copies of prior surveys,  
104 plans, specifications, and engineering documents, if any, and the following documents relevant to this  
105 transaction:

106 \_\_\_\_\_  
107 prepared for Seller or in Seller's possession, which show all currently existing structures. In the event this  
108 transaction does not close, all documents provided by Seller will be returned to Seller within 10 days from the  
109 date this Contract is terminated.

110  Buyer will, at  Seller's  Buyer's expense and within the time period allowed to deliver and examine  
111 title evidence, obtain a current certified survey of the Property from a registered surveyor. If the survey reveals  
112 encroachments on the Property or that the improvements encroach on the lands of another,  Buyer will  
113 accept the Property with existing encroachments  such encroachments will constitute a title defect ~~to be~~  
114 ~~cured within the Curative Period.~~

115 (d) Ingress and Egress: Seller warrants that the Property presently has ingress and egress.

116 7. PROPERTY CONDITION: Seller will deliver the Property to Buyer at the time agreed in its present "as is" condition,  
117 ordinary wear and tear excepted, and will maintain the landscaping and grounds in a comparable condition. Seller  
118 makes no warranties other than marketability of title. In the event that the condition of the Property has materially  
119 changed since the expiration of the Due Diligence Period, Buyer may elect to terminate the Contract and receive a  
120 refund of any and all deposits paid, plus interest, if applicable, or require Seller to return the Property to the required  
121 condition existing as of the end of Due Diligence period, the cost of which is not to exceed \$ 0.00 (1.5% of  
122 the purchase price, if left blank). By accepting the Property "as is", Buyer waives all claims against Seller for any  
123 defects in the Property. (Check (a) or (b))

124  (a) As Is: Buyer has inspected the Property or waives any right to inspect and accepts the Property in its "as is"  
125 condition.

126  (b) Due Diligence Period: Buyer will, at Buyer's expense and within 20 days from Effective Date ("Due  
127 Diligence Period"), determine whether the Property is suitable, in Buyer's sole and absolute discretion. During the  
128 term of this Contract, Buyer may conduct any tests, analyses, surveys and investigations ("Inspections") which  
129 Buyer deems necessary to determine to Buyer's satisfaction the Property's engineering, architectural,  
130 environmental properties; zoning and zoning restrictions; flood zone designation and restrictions; subdivision  
131 regulations; soil and grade; availability of access to public roads, water, and other utilities; consistency with local,  
132 state and regional growth management and comprehensive land use plans; availability of permits, government  
133 approvals and licenses; compliance with American with Disabilities Act; absence of asbestos, soil and ground  
134 water contamination; and other inspections that Buyer deems appropriate. Buyer will deliver written notice to  
135 Seller prior to the expiration of the Due Diligence Period of Buyer's determination of whether or not the Property  
136 is acceptable. Buyer's failure to comply with this notice requirement will constitute acceptance of the Property in  
137 its present "as is" condition. Seller grants to Buyer, its agents, contractors and assigns, the right to enter the  
138 Property at any time during the term of this Contract for the purpose of conducting Inspections, upon reasonable  
139 notice, at a mutually agreed upon time; provided, however, that Buyer, its agents, contractors and assigns enter  
140 the Property and conduct Inspections at their own risk. Buyer will indemnify and hold Seller harmless from  
141 losses, damages, costs, claims and expenses of any nature, including attorneys' fees at all levels, and from  
142 liability to any person, arising from the conduct of any and all inspections or any work authorized by Buyer. Buyer  
143 will not engage in any activity that could result in a mechanic's lien being filed against the Property without  
144 Seller's prior written consent. In the event this transaction does not close, (1) Buyer will repair all damages to the

Buyer (D) ( ) and Seller (MM) ( ) acknowledge receipt of a copy of this page, which is Page 3 of 8 Pages.

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145 Property resulting from the Inspections and return the Property to the condition it was in prior to conduct of the  
146 Inspections, and (2) Buyer will, at Buyer's expense release to Seller all reports and other work generated as a  
147 result of the Inspections. Should Buyer deliver timely notice that the Property is not acceptable, Seller agrees that  
148 Buyer's deposit will be immediately returned to Buyer and the Contract terminated.

149 (c) **Walk-through Inspection:** Buyer may, on the day prior to closing or any other time mutually agreeable to the  
150 parties, conduct a final "walk-through" inspection of the Property to determine compliance with this paragraph and  
151 to ensure that all Property is on the premises.

152 **8. OPERATION OF PROPERTY DURING CONTRACT PERIOD:** Seller will continue to operate the Property and any  
153 business conducted on the Property in the manner operated prior to Contract and will take no action that would  
154 adversely impact the Property after closing, as to tenants, lenders or business, if any. Any changes, such as renting  
155 vacant space, that materially affect the Property or Buyer's intended use of the Property will be permitted  only with  
156 Buyer's consent  without Buyer's consent.

157 **9. CLOSING PROCEDURE:** Unless otherwise agreed or stated herein, closing procedure shall be in accordance with  
158 the norms where the Property is located.

159 (a) **Possession and Occupancy:** Seller will deliver possession and occupancy of the Property to Buyer at  
160 closing. Seller will provide keys, remote controls, and any security/access codes necessary to operate all locks,  
161 mailboxes, and security systems.

162 (b) **Costs:** Buyer will pay Buyer's attorneys' fees, taxes and recording fees on notes, mortgages and financing  
163 statements and recording fees for the deed. Seller will pay Seller's attorneys' fees, taxes on the deed and  
164 recording fees for documents needed to cure title defects. If Seller is obligated to discharge any encumbrance at or  
165 prior to closing and fails to do so, Buyer may use purchase proceeds to satisfy the encumbrances.

166 (c) **Documents:** Seller will provide the deed; bill of sale; mechanic's lien affidavit; originals of those assignable  
167 service and maintenance contracts that will be assumed by Buyer after the Closing Date and letters to each  
168 service contractor from Seller advising each of them of the sale of the Property and, if applicable, the transfer of its  
169 contract, and any assignable warranties or guarantees received or held by Seller from any manufacturer,  
170 contractor, subcontractor, or material supplier in connection with the Property; current copies of the condominium  
171 documents, if applicable; assignments of leases, updated rent roll; tenant and lender estoppels letters (if  
172 applicable); tenant subordination, non-disturbance and attornment agreements (SNDAs) required by the Buyer or  
173 Buyer's lender; assignments of permits and licenses; corrective instruments; and letters notifying tenants of the  
174 change in ownership/rental agent. If any tenant refuses to execute an estoppels letter, Seller, if requested by the  
175 Buyer in writing, will certify that information regarding the tenant's lease is correct. If Seller is an entity, Seller will  
176 deliver a resolution of its governing authority authorizing the sale and delivery of the deed and certification by the  
177 appropriate party certifying the resolution and setting forth facts showing the conveyance conforms to the  
178 requirements of local law. Seller will transfer security deposits to Buyer. Buyer will provide the closing statement,  
179 mortgages and notes, security agreements, and financing statements.

180 (d) **Taxes and Prorations:** Real estate taxes, personal property taxes on any tangible personal property, bond  
181 payments assumed by Buyer, interest, rents (based on actual collected rents), association dues, insurance  
182 premiums acceptable to Buyer, and operating expenses will be prorated through the day before closing. If the  
183 amount of taxes for the current year cannot be ascertained, rates for the previous year will be used with due  
184 allowance being made for improvements and exemptions. Any tax proration based on an estimate will, at request  
185 of either party, be readjusted upon receipt of current year's tax bill; this provision will survive closing.

186 (e) **Special Assessment Liens:** Certified, confirmed, and ratified special assessment liens as of the Closing Date  
187 will be paid by Seller. If a certified, confirmed, and ratified special assessment is payable in installments, Seller will  
188 pay all installments due and payable on or before the Closing Date, with any installment for any period extending  
189 beyond the Closing Date prorated, and Buyer will assume all installments that become due and payable after the  
190 Closing Date. Buyer will be responsible for all assessments of any kind which become due and owing after Closing  
191 Date, unless an improvement is substantially completed as of Closing Date. If an improvement is substantially  
192 completed as of the Closing Date but has not resulted in a lien before closing, Seller will pay the amount of the last  
193 estimate of the assessment. This subsection applies to special assessment liens imposed by a public body and  
194 does not apply to condominium association special assessments.

195 (f) **Foreign Investment in Real Property Tax Act (FIRPTA):** If Seller is a "foreign person" as defined by FIRPTA,  
196 Seller and Buyer agree to comply with Section 1445 of the Internal Revenue Code. Seller and Buyer will  
197 complete, execute, and deliver as directed any instrument, affidavit, or statement reasonably necessary to comply

Buyer (   D   ) (        ) and Seller (        ) (        ) acknowledge receipt of a copy of this page, which is Page 4 of 8 Pages.

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198 with the FIRPTA requirements, including delivery of their respective federal taxpayer identification numbers or  
199 Social Security Numbers to the closing agent. If Buyer does not pay sufficient cash at closing to meet the  
200 withholding requirement, Seller will deliver to Buyer at closing the additional cash necessary to satisfy the  
201 requirement.

202 **10. ESCROW AGENT:** Seller and Buyer authorize Escrow Agent or Closing Agent (collectively "Agent") to receive,  
203 deposit, and hold funds and other property in escrow and, subject to collection, disburse them in accordance with the  
204 terms of this Contract. The parties agree that Agent will not be liable to any person for misdelivery of escrowed items to  
205 Seller or Buyer, unless the misdelivery is due to Agent's willful breach of this Contract or gross negligence. If Agent  
206 has doubt as to Agent's duties or obligations under this Contract, Agent may, at Agent's option, (a) hold the escrowed  
207 items until the parties mutually agree to its disbursement or until a court of competent jurisdiction or arbitrator  
208 determines the rights of the parties or (b) deposit the escrowed items with the clerk of the court having jurisdiction over  
209 the matter and file an action in interpleader. Upon notifying the parties of such action, Agent will be released from all  
210 liability except for the duty to account for items previously delivered out of escrow. If Agent is a licensed real estate  
211 broker, Agent will comply with Chapter 475, Florida Statutes. In any suit in which Agent interpleads the escrowed items  
212 or is made a party because of acting as Agent hereunder, Agent will recover reasonable attorney's fees and costs  
213 incurred, with these amounts to be paid from and out of the escrowed items and charged and awarded as court costs  
214 in favor of the prevailing party.

215 **11. CURE PERIOD:** Prior to any claim for default being made, a party will have an opportunity to cure any alleged  
216 default. If a party fails to comply with any provision of this Contract, the other party will deliver written notice to the non-  
217 complying party specifying the non-compliance. The non-complying party will have \_\_\_\_ days (5 days if left blank) after  
218 delivery of such notice to cure the non-compliance. Notice and cure shall not apply to failure to close.

219 **12. FORCE MAJEURE:** Buyer or Seller shall not be required to perform any obligation under this Contract or be liable  
220 to each other for damages so long as performance or non-performance of the obligation, or the availability of services,  
221 insurance, or required approvals essential to Closing, is disrupted, delayed, caused or prevented by Force Majeure.  
222 "Force Majeure" means: hurricanes, floods, extreme weather, earthquakes, fire, or other acts of God, unusual  
223 transportation delays, or wars, insurrections, or acts of terrorism, which, by exercise of reasonable diligent effort, the  
224 non-performing party is unable in whole or in part to prevent or overcome. All time periods, including Closing Date, will  
225 be extended a reasonable time up to 7 days after the Force Majeure no longer prevents performance under this  
226 Contract, provided, however, if such Force Majeure continues to prevent performance under this Contract more than  
227 30 days beyond Closing Date, then either party may terminate this Contract by delivering written notice to the other  
228 and the Deposit shall be refunded to Buyer, thereby releasing Buyer and Seller from all further obligations under this Contract.

229 **13. RETURN OF DEPOSIT:** Unless otherwise specified in the Contract, in the event any condition of this Contract is  
230 not met and Buyer has timely given any required notice regarding the condition having not been met, Buyer's deposit  
231 will be returned in accordance with applicable Florida Laws and regulations.

232 **14. DEFAULT:**

233 (a) In the event the sale is not closed due to any default or failure on the part of Seller other than failure to make  
234 the title marketable after diligent effort, Buyer may elect to receive return of Buyer's deposit without thereby  
235 waiving any action for damages resulting from Seller's breach and may seek to recover such damages or seek  
236 specific performance. If Buyer elects a deposit refund, Seller may be liable to Broker for the full amount of the  
237 brokerage fee.

238 (b) In the event the sale is not closed due to any default or failure on the part of Buyer, Seller may either (1)  
239 retain all deposit(s) paid or agreed to be paid by Buyer as agreed upon liquidated damages, consideration for the  
240 execution of this Contract, and in full settlement of any claims, upon which this Contract will terminate or (2) seek  
241 specific performance. If Buyer fails to timely place a deposit as required by this Contract, Seller may either (1)  
242 terminate the Contract and seek the remedy outlined in this subparagraph or (2) proceed with the Contract without  
243 waiving any remedy for Buyer's default.

244 **15. ATTORNEY'S FEES AND COSTS:** In any claim or controversy arising out of or relating to this Contract, the  
245 prevailing party, which for purposes of this provision will include Buyer, Seller and Broker, will be awarded reasonable  
246 attorneys' fees, costs, and expenses.

247 **16. NOTICES:** All notices will be in writing and may be delivered by mail, overnight courier, personal delivery, or  
248 electronic means. Parties agree to send all notices to addresses specified on the signature page(s). Any notice,  
249 document, or item given by or delivered to an attorney or real estate licensee (including a transaction broker)  
250 representing a party will be as effective as if given by or delivered to that party.

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251 **17. DISCLOSURES:**

252 **(a) Commercial Real Estate Sales Commission Lien Act:** The Florida Commercial Real Estate Sales  
253 Commission Lien Act provides that a broker has a lien upon the owner's net proceeds from the sale of  
254 commercial real estate for any commission earned by the broker under a brokerage agreement. The lien upon the  
255 owner's net proceeds is a lien upon personal property which attaches to the owner's net proceeds and does not  
256 attach to any interest in real property. This lien right cannot be waived before the commission is earned.

257 **(b) Special Assessment Liens Imposed by Public Body:** The Property may be subject to unpaid special  
258 assessment lien(s) imposed by a public body. (A public body includes a Community Development District.) Such  
259 liens, if any, shall be paid as set forth in Paragraph 9(e).

260 **(c) Radon Gas:** Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in  
261 sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that  
262 exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon  
263 and radon testing may be obtained from your county public health unit.

264 **(d) Energy-Efficiency Rating Information:** Buyer acknowledges receipt of the information brochure required by  
265 Section 553.996, Florida Statutes.

266 **18. RISK OF LOSS:**

267 **(a)** If, after the Effective Date and before closing, the Property is damaged by fire or other casualty, Seller will  
268 bear the risk of loss and Buyer may cancel this Contract without liability and the deposit(s) will be returned to  
269 Buyer. Alternatively, Buyer will have the option of purchasing the Property at the agreed upon purchase price and  
270 Seller will credit the deductible, if any and transfer to Buyer at closing any insurance proceeds, or Seller's claim  
271 to any insurance proceeds payable for the damage. Seller will cooperate with and assist Buyer in collecting any  
272 such proceeds. Seller shall not settle any insurance claim for damage caused by casualty without the consent of  
273 the Buyer.

274 **(b)** If, after the Effective Date and before closing, any part of the Property is taken in condemnation or under the  
275 right of eminent domain, or proceedings for such taking will be pending or threatened, Buyer may cancel this  
276 Contract without liability and the deposit(s) will be returned to Buyer. Alternatively, Buyer will have the option of  
277 purchasing what is left of the Property at the agreed upon purchase price and Seller will transfer to the Buyer at  
278 closing the proceeds of any award, or Seller's claim to any award payable for the taking. Seller will cooperate  
279 with and assist Buyer in collecting any such award.

280 **19. ASSIGNABILITY; PERSONS BOUND:** This Contract may be assigned to a related entity, and otherwise  is not  
281 assignable  is assignable. If this Contract may be assigned, Buyer shall deliver a copy of the assignment agreement  
282 to the Seller at least 5 days prior to Closing. The terms "Buyer," "Seller" and "Broker" may be singular or plural. This  
283 Contract is binding upon Buyer, Seller and their heirs, personal representatives, successors and assigns (if  
284 assignment is permitted).

285 **20. MISCELLANEOUS:** The terms of this Contract constitute the entire agreement between Buyer and Seller.  
286 Modifications of this Contract will not be binding unless in writing, signed and delivered by the party to be bound.  
287 Signatures, initials, documents referenced in this Contract, counterparts and written modifications communicated  
288 electronically or on paper will be acceptable for all purposes, including delivery, and will be binding. Handwritten or  
289 typewritten terms inserted in or attached to this Contract prevail over preprinted terms. If any provision of this Contract  
290 is or becomes invalid or unenforceable, all remaining provisions will continue to be fully effective. This Contract will be  
291 construed under Florida law and will not be recorded in any public records.

292 **21. BROKERS:** Neither Seller nor Buyer has used the services of, or for any other reason owes compensation to, a  
293 licensed real estate Broker other than:

294 **(a) Seller's Broker:** Cushman & Wakefield (Company Name) (Licensee)

295 5220 Summerlin Commons Blvd., #500 FTM FL 33907 (Address, Telephone, Fax, E-mail)

296 who  is a single agent  is a transaction broker  has no brokerage relationship and who will be compensated by  
297  Seller  Buyer  both parties pursuant to  a listing agreement  other (specify)  
298 3% paid at Closing, see Addendum.

300 **(b) Buyer's Broker:** RealAmerica Realty (Company Name) CQ268274 (Licensee)

301 1423 SE 16 PL. #105 Cape Coral FL 33990 (Address, Telephone, Fax, E-mail)

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302 who  is a single agent  is a transaction broker  has no brokerage relationship and who will be compensated by  
 303  Seller's Broker  Seller  Buyer  both parties pursuant to  an MLS offer of compensation  other (specify)  
 304 3% paid at Closing. see Addendum.  
 305 (collectively referred to as "Broker") in connection with any act relating to the Property, including but not limited to  
 306 inquiries, introductions, consultations, and negotiations resulting in this transaction. Seller and Buyer agree to  
 307 indemnify and hold Broker harmless from and against losses, damages, costs and expenses of any kind, including  
 308 reasonable attorneys' fees at all levels, and from liability to any person, arising from (1) compensation claimed which is  
 309 inconsistent with the representation in this Paragraph, (2) enforcement action to collect a brokerage fee pursuant to  
 310 Paragraph 10, (3) any duty accepted by Broker at the request of Seller or Buyer, which is beyond the scope of  
 311 services regulated by Chapter 475, Florida Statutes, as amended, or (4) recommendations of or services provided and  
 312 expenses incurred by any third party whom Broker refers, recommends, or retains for or on behalf of Seller or Buyer.

313 **22. OPTIONAL CLAUSES:** (Check if any of the following clauses are applicable and are attached as an addendum to  
 314 this Contract):

- |   |  |   |
|---|--|---|
| 315 <input type="checkbox"/> Arbitration                    | <input type="checkbox"/> Seller Warranty                   | <input type="checkbox"/> Existing Mortgage          |
| 316 <input type="checkbox"/> Section 1031 Exchange          | <input type="checkbox"/> Coastal Construction Control Line | <input type="checkbox"/> Buyer's Attorney Approval  |
| 317 <input type="checkbox"/> Property Inspection and Repair | <input type="checkbox"/> Flood Area Hazard Zone            | <input type="checkbox"/> Seller's Attorney Approval |
| 318 <input type="checkbox"/> Seller Representations         | <input type="checkbox"/> Seller Financing                  | <input type="checkbox"/> Other _____                |

319 **23. ADDITIONAL TERMS:**

320 Daniel Aguirre has an active real estate license and has an ownership interest in or business relationship with  
 321 an owner/member of the entity buying the property.  
 322 \_\_\_\_\_  
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342 **THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, SEEK THE**  
 343 **ADVICE OF AN ATTORNEY PRIOR TO SIGNING. BROKER ADVISES BUYER AND SELLER TO VERIFY ALL**  
 344 **FACTS AND REPRESENTATIONS THAT ARE IMPORTANT TO THEM AND TO CONSULT AN APPROPRIATE**  
 345 **PROFESSIONAL FOR LEGAL ADVICE (FOR EXAMPLE, INTERPRETING CONTRACTS, DETERMINING THE**  
 346 **EFFECT OF LAWS ON THE PROPERTY AND TRANSACTION, STATUS OF TITLE, FOREIGN INVESTOR**  
 347 **REPORTING REQUIREMENTS, ETC.) AND FOR TAX, PROPERTY CONDITION, ENVIRONMENTAL AND OTHER**

Buyer (Signature) and Seller (Signature) acknowledge receipt of a copy of this page, which is Page 7 of 8 Pages.

348 **ADVICE. BUYER ACKNOWLEDGES THAT BROKER DOES NOT OCCUPY THE PROPERTY AND THAT ALL**  
349 **REPRESENTATIONS (ORAL, WRITTEN OR OTHERWISE) BY BROKER ARE BASED ON SELLER**  
350 **REPRESENTATIONS OR PUBLIC RECORDS UNLESS BROKER INDICATES PERSONAL VERIFICATION OF**  
351 **THE REPRESENTATION. BUYER AGREES TO RELY SOLELY ON SELLER, PROFESSIONAL INSPECTORS AND**  
352 **GOVERNMENTAL AGENCIES FOR VERIFICATION OF THE PROPERTY CONDITION, SQUARE FOOTAGE AND**  
353 **FACTS THAT MATERIALLY AFFECT PROPERTY VALUE.**

354 Each person signing this Contract on behalf of a party that is a business entity represents and warrants to the other  
355 party that such signatory has full power and authority to enter into and perform this Contract in accordance with its  
356 terms and each person executing this Contract and other documents on behalf of such party has been duly authorized  
357 to do so.

358  as TR Date: 7-23-2020  
(Signature of Buyer)

359 Daniel Thom, as Trustee Tax ID No.: \_\_\_\_\_  
(Typed or Printed Name of Buyer)

360 Title: Trustee of Torstanbo Trust Telephone: \_\_\_\_\_

361 \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature of Buyer)

362 \_\_\_\_\_ Tax ID No.: \_\_\_\_\_  
(Typed or Printed Name of Buyer)

363 Title: \_\_\_\_\_ Telephone: \_\_\_\_\_

364 Buyer's Address for purpose of notice \_\_\_\_\_

365 Facsimile: \_\_\_\_\_ Email: \_\_\_\_\_

366 \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature of Seller)

367 1612 E. Cape Coral Parkway Holding Co., LLC Tax ID No.: \_\_\_\_\_  
(Typed or Printed Name of Seller)

368 Jim CEO Title: President of Manager Telephone: \_\_\_\_\_

369  Date: 7/24/2020  
(Signature of Seller)

370 \_\_\_\_\_ Tax ID No.: \_\_\_\_\_  
(Typed or Printed Name of Seller)

371 Title: \_\_\_\_\_ Telephone: \_\_\_\_\_

372 Seller's Address for purpose of notice: \_\_\_\_\_

373 Facsimile: \_\_\_\_\_ Email: \_\_\_\_\_

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**ADDENDUM TO COMMERCIAL CONTRACT**

This Addendum amends and becomes a part of that certain Commercial Contract (the "Contract") of even date between 1612 E. Cape Coral Parkway Holding Co., LLC, a Florida limited liability company ("Seller") and Torstonbo Trust, a Florida revocable trust, through its undersigned trustee ("Buyer"). In consideration of Ten Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which the parties hereby acknowledge, Buyer and Seller hereby agree as follows:

1. All capitalized terms used in this Addendum which are not otherwise defined herein shall have the meaning given to them in the Contract.
2. In the event of inconsistency between the Contract and this Addendum, the provisions of this Addendum shall control.
3. The legal description of the Property is attached hereto and incorporated herein as **Exhibit A**, and shall be used in all closing documents for this transaction; provided, however, that Seller agrees to also execute a quit claim deed with a revised legal description of the Property upon receipt of the title commitment or survey, if deemed necessary by the title agent or surveyor.
4. Section 5 of the Contract is deleted. The Contract is not contingent on financing.
5. Section 6 of the Contract is amended to provide that Seller will convey title by Special Warranty Deed. The title insurance commitment shall be provided by Buyer's selected title agent (which shall be Gulfside Title Services, LLC, 7763 Starkey Rd., Seminole, Florida) and written on Old Republic National Title Insurance Company within 20 days after the Effective Date. The title curative provisions of Section 6(b) of the Contract shall not be construed as an obligation of Seller to cure or attempt to cure any title or survey defect to which Buyer timely objects, but Seller's failure to timely cure any such title or survey defect shall entitle Buyer to terminate the contract in accordance with such provision. Seller shall have no obligation to pay for any title-related costs if the Closing fails to occur, and Buyer shall indemnify and protect Seller from any costs or claims related thereto.
6. The transaction will be closed through an escrow closing coordinated by the title insurance agent.
7. Notwithstanding anything to the contrary in Section 12 or any other provision of the Contract, the parties agree that the obligations and deadlines under the Contract shall be not relieved or adjusted for reasons related to the current COVID-19 Pandemic or any governmental or business closures related thereto.
8. The final sentence of subsection 14(a) of the Contract is hereby deleted.
9. Section 19 of the Contract is amended to provide that the Contract may be assigned to an entity or trust owned or controlled by, or under common ownership or control with, Buyer, but is otherwise not assignable.

10. All Broker indemnity and hold harmless obligations of Seller contained in Section 21 of the Contract are hereby deleted.

11. Buyer and any parties accessing the Property on Buyer's behalf shall at all times during the term of this Agreement maintain commercial general liability and contractual liability insurance covering such inspection activities in an amount of at least One Million and No/100 Dollars (\$1,000,000.00) naming Seller as an additional insured, and shall provide Seller with proof of such coverage as a condition to accessing the Property.

12. *AS-IS DISCLAIMER.* BUYER ACKNOWLEDGES THAT SELLER DID NOT ORIGINALLY DEVELOP THE PROPERTY. SELLER INTENDS THERE TO BE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PHYSICAL OR LEGAL CONDITION OF THE PROPERTY. BUYER AND SELLER AGREE THAT SELLER HAS MADE NO REPRESENTATIONS, WARRANTIES, OR AGREEMENTS AS TO ANY MATTERS CONCERNING THE PROPERTY AND, SUBJECT TO BUYER'S RIGHTS OF INSPECTION PROVIDED HEREIN, BUYER IS PURCHASING THE PROPERTY "AS-IS", "WHERE-IS." AND WITH ALL FAULTS. BUYER AGREES THAT IT WILL, AS AND TO THE EXTENT IT DEEMS NECESSARY OR ADVISABLE, PERFORM EXAMINATIONS AND INVESTIGATIONS OF THE PROPERTY PRIOR TO THE EXPIRATION OF THE INSPECTION PERIOD. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT BUYER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS OR COMPLETENESS OF SUCH INFORMATION. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENT, REPRESENTATION OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON WHICH IS NOT EXPRESSLY SET FORTH HEREIN. THIS PARAGRAPH SHALL SURVIVE THE CLOSING OR ANY TERMINATION OF THIS AGREEMENT.

13. If and when the Contract closes, Seller shall pay commissions to the two Brokers named in the Contract in the amount of 3% each at Closing pursuant to the terms of a separate agreement, and otherwise Buyer and Seller shall each indemnify, protect and defend the other from broker or consultant claims arising through the actions or agreements of the indemnifying party.

14. Tax Deferred Exchange. Either party may consummate the purchase and sale of the Property as part of a so-called like kind exchange (the "Exchange") pursuant to §1031 of the Internal Revenue Code of 1986, as amended (the "Code"), provided that: (i) the non-exchanging party shall be provided with written notice by the exchanging party of such Exchange at least fifteen (15) days prior to Closing, the Closing shall not be delayed or affected by reason of the Exchange, and the consummation or accomplishment of the exchange shall not be a condition precedent or condition subsequent to the parties' respective obligations under this Contract; (ii) the exchanging party shall effect the Exchange through an assignment of this Contract, or its rights under this Contract, to a qualified intermediary; (iii) the non-exchanging party shall not be required to take an assignment of the purchase agreement for the relinquished property or be required to acquire or hold title to any real property for purposes of consummating the Exchange; and (iv) the exchanging party shall pay all costs associated with such Exchange. The non-exchanging party shall not by this agreement or acquiescence to the Exchange (i) have its rights under this Contract affected or diminished in any manner, (ii) be responsible for any costs of the Exchange; or (iii) be responsible for compliance with or be deemed to have warranted to the exchanging party that the Exchange in fact complies with §1031 of the Code.

15. Buyer and Seller acknowledge that Seller is not presently the record owner of the Property but title to the Property is in the process of being transferred from the current title holder to Seller prior to the Closing.

IN WITNESS WHEREOF, Buyer and Seller have executed this instrument on the dates entered below, the later of which shall be the "Effective Date."

BUYER:

Torstonbo Trust, a Florida revocable trust  
under agreement dated 7-21-2020

By: /s/ Daniel Thom, as Trustee  
Daniel Thom, as Trustee

Date: 7-23-2020

SELLER:

1612 E. Cape Coral Parkway Holding Co.,  
LLC, a Florida limited liability company

By: Legacy Education Alliance  
Holdings, Inc., its manager

By: James E May  
Name: James E May  
Title: CEO  
Date: 7/24/2020

**EXHIBIT A**

Legal Description

Parcel 1

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

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

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

Parcel 2

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

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

FLORIDA DOCUMENTARY STAMP TAX IN THE AMOUNT OF \$3,500.00 AND FLORIDA INTANGIBLE TAX IN THE AMOUNT OF \$2,000.00 DUE IN CONNECTION WITH THIS PROMISSORY NOTE HAS BEEN PAID ON THE RECORDING IN THE PUBLIC RECORDS OF LEE COUNTY, FLORIDA OF THAT CERTAIN MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT DATED AS OF EVEN DATE HERewith FROM BORROWER IN FAVOR OF LENDER GIVEN TO SECURE THE OBLIGATIONS OF BORROWER UNDER THIS PROMISSORY NOTE.

PROMISSORY NOTE

\$1,000,000.00

August 6, 2020

**1612 E. CAPE CORAL PARKWAY HOLDING CO., LLC**

1612 East Capel Coral Parkway  
Cape Coral, Florida 339047632 Drew Oak Drive  
Seminole, Florida 33772  
("Borrower")

**NORTHERN EQUITY GROUP, INC.**

**JKH VENTURES, INC.**

**DONALD ROSS, LLC**

c/o Donald Ross, LLC  
8595 College Parkway, Suite 350  
Fort Myers, Florida 33919  
(collectively, "Lender")

1. **PROMISE TO PAY.** Borrower promises to pay to the order of Donald Ross, LLC pursuant to separate wire transfer instructions to be provided (with Donald Ross, LLC solely responsible for distributing the payments to all the Lender parties listed above), in lawful money of the United States of America, the sum of **ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00)**, with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

2. **INTEREST RATE.** Interest shall be charged on the outstanding principal balance of the Note from the date hereof at the rate of 12.00% per annum.

3. **PAYMENT OF PRINCIPAL AND INTEREST.** Commencing on September 6, 2020 and continuing on the same day of each and every calendar month thereafter, Borrower shall make a payment of interest only. The entire unpaid principal indebtedness evidenced by this Note, together with accrued and unpaid interest shall be due and payable in full on August 5, 2021 ("Maturity Date").

4. **PREPAYMENT.** Borrower may prepay this Note in whole, but not in part, at any time. Any prepayment prior to February 6, 2021 shall be accompanied by prepayment compensation in the amount of equal to the difference between \$60,000.00 and the amount of interest Borrower has paid to Lender up to the time of prepayment. There is no prepayment compensation due to Lender for any prepayment made after February 6, 2021. Notwithstanding anything herein to the contrary, there shall be no prepayment compensation obligation of Borrower to Lender in the event of prepayment resulting from the sale of the real property encumbered by the mortgage securing this Note to a bona fide third party purchaser.

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5. **DEFAULT RATE.** In addition to all other rights contained in this Note, if a Default (as defined herein) occurs and as long as a Default continues, all outstanding Obligations shall bear interest at the rate of 18% per annum ("Default Rate"). The Default Rate shall also apply from acceleration until the Obligations or any judgment thereon is paid in full.

6. **INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

7. **PAYMENTS.** If any payment received by Lender under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Lender because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of Borrower under this Note and other Loan Documents as though such payment had not been made.

8. **DEFINITIONS.** The term "Loan Documents", as used in this Note and the other Loan Documents, refers to this Note and any and all other documents executed in connection with or related to the loan evidenced by this Note, including but not limited to that certain Mortgage, Assignment of Rents and Security Agreement dated as of even date herewith from Borrower in favor of Lender, together with any and all renewals or modifications, whenever any of the foregoing are executed. The term "Obligations", as used in this Note and the other Loan Documents, refers to any and all indebtedness and other obligations under this Note, all other obligations under any other Loan Documents. All terms that are used but not otherwise defined in any of the Loan Documents shall have the definitions provided in the Uniform Commercial Code.

9. **LATE CHARGE.** If any payments are not timely made, Borrower shall also pay to Lender a late charge equal to 5% of each payment past due for 10 or more days. This late charge shall not apply to payments due at maturity or by acceleration hereof. Acceptance by Lender of any late payment without an accompanying late charge shall not be deemed a waiver of Lender's right to collect such late charge or to collect a late charge for any subsequent late payment received.

10. **ATTORNEYS' FEES AND OTHER COLLECTION COSTS.** Borrower shall pay all of the Lender's reasonable expenses actually incurred to enforce or collect any of the Obligations including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

11. **USURY.** If at any time the effective interest rate under this Note would, but for this paragraph, exceed the maximum lawful rate, the effective interest rate under this Note shall be the maximum lawful rate, and any amount received by Lender in excess of such rate shall be applied to principal and then to fees and expenses, or, if no such amounts are owing, returned to Borrower.

12. **EVENTS OF DEFAULT:** If any of the following occurs, a default (“Default”) under this Note shall exist:

a. **Nonpayment; Nonperformance.** The failure of timely payment or performance of the Obligations under any of the Loan Documents.

b. **False Information.** Any representation or warranty made by Borrower under this Note or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

d. **Bankruptcy and Other Proceedings.** Borrower shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or re-codified from time to time (“Bankruptcy Code”), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

e. **Judgment, Execution and Other Legal Process.** The filing of a notice of judgment lien in excess of \$50,000.00 against Borrower, which is not dismissed, satisfied or transferred to a bond within 30 days of filing; the recording of any abstract of judgment against Borrower in any county in which Borrower has an interest in real property, which is not dismissed, satisfied, or transferred to a bond within 30 days of recording; the service of a notice of levy and/or of a writ of attachment or execution, or other like process, in excess of \$50,000.00 against the assets of Borrower, which is not dismissed, satisfied, or transferred to a bond within 30 days of service; the entry of a judgment in excess of \$50,000.00 against Borrower, which is not dismissed, satisfied, or transferred to a bond within 30 days of entry; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, which is not dismissed within 60 days of filing.

f. **Dissolution.** The dissolution of Borrower.

13. **REMEDIES UPON DEFAULT.** If a Default occurs under this Note or any Loan Documents, Lender may at any time thereafter, take the following actions:

a. **Acceleration Upon Default.** Accelerate the maturity of this Note and, at Lender’s option, any or all other Obligations; whereupon this Note and the accelerated Obligations shall be immediately due and payable; provided, however, if the Default is based upon a bankruptcy or insolvency proceeding commenced by or against Borrower, all Obligations shall automatically and immediately be due and payable.

b. **Cumulative.** Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

14. **WAIVERS AND AMENDMENTS.** No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Lender. No waiver by Lender of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Lender in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Except to the extent otherwise provided by the Loan Documents or prohibited by law, Borrower waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind.

15. **MISCELLANEOUS PROVISIONS.**

a. **Assignment.** This Note and the other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. Lender's interests in and rights under this Note and the other Loan Documents are freely assignable, in whole or in part, by Lender. Borrower shall not assign its rights and interest hereunder without the prior written consent of Lender, and any attempt by Borrower to assign without Lender's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations.

b. **Applicable Law.** This Note and, unless otherwise provided in any other Loan Document, the other Loan Documents shall be governed by and interpreted in accordance with the laws of the State of Florida without regard to that state's conflict of laws principles.

c. **Jurisdiction.** Borrower irrevocably agrees to non-exclusive personal jurisdiction in Lee County, Florida.

d. **Severability.** If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document.

e. **Notices.** Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder, and to Lender, if in writing and mailed or delivered to Lender at its address first stated above or such other address as Lender may specify in writing from time to time. In the event that Borrower changes Borrower's address at any time prior to the date the Obligations are paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid.

f. **Receipt of Payments.** Payments received after 5:00 p.m., E.S.T., will be posted on the following business day.

g. **Fees and Taxes.** Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

h. **LIMITATION ON LIABILITY; WAIVER OF PUNITIVE DAMAGES.** EACH OF THE PARTIES HERETO, INCLUDING LENDER BY ACCEPTANCE HEREOF, AGREES THAT IN ANY JUDICIAL, MEDIATION OR ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR, (1) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (2) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY SUCH PROCEEDING, CLAIM OR CONTROVERSY, WHETHER THE SAME IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE.

i. **Final Agreement.** This Note and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent agreements of the parties. There are no unwritten agreements between the parties.

j. **WAIVER OF JURY TRIAL.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF BORROWER BY EXECUTION HEREOF AND LENDER BY ACCEPTANCE HEREOF, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE LOAN DOCUMENTS OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION WITH THIS NOTE, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY WITH RESPECT HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO ACCEPT THIS NOTE. EACH OF THE PARTIES AGREES THAT THE TERMS HEREOF SHALL SUPERSEDE AND REPLACE ANY PRIOR AGREEMENT RELATED TO ARBITRATION OF DISPUTES BETWEEN THE PARTIES CONTAINED IN ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR AGREEMENT HERETOFORE EXECUTED IN CONNECTION WITH, RELATED TO OR BEING REPLACED, SUPPLEMENTED, EXTENDED OR MODIFIED BY, THIS NOTE.

SIGNATURES ON THE NEXT PAGE

**IN WITNESS WHEREOF**, Borrower, on the day and year first above written, has caused this Note to be duly executed under seal.

**1612 E. CAPE CORAL PARKWAY HOLDING CO., LLC,**  
a Florida limited liability company,

By: **LEGACY EDUCATION ALLIANCE HOLDINGS, INC.,**  
a Colorado corporation Manager

By: /s/ James May  
James May,  
Chief Executive Officer

PREPARED BY: Aileen S. Davis  
RETURN TO: Aileen S. Davis  
Akerman LLP  
401 East Jackson Street, Suite 1700  
Tampa, Florida 33602

FLORIDA DOCUMENTARY STAMP TAX IN THE AMOUNT OF \$3,500.00 AND FLORIDA INTANGIBLE TAX IN THE AMOUNT OF \$2,000.00 IS BEING PAID ON THE RECORDING OF THIS MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT IN THE PUBLIC RECORDS OF LEE COUNTY, FLORIDA BASED ON THE SUM OF \$1,000,000.00 SECURED HEREBY.

**MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT**

This MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT ("Mortgage") is made as of August 6, 2020 by and between **NORTHERN EQUITY GROUP, INC.; JKH VENTURES, INC.;** and **DONALD ROSS, LLC**, all of whose address for notice purposes is c/o DONALD ROSS, LLC, 8595 College Parkway, Suite 350, Fort Myers, Florida 33919, (collectively, "Mortgagee"), and **1612 E. CAPE CORAL PARKWAY HOLDING CO., LLC**, a Florida limited liability company, whose address is 1612 E. Cape Coral Parkway, Cape Coral, Florida 33904 ("Mortgagor").

**WITNESSETH:**

To secure payment and performance of obligations under that certain Promissory Note (the "Note") dated as of even date herewith in the principal amount of \$1,000,000.00, made by Mortgagor, payable to Mortgagee, this Mortgage and all other obligations (collectively, the "Obligations") under any and all documents executed and delivered to Mortgagee in connection with this Mortgage and the Note and all renewals, modifications, restatements, and amendments thereof, (collectively, the "Loan Documents") and in consideration of these premises and for other consideration, Mortgagor does mortgage, grant and convey unto Mortgagee, its successors and assigns all of Mortgagor's right, title and interest now owned or hereafter acquired in and to each of the following (collectively, the "Property"): (i) all those certain tracts of land in Lee County, Florida described in EXHIBIT A attached hereto and made part hereof (the "Land"); (ii) all buildings and improvements now or hereafter erected on the Land; (iii) all leases, licenses or occupancy agreements of all or any part of the Land and all extensions, renewals, and modifications thereof, and any options, rights of first refusal or guarantees relating thereto; all rents, income, revenues, security deposits, issues, profits, awards and payments of any kind payable under the leases or otherwise arising from the Land; (iv) all contract rights, accounts receivable and general intangibles relating to the Land or the use, occupancy, maintenance, construction, repair or operation thereof; all management agreements, franchise agreements, utility agreements and deposits; all maps, plans, surveys and specifications; all warranties and guaranties; all permits, licenses and approvals; and all insurance policies pertaining to the Land and building and improvements thereon; (v) all estates, rights, tenements, hereditaments, privileges, easements, and appurtenances of any kind benefiting the Land; all means of access to and from the Land, whether public or private; and all water and mineral rights; and (vi) all "Proceeds" of any of the above-described property, which term shall have the meaning given to it in the Uniform Commercial Code of the jurisdiction where this Mortgage is recorded (the "UCC"), whether cash or non-cash, and including insurance proceeds and condemnation awards; and all replacements, substitutions and accessions thereof.

TO HAVE AND TO HOLD the Property and all the estate, right, title and interest, in law and in equity, of Mortgagor's in and to the Property unto Mortgagee, its successors and assigns, forever.

PROVIDED, HOWEVER, the amount secured hereby at any time shall not exceed the principal amount of \$1,000,000.00 ("Original Maximum Principal Amount"), plus all interest, costs, reimbursements, fees and expenses in connection therewith, and future advances.

Mortgagor WARRANTS AND REPRESENTS that Mortgagor is lawfully seized of the Property, in fee simple, absolute, that Mortgagor has the legal right to convey and encumber the same, and that the Property is free and clear of all liens and encumbrances. Mortgagor further warrants and will forever defend all and singular the Property and title thereto to Mortgagee and Mortgagee's successors and assigns, against the lawful claims of all persons whomsoever.

PROVIDED ALWAYS that if (i) all the Obligations are paid in full, and (ii) each and every representation, warranty, agreement, covenant and condition of this Mortgage, and the other Loan Documents, are complied with and abided by, have matured or been terminated, then this Mortgage and the estate hereby created shall cease and be null, void, and canceled of record.

To protect the security of this Mortgage, Mortgagor further represents and agrees with Mortgagee as follows:

**Payment of Obligations.** That the Obligations shall be timely paid and performed.

**Future Advances.** This Mortgage is given to secure not only existing Obligations but also future advances made within 20 years of the date of this Mortgage to the same extent as if such future advances are made on the date of the execution of this Mortgage. The principal amount that may be so secured may decrease or increase from time to time, but the total amount so secured at any one time shall not exceed \$2,000,000.00, plus all interest, costs, reimbursements, fees and expenses due under this Mortgage and secured hereby and any future advances. Mortgagor shall not execute any document that impairs or otherwise impacts the priority of any existing or future Obligations secured by this Mortgage.

**Grant of Security Interest in Personal Property.** This Mortgage constitutes a security agreement under the UCC and shall be deemed to constitute a fixture financing statement. Mortgagor will pay all costs and expenses of filing any UCC financing statements in all public filing offices, where filing is deemed desirable by Mortgagee. Mortgagee is authorized to file Financing Statements relating to the Property without Mortgagor's signature where permitted by law. Mortgagor appoints Mortgagee as its attorney-in-fact to execute such documents necessary to perfect Mortgagee's security interest on Mortgagor's behalf. The appointment is coupled with an interest and shall be irrevocable as long as any Obligations remain outstanding.

Nothing herein obligates Mortgagee to provide credit in excess of the Obligations.

**Leases, Subleases and Easements.** Mortgagor shall maintain, enforce and cause to be performed all of the terms and conditions under any lease, sublease or easement which may constitute a portion of the Property. Mortgagor shall not, without the consent of Mortgagee (which consent shall not be unreasonably withheld or delayed), enter into any new lease of all or any portion of the Property, agree to the cancellation or surrender under any lease of all or any portion of the Property, agree to prepayment of rents, issues or profits (other than rent paid at the signing of a lease or sublease), modify any such lease so as to shorten the term, decrease the rent, accelerate the payment of rent, or change the terms of any renewal option; and any such purported new lease, cancellation, surrender, prepayment or modification made without the consent of Mortgagee shall be void as against Mortgagee.

**Required Insurance.** Mortgagor shall cause to be maintained with respect to the Property: (i) insurance against loss or damage by fire and other casualties and hazards by insurance written on an "all risks" basis, including malicious mischief, collapse and sinkhole coverage, in an amount not less than the replacement cost thereof, including coverage for loss of rents or business interruption if applicable, naming Mortgagee as loss payee and mortgagee; (ii) if the Property is required to be insured pursuant to the National Flood Reform Act of 1994, and the regulations promulgated thereunder, flood insurance is required in the amount equal to the lesser of the loan amount or maximum available under the National Flood Insurance Program, but in no event should the amount of coverage be less than the value of the improved structure, naming Mortgagee as mortgagee and loss payee.; (iii) as applicable, insurance which complies with the workers' compensation and employers' liability laws of all states in which Mortgagor shall be required to maintain such insurance; and (iv) liability insurance providing coverage of no less than \$1,000,000.00 combined single limit, naming Mortgagee as an additional insured.

All property insurance policies shall contain an endorsement or agreement by the insurer in form satisfactory to Mortgagee that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Mortgagor or any tenant and the further agreement (within both the property and liability policies) of the insurer waiving rights of subrogation against Mortgagee, and rights of set-off, counterclaim or deductions against Mortgagor.

All insurance policies shall be in form, provide coverages, be issued by companies and be in amounts reasonably satisfactory to Mortgagee. At least 30 days prior to the expiration of each such policy, Mortgagor shall furnish Mortgagee with evidence satisfactory to Mortgagee that such policy has been renewed or replaced or is no longer required hereunder. All such policies shall provide that the policy will not be canceled or materially amended without at least 30 days prior written notice to Mortgagee. In the event Mortgagor fails to provide, maintain, keep in force, and furnish to Mortgagee the policies of insurance required by this paragraph, Mortgagee may, after 20 days, prior written notice to Mortgagor, procure such insurance or single-interest insurance in such amounts, at such premium, for such risks and by such means as Mortgagee chooses, at Mortgagor's expense; provided however, Mortgagee shall have no responsibility to obtain any insurance, but if Mortgagee does obtain insurance, Mortgagee shall have no responsibility to assure that the insurance obtained shall be adequate or provide any protection to Mortgagor.

**Insurance Proceeds.** After occurrence of any loss to any of the Property, Mortgagor shall give prompt written notice thereof to Mortgagee.



In the event of such loss all insurance proceeds, including unearned premiums, shall be payable to Mortgagee, and Mortgagor hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to Mortgagee and not to Mortgagee and Mortgagor jointly. Mortgagee is hereby authorized by Mortgagor to make proof of loss if not promptly made by Mortgagor, settle, adjust or compromise any claims for loss or damage under any policy or policies of insurance and Mortgagor appoints Mortgagee as its attorney-in-fact to receive and endorse any insurance proceeds to Mortgagee, which appointment is coupled with an interest and shall be irrevocable as long as any Obligations remain unsatisfied. Mortgagor shall pay the costs of collection, including attorneys' fees, of insurance proceeds payable on account of such damage or destruction. Mortgagor shall have no claim against the insurance proceeds, or be entitled to any portion thereof, and all rights to the insurance proceeds are hereby assigned to Mortgagee as security for payment of the Obligations.

In the event of any damage to or destruction of the Property, Mortgagee shall have the option of applying or paying all or part of the insurance proceeds to (i) the Obligations in such order as Mortgagee may determine, (ii) restoration, replacement or repair of the Property in accordance with Mortgagee's standard construction loan disbursement conditions and requirements, or (iii) Mortgagor. Nothing herein shall be deemed to excuse Mortgagor from restoring, repairing and maintaining the Property as required herein. Notwithstanding the foregoing, provided that all of the following conditions are fully satisfied by Mortgagor, Mortgagee shall disburse insurance proceeds for repair and restoration of the Property in accordance with construction loan disbursement conditions and requirements that a lender would normally utilize: (i) no Default or event which, with the giving of notice or the passage of time, or both, would constitute a Default shall have occurred and remain uncured beyond any applicable cure period; (ii) Mortgagor shall have delivered evidence satisfactory to Mortgagee that the Property can be fully repaired and restored at least 6 months prior to the maturity of the Obligations; (iii) no lease of the Property is cancelable or terminable by the tenant or Mortgagor on account of the casualty or, if it is, the tenant or Mortgagor (as applicable) has waived in writing its right to cancel; (iv) the work is performed under a fixed price or guaranteed maximum price contract satisfactory to Mortgagee in accordance with plans and specifications and a budget satisfactory to Mortgagee in accordance with all legal requirements; (v) Mortgagor shall have deposited with Mortgagee for disbursement in the connection with the restoration the greater of: (A) the applicable deductible under the insurance policies covering the loss; or (B) the amount by which the cost of restoration of the Property to substantially the same value, condition and character as existed prior to such damage is estimated by Mortgagee to exceed the net insurance proceeds; (vi) Mortgagor has paid as and when due all of Mortgagee's costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and legal fees. If not paid on demand, at Mortgagee's option, such costs may be deducted from the disbursements made by Mortgagee or added to the sums secured by this Mortgage; and (vii) such other terms and conditions as Mortgagee may reasonably require.

**Impositions; Escrow Deposit.** Mortgagor will pay all taxes, levies, assessments and other fees and charges imposed upon or which may become a lien upon the Property under any law or ordinance (all of the foregoing collectively "Impositions") before they become delinquent and in any event in the same calendar year in which they first become due, unless such impositions are being validly and in good faith disputed by Mortgagor and Mortgagor has set aside sufficient funds to make the required payment.

**Use of Property.** Mortgagor shall use and operate, and require its lessees or licensees to use and operate, the Property in compliance with all applicable laws (including, for example, the Americans with Disabilities Act and the Fair Housing Act) and ordinances, covenants, and restrictions, and with all applicable requirements of any lease or sublease now or hereafter affecting the Property. Mortgagor shall not permit any unlawful use of the Property or any use that may give rise to a claim of forfeiture of any of the Property. Mortgagor shall not allow changes in the stated use of Property from that disclosed to Mortgagee at the time of execution hereof. Mortgagor shall not initiate or acquiesce to a zoning change of the Property without prior notice to, and written consent of, Mortgagee, which consent shall not be unreasonably withheld, conditioned or delayed.

**Maintenance, Repairs and Alterations.** Mortgagor shall keep and maintain the Property in good condition and repair and fully protected from the elements to the satisfaction of Mortgagee. Mortgagor will not remove, demolish or structurally alter any of the buildings or other improvements on the Property (except such alterations as may be required by laws, ordinances or regulations) without the prior written consent of Mortgagee. Mortgagor shall promptly notify Mortgagee in writing of any material loss, damage or adverse condition affecting the Property.

**Eminent Domain.** Should the Property or any interest therein be taken or damaged by reason of any public use or improvement or condemnation proceeding (“Condemnation”), or should Mortgagor receive any notice or other information regarding such Condemnation, Mortgagor shall give prompt written notice thereof to Mortgagee. Mortgagee shall be entitled to all compensation, awards and other payments or relief granted in connection with such Condemnation and, at its option, may commence, appear in and prosecute in its own name any action or proceedings relating thereto. Mortgagee shall be entitled to make any compromise or settlement in connection with such taking or damage. All compensation, awards, and damages awarded to Mortgagor related to any Condemnation (the “Proceeds”) are hereby assigned to Mortgagee solely to the extent of any outstanding Obligations, and Mortgagor agrees to execute such further assignments of the Proceeds as Mortgagee may require. Mortgagee shall have the option of applying or paying the Proceeds in the same manner as insurance proceeds as provided herein. Mortgagor appoints Mortgagee as its attorney-in-fact to receive and endorse the Proceeds to Mortgagee, which appointment is coupled with an interest and shall be irrevocable as long as any Obligations remain unsatisfied.

**Environmental Condition of Property and Indemnity.** Mortgagor warrants and represents to Mortgagee that to the best of its knowledge and belief without investigation or duty to investigate: (i) the Property and Mortgagor, and any occupants of the Property, are in compliance with all applicable federal, state and local laws and regulations intended to protect the environment and public health and safety as the same may be amended from time to time (“Environmental Laws”); (ii) the Property is not used to generate, handle, treat, store or dispose of, in any quantity, oil, petroleum products, hazardous or toxic substances, hazardous waste, regulated substances or hazardous air pollutants (“Hazardous Materials”) in violation of any Environmental Laws; (iii) no Hazardous Materials (including asbestos, mold or lead paint in any form) are located on or under the Property or emanate from the Property; (iv) there are no unregistered underground storage tanks on the Property that are subject to any underground storage tank registration laws or regulations; (v) no notice has been received with regard to any Hazardous Material on the Property; (vi) no action, investigation or proceeding is pending or to Mortgagor’s knowledge threatened which seeks to enforce any right or remedy against Mortgagor or the Property under any Environmental Law; and (vii) all licenses, permits and other governmental or regulatory actions necessary for the Property to comply with Environmental Laws shall be obtained and maintained and Mortgagor shall assure compliance therewith.

Further, Mortgagor represents to Mortgagee that to the best of its knowledge and belief without investigation or duty to investigate, no portion of the Property is a protected wetland. Mortgagor agrees to notify Mortgagee immediately upon receipt of any citations, warnings, orders, notices, consent agreements, process or claims alleging or relating to violations of any Environmental Laws or to the environmental condition of the Property and shall conduct and complete all investigations and all cleanup actions necessary to comply with the Environmental Laws and to remove, in accordance with Environmental Laws, any Hazardous Material from the Property.

Mortgagor shall indemnify, hold harmless, and defend Mortgagee from and against any and all damages, penalties, fines, claims, suits, liabilities, costs, judgments and expenses, including attorneys', consultants' or experts' fees of every kind and nature incurred, suffered by or asserted against Mortgagee as a direct or indirect result of: (i) representations made by Mortgagor in this Section being in any material respect; (ii) Mortgagor's violation of or failure to meet the requirements of any Environmental Laws; or (iii) Hazardous Materials which, while the Property is subject to this Mortgage, exist on the Property. Mortgagee shall have the right to arrange for or conduct environmental inspections of the Property from time to time (including the taking of soil, water, air or material samples). The cost of such inspections made after Default (as hereinafter defined) or which are required by laws or regulations applicable to Mortgagee shall be borne by Mortgagor. However, Mortgagor's indemnity shall not apply to any negligent or intentional act of Mortgagee which takes place after foreclosure or satisfaction of this Mortgage. These indemnification obligations are in addition to General Indemnification provisions set forth hereafter. Mortgagor's Obligations under this section shall continue, survive and remain in full force and effect notwithstanding the repayment of the Obligations, a foreclosure of or exercise of power of sale under this instrument, a delivery of a deed in lieu of foreclosure, a cancellation or termination of record of this instrument and the transfer of the Property.

**Inspections.** Mortgagee, or its representatives or agents, are authorized to enter at any reasonable time upon reasonable prior written notice but not less than three (3) business days, upon any part of the Property for the purpose of inspecting the Property and for the purpose of performing any of the acts it is authorized to perform under the terms of this Mortgage.

**Liens and Subrogation.** Mortgagor shall pay and promptly discharge all liens, claims and encumbrances upon the Property. Mortgagor shall have the right to contest in good faith the validity of any such lien, claim or encumbrance, provided: (i) such contest suspends the collection thereof or there is no danger of the Property being sold or forfeited while such contest is pending; (ii) Mortgagor first deposits with Mortgagee a bond or other security satisfactory to Mortgagee in such amounts as Mortgagee shall reasonably require; and (iii) Mortgagor thereafter diligently proceeds to cause such lien, claim or encumbrance to be removed and discharged.

Mortgagee shall be subrogated to any liens, claims and encumbrances against Mortgagor or the Property that are paid or discharged through payment by Mortgagee or with loan proceeds, notwithstanding the record cancellation or satisfaction thereof.

**Waiver of Mortgagor's Rights.** To the fullest extent permitted by law, Mortgagor waives the benefit of all laws now existing or that hereafter may be enacted providing for (i) any appraisal before sale of any portion of the Property, (ii) in any way extending the time for the enforcement of the collection of the Note or the debt evidenced thereby or any of the other Obligations, and any rights to hearing prior to the exercise by Mortgagee of any right, power, or remedy herein provided to Mortgagee.

To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or seek to take the benefit or advantage of any law now or hereafter in force providing for any exemption, appraisal, valuation, stay, extension or redemption, and Mortgagor for itself and its successors and assigns, and for any and all persons claiming any interest in the Property, to the extent permitted by law, hereby waive and release all rights of valuation, appraisal, redemption, stay of execution, the benefit of all exemption laws, notice of election to mature or declare due the whole of the secured indebtedness and marshalling in the event of foreclosure of the liens hereby created. Mortgagor further waives any and all notices including, without limitation, notice of intention to accelerate and of acceleration of the Obligations.

**Payments by Mortgagee.** In the event of Default (as hereinafter defined) in the timely payment or performance of any of the Obligations, after the expiration of any applicable notice and cure period, Mortgagee, at its option and without any duty on its part to determine the validity or necessity thereof, may pay the sums for which Mortgagor is obligated. Further, Mortgagee may pay such sums as Mortgagee deems appropriate for the protection and maintenance of the Property including, without limitation, sums to pay Impositions and other levies, assessments or liens, maintain insurance, make repairs, secure the Property, maintain utility service, intervene in any condemnation and pay attorneys' fees and other fees and costs to enforce this Mortgage or protect the lien hereof (including foreclosure) or collect the Obligations, without limitation, including those incurred in any proceeding including bankruptcy or arbitration. Any amounts so paid shall bear interest at the default rate stated in the Note and shall be secured by this Mortgage.

**General Indemnification.** Mortgagor shall protect, indemnify and save harmless Mortgagee from and against all losses, liabilities, obligations, claims, damages, penalties, fines, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively, "Damages") imposed upon, incurred by or asserted or assessed against Mortgagee on account of or in connection with (i) any failure or alleged failure of Mortgagor to comply with any of the terms of, or the inaccuracy or breach of any representation in, the Loan Documents; (ii) any claim of loss or damage to the Property or any injury or claim of injury to, or death of, any person or property that may be occasioned by any cause whatsoever pertaining to the Property or the use, occupancy or operation thereof, (iii) any failure or alleged failure of Mortgagor to comply with any law, rule or regulation applicable to it or to the Property or the use, occupancy or operation of the Property (including, without limitation, the failure to pay any taxes, fees or other charges), provided that such indemnity shall be effective only to the extent of any Damages that may be sustained by Mortgagee in excess of any net proceeds received by it from any insurance of Mortgagor (other than self-insurance) with respect to such Damages, (iv) any Damages whatsoever by reason of any alleged action, obligation or undertaking of Mortgagee relating in any way to or any matter contemplated by the Loan Documents, and (v) any and all liability arising prior to any foreclosure from any leases related to the Property. Nothing contained herein shall require Mortgagor to indemnify Mortgagee for any Damages resulting from Mortgagee's negligence or its willful and wrongful acts, and such indemnity shall be effective only to the extent of any Damages that may be sustained by Mortgagee in excess of any net proceeds received by Mortgagee from any insurance of Mortgagor (other than self-insurance) with respect to such Damages. The indemnity provided for herein shall survive payment of the Obligations and shall extend to the officers, directors, employees and duly authorized agents of Mortgagee. In the event the Mortgagee incurs any Damages arising out of or in any way relating to the transaction contemplated by the Loan Documents (including any of the matters referred to in this section), the amounts of such Damages shall be added to the Obligations, shall bear interest, to the extent permitted by law, at the interest rate borne by the Obligations from the date incurred until paid and shall be payable on demand.

**Assignment of Rents.** Mortgagor hereby absolutely assigns and transfers to Mortgagee all the leases, rents, issues and profits of the Property (collectively "Rents"). Although this assignment is effective immediately, so long as no Default exists, Mortgagee gives to and confers upon Mortgagor the privilege under a revocable license to collect as they become due, but not prior to accrual, the Rents and to demand, receive and enforce payment, give receipts, releases and satisfactions, and sue in the name of Mortgagor for all such Rents. Mortgagor represents there has been no prior assignment of leases or Rents, and agrees not to further assign such leases or Rents. Upon any occurrence of Default, the license granted to Mortgagor herein shall be automatically revoked without further notice to or demand upon Mortgagor, and Mortgagee shall have the right, in its discretion, without notice, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations, (i) to enter upon and take possession of the Property, (ii) notify tenants, subtenants and any property manager to pay Rents to Mortgagee or its designee, and upon receipt of such notice such persons are authorized and directed to make payment as specified in the notice and disregard any contrary direction or instruction by Mortgagor, and (iii) in its own name, sue for or otherwise collect Rents, including those past due, and apply Rents, less costs and expenses of operation and collection, including attorneys' fees, to the Obligations in such order and manner as Mortgagee may determine or as otherwise provided for herein. Mortgagee's exercise of any one or more of the foregoing rights shall not cure or waive any Default or notice of Default hereunder.

**Due on Sale or Further Encumbrance or Transfer of an Interest in Mortgagor.** Without the prior written consent of Mortgagee in each instance, Mortgagor shall not (i) sell, convey, transfer or encumber the Property, or any part thereof or interest therein, whether legal or equitable; (ii) cause or permit any transfer of the Property or any part thereof, whether voluntarily, involuntarily or by operation of law, or (iii) enter into any agreement or transaction to transfer, or accomplish in form or substance a transfer, of the Property unless at the time of transfer all of the Obligations to Mortgagee are paid in full. A "transfer" of the Property includes: (a) the direct or indirect sale, transfer or conveyance of the Property or any portion thereof or interest therein; (b) the execution of an installment sale contract or similar instrument affecting all or any portion of the Property; (c) the sale, transfer, or encumbrance of any membership interest in Mortgagor; and (d) an agreement by Mortgagor leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of or the grant of a security interest in and to any Leases.

Mortgagee's consent to any conveyance or encumbrance may be conditioned upon an increase in the interest rate specified in the Note (or other Obligations), an extension or curtailment of the maturity of the Obligations, or other modification of the Note or this instrument.

**Remedies of Mortgagee on Default.** Failure of Mortgagor or any other person liable to timely pay or perform any of the Obligations is a default (“Default”) under this Mortgage. Upon the occurrence of Default and after the expiration of any applicable notice and cure period, the following remedies are available, without limitation, to Mortgagee: (i) Mortgagee may exercise any or all of Mortgagee’s remedies under this Mortgage or other Loan Documents including, without limitation, acceleration of the maturity of all payments and Obligations, other than Obligations under any Swap Agreements with Mortgagee or any of its Affiliates, which shall be due in accordance with and governed by the provisions of said Swap Agreements; (ii) Mortgagee may take immediate possession of the Property or any part thereof (which Mortgagor agrees to surrender to Mortgagee) and manage, control or lease the same to such persons and at such rental as it may deem proper and collect and apply Rents to the payment of: (a) the Obligations, together with all costs and attorneys’ fees; (b) all Impositions and any other levies, assessments or liens which may be prior in lien or payment to the Obligations, and premiums for insurance, with interest on all such items; and (c) the cost of all alterations, repairs, replacements and expenses incident to taking and retaining possession of the Property and the management and operation thereof; all in such order or priority as Mortgagee in its sole discretion may determine. The taking of possession shall not prevent concurrent or later proceedings for the foreclosure sale of the Property; (iii) Mortgagee may apply to any court of competent jurisdiction for the appointment of a receiver for all purposes including, without limitation, to manage and operate the Property or any part thereof, and to apply the Rents therefrom as hereinabove provided. In the event of such application, Mortgagor consents to the appointment of a receiver, and agrees that a receiver may be appointed without notice to Mortgagor, without regard to whether Mortgagor has committed waste or permitted deterioration of the Property, without regard to the adequacy of any security for the Obligations, and without regard to the solvency of Mortgagor or any other person, firm or corporation who or which may be liable for the payment of the Obligations; (iv) Mortgagee may exercise all the remedies of a mortgagee as provided by law and in equity including, without limitation, foreclosure upon this Mortgage and sale of the Property, or any part of the Property, at public sale conducted according to applicable law (referred to as “Sale”) and conduct additional Sales as may be required until all of the Property is sold or the Obligations are satisfied; (v) With respect to any portion of the Property governed by the UCC, Mortgagee shall have all of the rights and remedies of a secured party thereunder. Mortgagee may elect to foreclose upon any Property that is fixtures under law applicable to foreclosure of interests in real estate or law applicable to personal property; (vi) Mortgagee may bid at Sale and may accept, as successful bidder, credit of the bid amount against the Obligations as payment of any portion of the purchase price; and (vii) Mortgagee shall apply the proceeds of Sale, first to any fees or attorney fees permitted Mortgagee by law in connection with Sale, second to expenses of foreclosure, publication, and sale permitted Mortgagee by law in connection with Sale, third to the Obligations, and any remaining proceeds as required by law.

**Miscellaneous Provisions.** Mortgagor agrees to the following: (i) All remedies available to Mortgagee with respect to this Mortgage or available at law or in equity shall be cumulative and may be pursued concurrently or successively. No delay by Mortgagee in exercising any remedy shall operate as a waiver of that remedy or of any Default. Any payment by Mortgagee or acceptance by Mortgagee of any partial payment shall not constitute a waiver by Mortgagee of any Default; (ii) Mortgagor represents that Mortgagor (a) is (1) a limited liability company, duly organized, validly existing and in good standing under the laws of its state of organization, and is authorized to do business in each other jurisdiction wherein its ownership of property or conduct of business legally requires such organization (b) has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated; and (c) has the power and authority to execute, deliver and perform, and by all necessary action has authorized the execution, delivery and performance of, all of its obligations under this Mortgage and any other Loan Document to which it is a party. (iii) The provisions hereof shall be binding upon and inure to the benefit of Mortgagor, its successors and assigns including, without limitation, subsequent owners of the Property or any part thereof, and shall be binding upon and inure to the benefit of Mortgagee, its successors and assigns and any future holder of the Note or other Obligations; (iv) Any notices, demands or requests shall be sufficiently given Mortgagor if in writing and mailed or delivered to the address of Mortgagor shown above or to another address as provided herein and to Mortgagee if in writing and mailed or delivered to Mortgagee at the address first stated above, or such other address as Mortgagee may specify from time to time and in the event that Mortgagor changes Mortgagor's address at any time prior to the date the Obligations are paid in full, that party shall promptly give written notice of such change of address by registered or certified mail, return receipt requested, all charges prepaid; (v) This Mortgage may not be changed, terminated or modified orally or in any manner other than by an instrument in writing signed by the parties hereto; (vi) The captions or headings at the beginning of each paragraph hereof are for the convenience of the parties and are not a part of this Mortgage; (vii) If the lien of this Mortgage is invalid or unenforceable as to any part of the Obligations, the unsecured portion of the Obligations shall be completely paid (and all payments made shall be deemed to have first been applied to payment of the unsecured portion of the Obligations) prior to payment of the secured portion of the Obligations and if any clause, provision or obligation hereunder is determined invalid or unenforceable the remainder of this Mortgage shall be construed and enforced as if such clause, provision or obligation had not been contained herein; (viii) This Mortgage shall be governed by and construed under the laws of the Florida; (ix) Mortgagor by execution and Mortgagee by acceptance of this Mortgage agree to be bound by the terms and provisions hereof.

**Final Agreement.** This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

**[Signatures on next page]**

IN WITNESS WHEREOF, Mortgagor has duly signed and sealed this instrument as of the day and year first above written.

Signed, Sealed and Delivered in the Presence of:

1612 E. CAPE CORAL PARKWAY HOLDING CO., LLC,  
a Florida limited liability company,

By: LEGACY EDUCATION ALLIANCE HOLDINGS, INC.,

a Colorado corporation Manager

Nathaniel Beal

(Witness 1 — Signature)

Nathaniel Schiro

(Witness 1 — Printed Name)

Guzman

(Witness 2 — Signature)

Vanessa Guzman-Clerk

(Witness 2 — Printed Name)

By: /s/ James May

James May,  
Chief Executive Officer

STATE OF FLORIDA  
COUNTY OF LEE

The foregoing instrument was acknowledged before me by means of  physical presence, this 4<sup>th</sup> day of August, 2020 by James May, as Chief Executive Officer of LEGACY EDUCATION ALLIANCE HOLDINGS, INC., a Colorado corporation, on behalf of the corporation as Manager of 1612 E. CAPE CORAL PARKWAY HOLDING CO., LLC, a Florida limited liability company, on behalf of the company, who is  personally known to me or has produced \_\_\_\_\_ as identification.

[Notary Seal]



Cynthia Prout  
NOTARY PUBLIC  
STATE OF FLORIDA  
Comm# GG293583  
Expires 2/2/2023

/s/ Cynthia Prout

Notary Public, State of Florida

Cynthia Prout

Name typed, printed or stamped  
My Commission Expires: 02/02/2023  
My Commission Number: 66293583



**EXHIBIT A**

**LEGAL DESCRIPTION**

Parcel 1

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

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

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

Parcel 2

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

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

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

I, James E. May, certify that:

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

Dated: August 14, 2020

/s/ JAMES E. MAY

**James E. May**  
*Chief Executive Officer*

**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: August 14, 2020

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

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

In connection with the 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: August 14, 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.

**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: August 14, 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.