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, 2022

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

Commission File Number: 000-55790

LEGACY
Education Alliance, Inc.

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

Nevada	39-2079974
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1490 N. E. Pine Island Rd., Suite 5D Cape Coral, FL 33909	**(239) 542-0643**
(Address of principal executive offices, including zip code)	**(Registrant's telephone number, including area code)**

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

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

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

Large Accelerated filer:	☐	Accelerated filer:	☐
Non-accelerated filer:	☒	Smaller reporting company:	☒
Emerging growth company:	☐		

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Number of shares of Legacy Education Alliance, Inc. Common Stock, $0.0001 par value, outstanding as of August 15, 2022: 34,167,697.

Index to Quarterly Report
on Form 10-Q for
Quarter Ended June 30, 2022

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some of the statements in this Quarterly Report on Form 10-Q under the headings "Consolidated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports on Forms 10-Q and 8-K, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as "outlook, "believes," "estimates," "expects," "projects," "may," "intends," "plans," "anticipates," "foresees," "future," or by discussions of strategy, plans or intentions; including, but not limited to, our discussions regarding the results projected from the introduction of new brands, products and services, expansion into new geographic markets, combinations with third parties, including, but not limited to our licensors; the development of ecommerce capabilities; projections of international growth; projected increase in profitability from our symposium-style course delivery model that should lead to increased margins; our ability to address or manage corruption concerns in certain locations in which we operate; our ability to address and manage cyber-security risks; our ability to protect our intellectual property, on which our business is substantially dependent; our expectations regarding future divided payments; our ability to manage our relationships with credit card processors, and our expectations regarding the impact of general economic conditions on our business; 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"). 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 Tigrent Inc., a Colorado corporation.

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

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

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

	June 30, 2022		December 31, 2021 (Audited)	
ASSETS				
Current assets:				
Cash and cash equivalents	$	20	$	576
Restricted cash		112		374
Deferred course expenses		266		304
Prepaid expenses and other current assets		347		607
Inventory		1		1
Discontinued operations current assets		—		-
Total current assets		746		1,862
Right-of-use assets		6		20
Other assets		6		6
Discontinued operations-other assets		32		33
Total assets	$	790		1921
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable	$	2,607	$	2,544
Royalties payable		110		110
Accrued course expenses		238		252
Accrued salaries, wages and benefits		237		202
Operating lease liability, current portion		7		20
Other accrued expenses		616		2,114
Deferred revenue		4,173		4,438
Short-term related party debt, net of unamortized debt discount of $133		392		142
Current portion of long term debt, net of unamortized debt discount of $0		344		1,011
Discontinued operations-current liabilities		10,802		9,845
Total current liabilities		19,526		20,678
Long-term debt, net of current portion and net of unamortized debt discount		2,840		1,933
Deferred tax liability, net		1,336		1493
Other long term liabilities		—		—
Operating lease liability, net of current portion		—		—
Total liabilities		23,702		24,104
Commitments and contingencies (Note 13)				
Stockholders' deficit:				
Preferred stock, $0.0001 par value, 20,000,000 shares authorized, none issued		—		—
Common stock, $0.0001 par value; 200,000,000 authorized; 34,167,697 and 33,917,697 shares issued and outstanding as of June 30, 2022 and December 31, 2021		3		3
Additional paid-in capital		13,211		13,161
Cumulative foreign currency translation adjustment		1,458		837
Accumulated deficit		(37,584)		(36,184)
Total stockholders' deficit		(22,912)		(22,183)
Total liabilities and stockholders' deficit	$	790	$	1,921

See Notes to Unaudited Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue	68	3,362	353	5,982
Operating costs and expenses:				
Direct course expenses	100	790	204	1,224
Advertising and sales expenses	54	556	142	614
Royalty expenses	0	0	0	0
General and administrative expenses	662	1,398	1,309	2,396
Total operating costs and expenses	816	2,744	1,655	4,234
Income (loss) from operations	(748)	618	(1,302)	1,748
Other income (expense):				
Interest expense, net	(112)	(386)	(237)	(386)
Other expense, net	3	(1)	3	(3)
Gain on forgiveness of PPP Loan	-	-	-	-
Total other income (expense), net	(109)	(387)	(234)	(389)
Income (loss) from continuing operations before income taxes	(856)	231	(1,535)	1,359
Income tax (expense) benefit	-	131	136	(915)
Net income (loss) from continuing operations	(856)	362	(1,399)	444
Income from discontinued operations	—	—	—	171
Net income from discontinued operations	—	—	—	$ 171
Net income (loss)	$ (856)	$ 362	$ (1,399)	$ 615
Basic earnings (loss) per common share - continuing operations	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Basic earnings (loss) per common share - discontinued operations	—	—	—	$ —
Basic earnings (loss) per common share	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Diluted earnings (loss) per common share - continuing operations	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Diluted earnings (loss) per common share - discontinued operations	—	—	—	$ -
Diluted earnings (loss) per common share	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Basic weighted average common shares outstanding	24,410	25,113	34,168	24,156
Diluted weighted average common shares outstanding	24,410	31,843	34,168	30,048
Comprehensive income:				
Net income (loss)	(856)	362	(1,399)	615
Foreign currency translation adjustments, net of tax of $0	765	(52)	621	51
Total comprehensive income (loss)	$ (91)	$ 310	$ (778)	$ 666

See Notes to Unaudited Consolidated Financial Statements

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

	Common stock		Additional paid-in capital	Cumulative foreign currency translation adjustment	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at December 31 , 2020	23,279	$ 2	$ 11,564	$ 416	$ (35,618)	$ (23,636)
Beneficial conversion feature for senior secured convertible debenture-related party	—	—	375	—	—	375
Foreign currency translation adjustment, net of tax of $0	—	—	—	103	—	103
Net Income	—	—	—	—	253	253
Balance at March 31, 2021	23,279	$ 2	$ 11,939	$ 519	$ (35,365)	$ (22,905)
Common stock and warrants issued for notes payable to related party from conversion of senior secured convertible debt - related party debt discount	7,084	1	354	—	—	355
Beneficial conversion feature for senior secured convertible debenture-related party	—	—	21	—	—	21
Share-based compensation expense	2,585	—	31	—	—	31
Foreign currency translation adjustment, net of tax of $0	—	—	—	(52)	—	(52)
Net Income	—	—	—	—	362	362
Balance at June 30, 2021	32,948	$ 3	$ 12,345	$ 467	$ (35,003)	$ (22,188)
Balance at December 31, 2021	33,918	$ 3	$ 13,161	$ 837	$ (36,184)	$ (22,183)
Share-based compensation expense	—	—	4	—	—	4
Foreign currency translation adjustment, net of tax of $0	—	—	—	(144)	—	(144)
Net Income	—	—	—	—	(543)	(543)
Balance at March 31, 2022	33,918	$ 3	$ 13,165	$ 693	$ (36,727)	$ (22,866)
Common stock and warrants issued for notes payable to related party from conversion of senior secured convertible debt – related party debt discount	—	—	—	—	—	—
Beneficial conversion feature for senior secured convertible debenture – related party	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—
Issuance of common stock	250	—	45	—	—	45
Foreign currency translation adjustment, net of tax of $0	—	—	—	765	—	765
Net Income	—	—	—	—	(856)	(856)
Balance at June 30, 2022	34,168	$ 3	$ 13,210	$ 1,458	$ (37,583)	$ (22,912)

See Notes to Unaudited Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (1,399)	$ 615
Less net income from discontinued operations	—	171
Net income (loss) from continuing operations	$ (1,399)	$ 444
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	0	4
Non-cash lease expense	-	13
Gain on the sale of fixed assets and investment property	—	-
Share-based compensation	—	31
Cancellation of common stock	—	-
Amortization of debt discount	179	356
Deferred income taxes	(158)	-
Changes in operating assets and liabilities:		
Deferred course expenses	55	784
Prepaid expenses and other receivable	(73)	248
Accounts payable-trade	(257)	(507)
Royalties payable	-	(11)
Accrued course expenses	(70)	-
Accrued salaries, wages and benefits	35	(36)
Operating lease liability	(6)	(13)
Other accrued expenses	(97)	672
Deferred revenue	(582)	(5,384)
Net cash used in operating activities - continuing operations	(2,372)	(3,399)
Net cash (used in) provided by operating activities - discontinued operations	—	(41)
Net cash used in operating activities	(2,372)	(3,440)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investment property	—	—
Proceeds from sale property and equipment	—	—
Net cash provided by investing activities - continuing operations	—	-
Net cash used in investing activities - discontinued operations	—	—
Net cash provided by investing activities	—	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	310	-
Proceeds from paycheck protection program	—	1,900
Proceeds from debentures	—	400
Issuance of common stock for stock option purchase	—	—
Net cash provided by financing activities - continuing operations	310	2,300
Net cash provided by financing activities - discontinued operations	—	—
Net cash provided by financing activities	310	2,300
Effect of exchange rate differences on cash	1,244	464
Net decrease in cash and cash equivalents and restricted cash	(819)	(676)
Cash and cash equivalents and restricted cash, beginning of period, including cash in discontinued operations	$ 950	$ 2,680
Cash and cash equivalents and restricted cash, end of period	$ 132	$ 2,004
Supplemental disclosures:		
Cash paid during the period for interest	$ 5	$ -
Cash received during the period for income taxes, net of tax payments	5	100.00
Supplemental disclosure of non-cash activity:		
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	$ —	$ -
Non-cash disposal of property	$ —	$ -
Common stock and warrants issued from conversion of senior convertible debenture – related party		355.00
Initial recognition of beneficial conversion feature for senior secured convertible debt - related party		396
Note payable issued for insurance policy financing		—

See Notes to Unaudited Consolidated Financial Statements

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

Note 1 - General

Business Description.

We are a provider of practical, high-quality, and value-based educational training on the topics of personal finance, entrepreneurship, real estate, and financial markets investing strategies and techniques. Our programs are offered through a variety of formats and channels, including free workshops, basic training courses, forums, telephone mentoring, one-on-one mentoring, coaching and e-learning. During the six months ended June 30, 2022, we marketed our products and services under our *Building Wealth with Legacy*^{TM} brand. During the year ended December 31, 2021, we marketed our products and services under two brands: *Building Wealth with Legacy*^{TM}; and *Homemade Investor by Tarek El Moussa*.

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 associated fee. We recognize revenue immediately when we sell our (i) proprietary products delivered at time of sale and (ii) third party product 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 three days in length, on site or remotely 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.

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. Due to the COVID-19 pandemic, and the resulting worldwide restrictions on travel and social distancing, we have temporarily suspended live events and shifted to online live training and on-demand training to our students.

Historically, our operations have been 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, the registrant, which was formerly known as Priced In Corp., and, unless the context otherwise requires, together with its wholly-owned subsidiary, Legacy Education Alliance Holdings, Inc., a Colorado corporation, other operating subsidiaries and any predecessor of Legacy Education Alliance Holdings, including Tigrent Inc., a Colorado corporation. All intercompany balances and transactions have been eliminated in consolidation. As discussed in Note 4 "*Discontinued Operations*", the sale of the assets and deferred revenues of Legacy Education Alliance International Ltd (Legacy UK), and liquidations of Legacy Education Alliance Hong Kong Limited (Legacy HK), Legacy Education Alliance Australia Pty, Ltd. (Legacy Australia) and Tigrent Learning Canada, Inc. (Tigrent Canada) are reflected as discontinued operations in the consolidated financial statements.

The accompanying unaudited 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, 2021 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 Consolidated Statements of Operations and Comprehensive income 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, 2022 we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations as well as reducing our costs and increasing our operating margins, and to sustain adequate working capital to finance our operations. The failure to achieve the necessary levels of profitability and cash flows would be detrimental to us. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Use of Estimates.

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

Cash and Cash Equivalents.

We consider all highly liquid instruments with an original maturity of three months or less to be cash or cash equivalents. We continually monitor and evaluate our investment positions and the creditworthiness of the financial institutions with which we invest and maintain deposit accounts. When appropriate, we utilize Certificate of Deposit Account Registry Service (CDARS) to reduce banking risk for a portion of our cash in the United States. A CDAR consists of numerous individual investments, all below the FDIC limits, thus fully insuring that portion of our cash. At June 30, 2022 and December 31, 2021, we did not have a CDAR balance.

Restricted Cash.

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

Deposits with Credit Card Processors.

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

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

	June 30, 2022	December 31, 2021
	(in thousands)	
Cash and cash equivalents	$ 20	$ 576
Restricted cash	112	374
Total cash, cash equivalents, and restricted cash shown in the cash flow statement	$ 132	$ 950

Convertible Instruments

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

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

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

Stock Warrants.

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

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 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 the assets and deferred revenues of Legacy UK, and liquidations of Legacy HK, Legacy Australia and Tigrent Canada meet this criterion. Accordingly, the assets, deferred revenues, and income statement of these entities were transferred to discontinued operations to close out the business. See Note 4 "*Discontinued Operations*", for additional disclosures regarding these entities.

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.

Recently Issued Accounting Pronouncements

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

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 $ 49.6 thousand and $31.0 thousand for the three months ended June 30, 2022 and 2021, respectively, and $45.40 thousand and $31.0 thousand for the six months ended June 30, 2022 and 2021, respectively, which are reported as a separate line item in the consolidated statements of changes in stockholders' deficit.

On May 5, 2022, pursuant to the 2015 Incentive Plan, we granted 250,000 shares of restricted stock to an external consultant, which are fully vested at the grant date. The grant date price per share was $0.165 for a total grant date fair value of $41.3 thousand.

Note 4 - Discontinued Operations

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

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

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

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

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

	June 30, 2022	December 31, 2021
	(in thousands)	
Major classes of assets		
Cash and cash equivalents	$ —	$ —
Deferred course expenses	—	—
Discontinued operations-current assets	—	—
Other assets	32	33
Total major classes of assets - discontinued operations	$ 32	$ 33
Major classes of liabilities		
Accounts payable	$ 3,350	$ 3,638
Accrued course expenses	528	587
Other accrued expenses	1,906	439
Deferred revenue	5,018	5,181
Total major classes of liabilities - discontinued operations	$ 10,802	$ 9,845

The financial results of the discontinued operations are as follows:

	Six Months Ended June 30, 2022	2021
	(in thousands)	
Revenue	$ -	$ 40
Total operating costs and expenses	-	907
(Loss) Income from discontinued operations	-	(867)
Other expense, net	-	(80)
Income tax benefit	-	1,118
Net income from discontinued operations	$ -	$ 171

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 stock options and warrants, and the if-converted method for convertible notes. Under the if-converted method, the convertible notes are assumed to have been converted at the beginning of the period or at time of issuance, if later, and the resulting common shares are included in the denominator. 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.

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 790,000 and 1,871,396 for the three months ended June 30, 2022 and 2021, respectively, and 790,000 and 986,365 for the six months ended June 30, 2022 and 2021, respectively.

The calculations of basic and diluted EPS are as follows:

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Net Loss	Weighted Average Shares Outstanding	Loss Per Share	Net Income	Weighted Average Shares Outstanding	Earnings Per Share
	(in thousands, except per share data)			(in thousands, except per share data)		
Basic:						
As reported	$ (1,399)	34,168	$ (0.04)	$ 615	25,142	
Amounts allocated to unvested restricted shares and warrants	—	—		(24)	(986)	
Amounts available to common stockholders	$ (1,399)	34,168	$ (0.04)	$ 591	24,156	$ 0.02
Diluted:						
Amounts allocated to unvested restricted shares	—	—		25	986	
Stock warrants	—	—		—	4,006	
Shares of common stock to be issued for convertible note	—	—		—	—	
Incremental shares to be issued for convertible note – related party				13	900	
Amounts reallocated to unvested restricted shares	—	—		(25)	—	
Amounts available to stockholders and assumed conversions	$ (1,399)	34,168	$ (0.04)	$ 604	30,048	$ 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).

For the three-month ended June 30, 2022, the Company has the derivative liabilities measured at fair value on a recurring basis which are valued at level 3 measurement. At December 31, 2021, the Company does not have any financial assets or liabilities measured and recorded at fair value on its consolidated balance sheet on a recurring basis.

Financial Instruments. Financial instruments consist primarily of cash and cash equivalents, accounts payable, deferred course expenses, accrued expenses, deferred revenue, and debt. U.S. GAAP requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the balance sheets. Management believes the carrying value of its financial instruments approximates their fair value either to the length of maturity or interest rates that approximate prevailing market rates.

Note 7 - Short-Term and Long-Term Debt

(in thousands)	As of June 30, 2022		As of December 31, 2021	
Senior Secured Convertible Debenture		500	$	500
EDIL Loan		200		
Debt Discount		(417)		(467)
Senior Secured Convertible Debenture, net		283		33
Paycheck Protection Program loan		1,000		1,000
Paycheck Protection Program loan 2		1,900		1,900
IPFS Insurance Premium Note Payable		1		11
Total debt		3,184		2,944
Less current portion of long-term debt		(344)		(1,011)
Total long-term debt, net of current portion	$	2,840	$	1,933

Short-term related party debt:

(in thousands)	As of June 30, 2022		As of December 31, 2021	
Senior Secured Convertible Debenture - related party	$	506	$	346
Debt Discount-related party		(114)		(204)
Senior Secured Convertible Debenture - related party, net	$	392	$	142

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

2022	$	1,393
2023		—
2024		—
2025		—
2026		2,183
Thereafter		—
Total debt	$	3,576

First Draw Paycheck Protection Program Note Agreement.

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

In March 2021, ELE was notified that PPBI sold substantially all of its PPP loans, including ELE's loan, to The Loan Source, Inc. ("TLS"), which, together with its servicing partner, ACAP SME, LLC, took over the forgiveness and ongoing servicing process for ELE's PPP loan. On August 4, 2021, ELE received notice from TLS that its First Draw PPP Loan had been partially forgiven in the amount of $900 thousand in principal and $11 thousand in interest. The remaining outstanding principal balance of $1,000 thousand was originally due on April 24, 2022. On March 29, 2022, the documents to extend the maturity date to April 24, 2025 was signed. The extension agreement was executed on April 1, 2022. The loan is a term of 60 months at 1.0% interest rate with monthly payments in the amount of $29 thousand. Interest paid was $2.5 thousand and $0.0 for the six months ended June 30, 2022 and 2021, respectively.

Senior Secured Convertible Debenture and Exercise of Conversion Rights.

On March 8, 2021, the Company issued a $375 thousand Senior Secured Convertible Debenture (“LTP Debenture”) to Legacy Tech Partners, LLC (“LTP”), a related party. The LTP Debenture accrues interest at a rate of 10% and is due on the earlier of the occurrence of certain liquidity events with respect to the Company and March 8, 2022. The LTP Debenture may be converted at any time after the issue date into shares of the Company’s Common Stock (the “LTP Conversion Shares”) at a price equal to $0.05 per share. Together with each LTP Conversion Share, a warrant will be issued with a strike price of $0.05 per share and an expiration date of March 8, 2026 (the “LTP Warrants”). Under the term of the original LTP Debenture, LTP had an obligation to lend the Company an additional $625 thousand under the same terms prior to June 30, 2022, and an option to fund an additional $4 million under the same terms prior to March 8, 2024. LTP also has the option to extend the maturity date of each loan it makes to the Company, including the initial loan of $375 thousand for a term not to exceed four years from the original maturity date of that loan. Net proceeds were $314 thousand after legal fees of $61 thousand, which are included in our consolidated statement of operations for the year ended December 31, 2021. The LTP Debenture is secured by a lien on all the Company’s assets. The Company’s U.S. subsidiaries entered into Guaranties on March 9, 2021 in favor of LTP under which such subsidiaries guaranteed the Company’s obligations under the LTP Debenture and granted LTP a lien on all assets of such subsidiaries. The proceeds from the LTP Debenture were used to extinguish liabilities of the Company and to fund the development of the Education Technology (EdTech) business. The “LTP Warrants will not be listed for trading on any national securities exchange. The “LTP Warrants and the shares issuable upon conversion of the LTP Debenture are not being registered under the Securities Act of 1933, as amended (the “Securities Act”). The aggregate number of shares issuable upon conversion of the LTP Debenture and upon the exercise of the “LTP Warrants may not exceed 19.9% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares upon conversion of the Debenture and the exercise of the “LTP Warrants. At the Annual Meeting of Stockholders of the Company held on July 2, 2021, the stockholders approved the future issuance of shares to LTP upon conversion under the LTP Debenture in excess of the 19.9% limitation, but no such shares have been issued. On May 4, 2021, LTP exercised its conversion rights with respect to $330 thousand of the outstanding principal at the Conversion Price resulting in the issuance of 6.6 million shares of Common Stock to LTP. In addition, an equal number of warrants were issued on June 11, 2021 (see Note 8 – *“Stock Warrants”*). The cash receipt date, March 10, 2021, was used for the market value of stock on measurement date, at $0.155 per common share, resulting in the recognition of debt discount and additional paid-in capital of $375 thousand, respectively, within the consolidated balance sheet for the year ended December 31, 2021, which represents the intrinsic value of the conversion option. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of $375 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the six months ended June 30, 2022 and 2021 were $14 thousand and $0.0 thousand, respectively.

On August 27, 2021, the Company amended the terms of the LTP Debenture to reduce LTP’s maximum funding obligation from $1 million to $675 thousand and to require LTP to fund the remaining principal balance of $300 thousand no later than October 15, 2021. On October 15, 2021, the Company received $100 thousand of the remaining $300 thousand funding obligation of LTP. On October 27, 2021, LTP funded the remaining funding obligation of $200 thousand. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of $228 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the six months ended June 30, 2022 and 2021 amounted to $57 thousand and $0.0 thousand, respectively.

On March 8, 2022, the Company defaulted on the March 8, 2021, LTP Debenture in the remaining amount left unconverted of $46 thousand and $9 thousand accrued interest. There was no acceleration of interest rate and no triggering of guarantees under the note agreement to increase any debt obligations.

Second Draw Paycheck Protection Program Note Agreement.

On April 20, 2021, Elite Legacy Education, Inc. (ELE), a wholly owned subsidiary of the Company, closed on an unsecured Paycheck Protection Program Note agreement (the "Promissory Note") to borrow $1,899,832 from Cross River Bank, the lender, pursuant to the Paycheck Protection Program ("PPP"), originally created under the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, and extended to "Second Draw" PPP loans as described below. The PPP is intended to provide loans to qualified businesses to cover payroll and certain other identified costs. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent, utilities, and certain covered operating expenses. All or a portion of the loan may be forgivable, as provided by the terms of the PPP. The Second Draw PPP Loan has an interest rate of 1.0% per annum and a term of 60 months. Payments will be deferred in accordance with the CARES Act, as modified by the Paycheck Protection Program Flexibility Act of 2020; however, interest will accrue during the deferral period. If all or any portion of the loan is not forgiven in accordance with the terms of the program, ELE will be obligated to make monthly payments of principal and interest in amounts to be calculated after the amount of loan forgiveness, if any, is determined to repay the balance of the loan in full prior to maturity. The Promissory Note contains customary events of default relating to, among other things, payment defaults and breaches of representations. ELE may prepay the loan at any time prior to maturity with no prepayment penalties. The principal balance amounted to $1.9 million, as of June 30, 2022.

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

On May 4, 2021, the Company issued a 10% Subordinated Secured Convertible Debenture ("Subordinated Debenture") in the principal amount of $25 thousand to Michel Botbol, the Company's Chairman and Chief Executive Officer at the time. The Subordinated Debenture called for interest at a rate of 10% and would have been due on the earlier of the occurrence of certain liquidity events with respect to the Company and May 4, 2022. The Subordinated Debenture was convertible at any time after the issuance date into shares of the Company's Common Stock (the "Botbol Conversion Shares") at a price equal to $0.05 per share ("Conversion Price"). Together with each Botbol Conversion Share, a warrant would be issued with a strike price of $0.05 per share and an expiration date of May 4, 2026 (the "Botbol Warrants"). Mr. Botbol also had the option to extend the maturity date of the loan for a term not to exceed four years from the original maturity date of that loan. The Subordinated Debenture is secured by a lien on all the Company's assets subordinated to the lien granted to LTP. The Company's U.S. subsidiaries are required to enter into Guaranties in favor of Botbol under which such subsidiaries guaranteed the Company's obligations under the Debenture and granted Botbol a lien on all assets of such subsidiaries subject to the lien held by LTP. The use of proceeds from the Debenture was to extinguish liabilities of the Company and to fund working capital, general corporate purposes and the development of administrative functions. The aggregate number of shares issuable upon conversion of the Debenture and upon the exercise of the Botbol Warrants may not exceed 19.9% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares upon conversion of the Debenture and the exercise of the Botbol Warrants. On May 4, 2021, Mr. Botbol exercised his conversion rights with respect to the entire $25 thousand of outstanding principal at the Conversion Price resulting in the issuance of 500 thousand shares of Common Stock to him. In addition, an equal number of warrants were issued on May 4, 2021 (see Note 8 – *"Stock Warrants"*). The Botbol Warrants will not be listed for trading on any national securities exchange. The Botbol Warrants and the shares issuable upon conversion of the Debenture are not being registered under the Securities Act.

Senior Secured Convertible Debenture, Advisory Agreement, and Intercreditor Agreement

On August 27, 2021, the Company issued a $500 thousand Senior Secured Convertible Debenture (the "GLD Debenture") to GLD Legacy Holdings, LLC ("GLD"). The GLD Debenture accrues interest at a rate of 10% and is due on the earlier of the occurrence of certain liquidity events with respect to the Company or August 27, 2026. The GLD Debenture may be converted at any time after the issue date into shares of the Company's Common Stock (the "GLD Conversion Shares") at a price equal to $0.05 per share. Together with each GLD Conversion Share, a warrant will be issued with a strike price of $0.05 per share and an expiration date of August 27, 2026 (the "GLD Warrants"). The cash receipt date, August 27, 2021, was used for the market value of stock on measurement date, at $0.10 per common share, resulting in the recognition of debt discount and additional paid-in capital of $500 thousand, respectively, within the consolidated balance sheet for the year ended December 31, 2021, which represents the intrinsic value of the conversion option. The Company evaluated the convertible debenture under ASC 470-20 and recognized a debt discount of $500 thousand related to the beneficial conversion feature during the year ended December 31, 2021, with a corresponding credit to additional paid-in capital. The related amortization of the debt discount to interest expense for the six months ended June 30, 2022 and 2021 was $25 thousand and $0.0 thousand, respectively. Net proceeds were $485.2 thousand after legal fees and transaction expenses of $14.8 thousand, which are included in our consolidated statement of operations for the year ended December 31, 2021. GLD has an option to lend the Company an additional $500 thousand under the same terms prior to December 31, 2023. The GLD Debenture is secured by a lien on all the Company's assets. The Company's U.S. subsidiaries entered into Guaranties on August 27, 2021, in favor of GLD under which such subsidiaries guaranteed the Company's obligations under the GLD Debenture and granted GLD a lien on all assets of such subsidiaries. The proceeds from the GLD Debenture were used for working capital for the development of the Company's Legacy EdTech business and for working capital for the operation of the Company's seminar business. The GLD Warrants will not be listed for trading on any national securities exchange. The GLD Warrants and the shares issuable upon conversion of the GLD Debenture are not being registered under the Securities Act. The aggregate number of shares issuable upon conversion of the GLD Debenture and upon the exercise of the GLD Warrants may not exceed 19.9% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares upon conversion of the GLD Debenture and the exercise of the GLD Warrants. Under the terms of the GLD Debenture, and until all of the obligations of the Company under the GLD Debenture have been paid in full, GLD may appoint one member to the Board of Directors of the Company, subject to the review and approval of the GLD appointed candidate by the Nominating and Governance Committee of the Company. In lieu of cash compensation, the GLD appointed director will receive a grant of 150,000 restricted shares of Common Stock of the Company upon appointment to the Board.

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

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

The Company received a “Notice of Breach and Obligation to Cure to Avoid Event of Default” from GLD dated May 11, 2022 (the “Notice”). Pursuant to the Notice, GLD informed the Company of certain alleged breaches of the terms of the GLD Debenture by the Company, and that the Company has 30 days to cure or GLD would consider an event of default under the GLD Debenture to have occurred. See Note 15 – Forbearance Agreement, for further information on the GLD Debenture.

IPFS Premium Finance Agreement

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

Economic Injury Disaster Loan

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

Convertible Promissory Note

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

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

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

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

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

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

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

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

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

10% Convertible Debenture

On June 9, 2022, Legacy Education Alliance, Inc. (the "Company") borrowed $50,000 (the "June Loan") from ABCImpact I, LLC, a Delaware limited liability company ("ABCImpact"), evidenced by a 10% Convertible Debenture (the "June Debenture"). Pursuant to the June Debenture, ABCImpact has the option to loan up to an additional $4,950,000 to the Company.

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

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

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

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

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

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

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

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

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

Note 8 - Stock Warrants

On May 4, 2021, the Company issued 500,000 warrants to M. Botbol, a then-related party, in connection with conversion of a 10% subordinated convertible debenture in the amount of $25,000 (see Note 7 – *"Short-Term and Long-Term Debt"*). The warrants entitle the holder to purchase one share of common stock at an exercise price of $0.05 per share at any time on or after the inception date, May 4, 2021, through May 4, 2026, the expiration date. The warrants will not be listed for trading on any national securities exchange.

On June 11, 2021, the Company issued 6,583,500 warrants to LTP, a related party, in connection with conversion of a 10% subordinated convertible debenture in the amount of $330,000 of outstanding principal (see Note 7 – *"Short-Term and Long-Term Debt"*). The warrants entitle the holder to purchase one share of common stock at an exercise price of $0.05 per share at any time on or after the inception date, June 11, 2021, through March 8, 2026, the expiration date. The warrants are not listed for trading on any national securities exchange.

A summary of the warrant activities for the six months ended June 30, 2022, is as follows:

	Warrants Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in 000's)[1]
Balance as of January 1, 2021	-	-	-	-
Granted	7,083,500	$ 0.05	-	-
Balance as of December 31, 2021	7,083,500	$ 0.05	4.3	259
Exercisable as of June 30, 2021	7,083,500	$ 0.05	4.1	259

1 The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of $ 0.0866 for our common stock on June 30, 2022.

Note 9 - Income Taxes

We recorded income tax benefit of $0 and $131 thousand for the three months ended June 30, 2022 and 2021, respectively. We recorded income tax benefit of $136 thousand for and expense of $(915) thousand for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rate was 0% and 22.8% for the three months ended June 30, 2022 and 2021 and 38% and 67% for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21% primarily because of our reduced operations while also recognizing revenues from the expiration of student contracts.

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, 2022 and December 31, 2021, we retained a valuation allowance of $3.5 million and $3.5 million, respectively, for a certain number of our international subsidiaries.

During the six months ended June 30, 2022 and 2021, there were no material changes in uncertain tax positions. We do not expect any significant changes to unrecognized tax benefits in this and 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, 2022 and December 31, 2021, 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 consolidated statements of operations and comprehensive income.

Our federal income tax returns for the years subsequent to 2019 are subject to examination by the Internal Revenue Service. Our state tax returns for all years after 2019 or 2018, 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 2015 are subject to examination.

Note 10 - 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, 2022 and December 31, 2021, including foreign subsidiaries, without FDIC coverage were $0.03 million and $0.04 million, respectively.

Revenue.

Historically, a significant portion of our revenue was derived from the Rich Dad brands, as a result of contracts with students entered into prior to the expiration, in 2019, of our License Agreement with Rich Dad Operating Company, LLC. For the three months and six months ended June 30, 2022, there was no revenue from Rich Dad brands. For the three months ended June 30, 2021, Rich Dad brands provided 67.59% of our revenue and 59.6% of revenue for the six months ended June 30, 2021. In addition, we have operations in North America, United Kingdom and Other foreign markets (see Note 11 — *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 11 - 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 historically have included: (i) North America, (ii) United Kingdom, and (iii) Other Foreign Markets. We no longer operate in the Other Foreign Markets segment. 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:

	Six Months Ended June 30,	
	2022	**2021**
As a percentage of total revenue		
North America	100.0%	55.0%
U.K.	0.0%	45.0%
Other foreign markets	—%	-%
Total consolidated revenue	100.0%	100.0%

Operating results for the segments are as follows:

	Six Months Ended June 30,	
	2022	**2021**
	(In thousands)	
Segment revenue		
North America	$ 354	$ 3,293
U.K.	-	2,689
Other foreign markets	—	-
Total consolidated revenue	$ 354	$ 5,982

	Six Months Ended June 30,	
	2022	**2021**
	(In thousands)	
Segment gross profit contribution *		
North America	$ 7	$ 1,412
U.K.	1	716
Other foreign markets	—	-
Total consolidated gross profit	$ 8	$ 2,128

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

	Six Months Ended June 30,			
	2022		2021	
	(In thousands)			
Depreciation and amortization expenses				
North America	$	-	$	2
U.K.	$	-		1
Other foreign markets		—		10
Total consolidated depreciation and amortization expenses	$	-	$	13

	June 30, 2022		December 31, 2021	
	(In thousands)			
Segment identifiable assets				
North America	$	400		1348
U.K.	$	93		126
Other foreign markets	$	171		175
Total consolidated identifiable assets	$	664	$	1,649

Note 12 - 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 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, 2022, we have deferred revenue of $6.9 million related to contractual commitments with customers where the performance obligation will be satisfied over time, which ranges from six to twenty-four months. The revenue associated with these performance obligations is recognized as the obligation is satisfied. As of June 30, 2022, we maintain a reserve for breakage of $0.02 million for the fulfillment of our obligation to students whose contracts expired during our COVID-19 60-day operational hiatus during Q2 2020 (see Note 1 "*General*").

The following tables disaggregate our segment revenue by revenue source:

Revenue Type:	Six Months Ended June 30, 2022 North America	U.K.	Other foreign markets	Total Consolidated Revenue	Six Months Ended June 30, 2021 North America	U.K.	Other foreign markets	Total Consolidated Revenue
	(In thousands)				(In thousands)			
Seminars	$ 226	—	$ —	$ 226	$ 3,293	$ 2,689	—	$ 5,982
Products	-	—	—	-		—	—	-
Coaching and Mentoring	—	—	—	—	-	—	—	-
Online and Subscription	126	—	—	126		—	—	-
Other	1	—	—	1	-	—	—	-
Total revenue	$ 353	—	$ —	$ 353	$ 3,293	$ 2,689	—	$ 5,982

Note 13 - Commitments and Contingencies

Licensing agreements.

We are committed to pay royalties for the usage of certain brands, as governed by various licensing agreements, including T&B Seminars, Inc., and Rich Dad. There were no royalty expenses included in our Consolidated Statement of Operations and Comprehensive Income for the six months ended June 30, 2022 and 2021. Our License Agreement with our Rich Dad brand licensor expired on September 30, 2019. Notwithstanding the expiration of the License Agreement, the Company may continue to use the Licensed Intellectual Property, as defined in the License Agreement, including, but not limited to, the Rich Dad trademark and stylized logo, for the purpose of honoring and fulfilling orders by its customers in existence as of the date of the expiration of the agreement.

Purchase commitments. From time to time, the Company enters into non-cancellable commitments to purchase professional services, Information Technology licenses and support, and training courses in future periods. There were no purchase commitments made by the Company for the six months ended June 30, 2022 and 2021.

Litigation.

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

Tranquility Bay of Pine Island, LLC v. Tigrent, Inc., et al. On March 16, 2017, suit was filed in the Twentieth Judicial Circuit In and For Lee County, Florida (the "Court") by Tranquility Bay of Pine Island, LLC ("TBPI") against Tigrent Inc. and various of its present and former shareholders, officers and directors. By amendment dated May 24, 2019, the Company and its General Counsel and former Chief Executive Officer were named as defendants to a civil conspiracy count. The suit, as originally filed, primarily related to the alleged obligation of Tigrent to indemnify the Plaintiff pursuant to an October 6, 2010 Forbearance Agreement. The suit, as originally filed, included claims for Breach of Contract, Permanent and Temporary Injunction, Breach of Fiduciary Duty, Civil Conspiracy, Tortious Interference and Fraudulent Transfer. On March 20, 2019, the Court dismissed the complaint in its entirety with leave to amend. On April 11, 2019, TBPI filed its Second Amended Complaint with the Court against Tigrent Inc. ("Tigrent"), Legacy Education Alliance Holdings, Inc. ("Holdings"), and certain shareholders of the Company. The Second Amended Complaint included claims for Breach of Contract, Breach of Fiduciary Duty against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of the Company. On May 24, 2019, with leave from the court, TBPI filed its Third Amended Complaint, which included claims for Breach of Contract against Tigrent, Breach of Fiduciary Duty against Tigrent, Damages for Violation of Unfair and Deceptive Business Practices Act against Tigrent, Civil Conspiracy against Tigrent and Holdings, and various Counts of Fraudulent Transfer against various shareholders of Tigrent, including the Company's current General Counsel, James E. May. On June 23, 2020, the Court entered summary judgment in favor of Tigrent with respect to TBPI's claims against Tigrent alleging (i) breach of fiduciary duty, (ii) violation of the Florida Deceptive and Unfair Trade Practices Act, and (iii) indemnification against certain attorney's fees claimed to have been incurred by TBPI. On September 17, 2020, the Court (i) granted summary judgment in favor of Tigrent and Holdings on TBPI's claim for conspiracy; (ii) denying TBPI's motion for summary judgment against Tigrent in which TBPI sought a declaration by the Court that claims against TBPI in a lawsuit to which neither Tigrent nor Holdings is a party ("Third Party Lawsuit") were within the scope of Tigrent's indemnity obligations under the Forbearance Agreement; and (iii) denying TBPI's motion for summary judgment in which TBPI sought a declaration by the Court that TBPI's attorney's fees incurred the Third Party Lawsuit were also within the scope of Tigrent's indemnity obligations under the Forbearance Agreement. On August 18, 2020, TBPI voluntarily dismissed all shareholder defendants, other than Mr. May and Steven Barre, Tigrent's former Chief Executive Officer. On January 4, 2021, a Settlement Agreement and Mutual Release was entered into by and between TBPI, M. Barry Strudwick, Carl Weiss and Susan Weiss (the "Strudwick Parties") and Tigrent Inc., Legacy Education Alliance, Inc., Legacy Education Alliance Holdings, Inc., Mr. May, and Steven Barre (Defendants) pursuant to which the Strudwick Parties agreed to dismiss the lawsuit with prejudice against all parties and the Company agreed to pay the aggregate sum of $400 thousand payable in one installment of $100 thousand on February 18, 2021 and five quarterly installments of $60 thousand commencing on May 19, 2021, which the Company has accrued for within accounts payable as of December 31, 2021, and within accounts payable and other long-term liability for the current and long-term portions as of December 31, 2021, within the Consolidated Balance Sheets. The parties also exchanged mutual releases as part of the Settlement Agreement. The lawsuit was dismissed by order of the Court on January 12, 2021. Through June 30, 2022, the Company has paid $340 thousand of the total settlement. The final settlement payment was due 450 days after February 18, 2021 in the amount of $60 thousand and is in default. On May 25, 2022, a Motion for Judgement after default of settlement agreement was filed which triggered an entitled immediate entry of judgement of $160 thousand.

In the Matter of Legacy Education Alliance International, Ltd. On October 28, 2019, an Application for Administration was filed in the High Court of Justice, Business and Property Courts of England and Wales (the "English Court"), whereby four creditors of Legacy UK, one of our UK subsidiaries, sought an administration order with respect to the business affairs of the subsidiary, the appointment of an administrator, and such other ancillary orders as the applicants may request or as the court deemed appropriate. On November 15, 2019, the creditors obtained an Administration Order from the English Court. Under the terms of the Administration Order, two individuals have been appointed as administrators of Legacy UK and will manage Legacy UK and operate its affairs, business and property under the jurisdiction of the English Court. The administrators engaged a third-party to market Legacy UK's business and assets for sale to one or more third parties. On November 26, 2019, Legacy UK's assets and deferred revenues sold for £300 thousand (British pounds) to Mayflower Alliance LTD. We will not receive any proceeds from the sale of Legacy UK. On November 19, 2020, the administrators filed notice of their proposal to move from administration to a creditors' voluntary liquidation and on December 9, 2020, notice was filed with Companies House that Paul Zalkin and Nicholas Simmonds were appointed as liquidators of Legacy UK to commence its winding up. Further details regarding the resolution of claims and liabilities may not be known for several months. Because there are a number of intercompany relationships between the Company and Legacy UK, the financial impact of any future claims in relation to the administration and disposition of Legacy UK, outside of those included in the discontinued operations of Legacy UK (see Note 4 "*Discontinued Operations*"), is unknown to us at this time, as is the timing and other conditions and effects of the administrative process. On December 8, 2020 we paid $390.6 thousand in cash and transferred our residential properties in the value of $363 thousand as settlement of intercompany debts of two of our subsidiaries, LEAI Property Development UK, Ltd. and LEAI Property Investment UK, Ltd., totaling $924 thousand to Legacy UK.

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

Other Legal Proceedings.

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 14 - 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, 2022 and December 31, 2021

The table below presents the lease related assets and liabilities recorded on the Company's Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021:

Balance Sheet Line	Classification on the Balance Sheet	June 30, 2022	December 31, 2021
		(in thousands)	
Assets			
Operating lease assets	Operating lease right of use assets	$ 6	$ 20
	Total lease assets	$ 6	$ 20
Liabilities			
Current liabilities:			
Operating lease liabilities	Current operating lease liabilities	$ 7	$ 20
Noncurrent liabilities:			
Operating lease liabilities	Long-term operating lease liabilities	$ —	$ -
	Total lease liabilities	$ 7	$ 20

Lease cost for the six months ended June 30, 2022 and 2021

The table below presents the lease related costs recorded on the Company's Consolidated Statements of Operations for the six months ended June 30, 2022 and 2021:

		Three Months Ended June 30,	
Lease cost	**Classification**	**2022**	**2021**
		(in thousands)	
Operating lease cost	General and administrative expenses	$ 6	$ 6
	Total lease cost	$ 6	$ 6

Other Information

The table below presents supplemental cash flow information related to leases for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	**2021**
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 6	$ 6
Supplemental non-cash amounts of lease liabilities arising from obtaining right-of-use assets/(decrease) of lease liability due to cancellation of leases	$ —	$ —

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, 2022 and December 31, 2021:

	June 30, 2022	**December 31, 2021**
Weighted average remaining lease term - operating leases	.50 years	.75 years
Weighted average discount rate - operating leases	12.00%	12.00%

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

Note 15 – Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the consolidated balance sheet date up to May 17, 2022, the date that the financial statements were issued.

July 2022 ABCImpact Loan

On July 8, 2022, the Company borrowed $100,000 (the "July Loan") from ABCImpact, evidenced by a 10% Convertible Debenture (the "July Debenture"). Pursuant to the July Debenture, ABCImpact has the option to loan up to an additional $4,850,000 to the Company.

ABCImpact previously loaned $50,000 to the Company pursuant to a convertible debenture substantially similar to the July Debenture. See "Note 7 - Short-Term and Long-Term Debt, Convertible Debenture" above.

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

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

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

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

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

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

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

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

Forbearance Agreement

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

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

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

The Company agreed to pay certain of GLD’s legal fees in the amount of $25,000, payable no later than August 31, 2022.

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

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

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

Following the occurrence of any of the following Events of Default, each of LTP and GLD may exercise any or all remedies as provided under the Forbearance Agreement, the applicable Debenture or applicable law:

- The failure of the Company to observe, or timely comply with, or perform any covenant or term contained in the Forbearance Agreement;
- Any warranty or representation made or deemed made by the Company in the Forbearance Agreement is or shall be untrue in any material respect;
- The failure of the Company to observe, or timely comply with, or perform any covenant or term contained in the GLD Debenture (other than those subject to an event of default existing prior to the date of the Forbearance Agreement under the GLD Debenture, which shall not be deemed an event of default under the Forbearance Agreement);
- The failure by ABCImpact to purchase the GLD Debenture by October 15, 2022;
- The failure by the Company to pay GLD's legal fees by August 31, 2022; or
- The failure of the Company to file the Form S-1 by August 15, 2022 or to cause the Form S-1 to be declared effective by the SEC by October 15, 2022.

August 2022 ABCImpact Loan

On August 8, 2022, the Company borrowed $100,000 (the "August Loan") from ABCImpact, evidenced by a 10% Convertible Debenture (the "August Debenture"). Pursuant to the August Debenture, ABCImpact has the option to loan up to an additional $4,750,000 to the Company.

ABCImpact previously loaned an aggregate of $150,000 to the Company pursuant to convertible debentures substantially similar to the August Debenture. See "Note 7 - Short-Term and Long-Term Debt, Convertible Debenture" and "Note 15 – Subsequent Events, July 2022 ABCImpact Loan" above.

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

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

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

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

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

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

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

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

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, 2021. 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. During the six months ended June 30, 2022, we marketed our products and services under our *Building Wealth with Legacy™* brand. During the year ended December 31, 2021, we marketed our products and services under two brands: *Building Wealth with Legacy™*; and *Homemade Investor by Tarek El Moussa*.

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.

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

Since January 1, 2021, we have operated under two brands:

- *Building Wealth with Legacy ™*: 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. In response to the limitations on travel and the social distancing protocols arising out of the Coronavirus pandemic, the Company began marketing its *Legacy Education*™ products transitioning to brand name *Building Wealth with Legacy*™. During the six months ended June 30, 2022, we marketed our products and services exclusively under this brand.

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

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. We resumed live operations on a limited basis, in November 2020, with events in Florida. In December 2021, the Company temporarily suspended live in-person events and will continue following strict safety protocols at the live events when resumed. 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. We are not able to fully quantify the continued impact that these factors will have on our financial results, but expect developments related to COVID-19 to continue to affect the Company's financial performance in 2022 and beyond.

Results of Operations

Our financial results continue to be significantly impacted by the COVID-19 pandemic. Due to the severity and scope of the pandemic, the pace at which government and private travel restrictions and public concerns about public gathering will ease, the rate at which historically large increases of unemployment rates will decrease, and the speed with which the economy recovers are all factors that impacted our financial results. In addition, our financial results were impacted due to the winding down our Rich Dad brand and other matters as disclosed in the litigation section of Note 13 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

Our Results of Operations in 2022 and 2021 were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	68	3,362	353	5,982
Operating costs and expenses:				
Direct course expenses	100	790	204	1,224
Advertising and sales expenses	54	556	142	614
Royalty expenses	0	0	0	0
General and administrative expenses	662	1,398	1,309	2,396
Total operating costs and expenses	816	2,744	1,655	4,234
Income (loss) from operations	(748)	618	(1,302)	1,748
Other income (expense):				
Interest expense, net	(112)	(386)	(237)	(386)
Other expense, net	3	(1)	3	(3)
Gain on forgiveness of PPP Loan	-	-	-	-
Total other income (expense), net	(109)	(387)	(234)	(389)
Income (loss) from continuing operations before income taxes	(856)	231	(1,535)	1,359
Income tax (expense) benefit	-	131	136	(915)
Net income (loss) from continuing operations	(856)	362	(1,399)	444
Income from discontinued operations	—	—	—	171
Net income from discontinued operations	—	—	—	$ 171
Net income (loss)	$ (856)	$ 362	$ (1,399)	$ 615
Basic earnings (loss) per common share - continuing operations	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Basic earnings (loss) per common share - discontinued operations	—	—	—	$ -
Basic earnings (loss) per common share	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Diluted earnings (loss) per common share - continuing operations	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Diluted earnings (loss) per common share - discontinued operations	—	—	—	$ -
Diluted earnings (loss) per common share	$ (0.04)	$ 0.01	$ (0.04)	$ 0.02
Basic weighted average common shares outstanding	24,410	25,113	34,168	24,156
Diluted weighted average common shares outstanding	24,410	31,843	34,168	30,048
Comprehensive income:				
Net income (loss)	(856)	362	(1,399)	615
Foreign currency translation adjustments, net of tax of $0	765	(52)	621	51
Total comprehensive income (loss)	$ (91)	$ 310	$ (778)	$ 666

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	100	100%	100	100
Operating costs and expenses:				%
Direct course expenses	146	23	58	20
Advertising and sales expenses	78	17	40	10
Royalty expenses	-	-	-	-
General and administrative expenses	967	42	371	40
Total operating costs and expenses	1,192	82	469	71
Income (loss) from operations	(1,092)	18	(369)	29
Other expense:	-	-	-	-
Interest expense, net	163	(11)	67	(6)
Other expense, net	(4)	(0)	(1)	(0)
Gain on forgiveness of PPP Loan	-	-	-	-
Total other expense, net	159	(12)	66	(7)
Income (loss) from continuing operations before income taxes	(1,251)	7	(435)	23
Income tax (expense) benefit	-	4	38	(15)
Net income (loss) from continuing operations	(1,251)	11	(396)	7
Income from discontinued operations	-	-	-	3
Net income from discontinued operations	-	-	-	-
Net income (loss)	(1,251)	11%	(396)	10

Outlook

Cash sales were $ 0.1 for the six months ended June 30, 2022 compared to $0.7 million for the six months ended June 30, 2021, a decrease of $0.7 or 100%. The decrease was driven by the temporary suspension of live in-person events and ongoing student fulfillment in the North America segment.

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

Due to the economic severity of COVID-19 pandemic on the Company's results of operations, financial condition, and liquidity, live in-person events were temporarily suspended in December 2021 to focus on strategic initiatives. The impact of the temporary suspension of live events is unknown.

Operating Segments

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

	Three Months Ended June 30,	
	2022	**2021**
As a percentage of total revenue		
North America	100.0%	46.2%
U.K.	—	53.8%
Other foreign markets	—	—
Total consolidated revenue	100.0%	100.0%

	Six Months Ended June 30,	
	2022	**2021**
As a percentage of total revenue		
North America	100.0%	96.6%
U.K.	—	1.4%
Other foreign markets	—	2.0%
Total consolidated revenue	100.0%	100.0%

North America

Revenue derived in the North America segment majorly pertained to real estate-related education, and also included the remaining to financial markets training. We are continuing to develop methods of connecting to our students, diversify products, and develop proprietary brands in order to increase the North America segment. Revenue derived from our Homemade Investor brand was $Nil and $71.0 thousand and or as a percentage of total segment revenue was 0% and 4.6% for the three months ended June 30, 2022 and 2021, and $Nil and $346.0 thousand or as a percentage of total segment revenue was 0% and 10.5% for the six months ended June 30, 2022 and 2021, respectively. There was no revenue derived from the Rich Dad brands in our North America segment for the three months ended June 30, 2022. Revenue for the three months ended June 30, 2021 was $1.1 million or as a percentage of total segment revenue was 68.8%. We continue to fulfill contracts for students under the Rich Dad brand, however, we are no longer actively selling the Rich Dad brand.

The North America segment revenue was $0.07 million and $1.6 million or as a percentage of total revenue was 100% and 46.2% for the three months ended and $0.3 million and $3.3 million or as a percentage of revenue was 100% and 55.0% for the six months ended June 30, 2022 and 2021, respectively. The decrease in revenue of $0.9 million or 56% during the three months ended June 30, 2022 compared to the same period in 2021. The decrease in revenue of $1.53 million or 96% was due to the temporary suspension of events during the 3 months ended June 2022. We held no events in 2022, to generate any revenue from attendances. The revenue of $3 million or 91% for the 6 months is due to the same reasons.

U.K.

There was no revenue derived from the Rich Dad brands in our U.K. segment for the three and six months ended June 30, 2022. The Rich Dad brands in our U.K. segment was $1.2 million or as a percentage of total segment revenue was 66.7% for the three months ended June 30, 2021 and $1.8 million or as a percentage of total segment revenue was 66.7% for the six months ending June 30, 2021. The majority pertained to real estate-related education, with the balance pertaining to financial markets education. With the discontinued operations of UK Legacy, our U.K. segment is no longer as diverse.

There was no U.K. segment revenue for the three and six months ended June 30, 2022. The U.K. segment revenue was $1.7 million or as a percentage of total revenue 53.8% for the three months ended June 30, 2021 and $2.7 million or as a percentage of total revenue was 45.0% for the six months ended June 30, 2021. The decrease in revenue of $2.7 million for the six months ended June 30, 2022 compared to the same period in 2021, was due to decrease in revenue from expired contracts of $ 2.7 million and satisfying all outstanding obligations to students of our subsidiary Elite Legacy Education UK LTD (ELE UK) within the U.K. segment. There is no current sales activity in this segment.

Other Foreign Markets

Historically, we have operated in other foreign markets, including Australia, New Zealand, South Africa, Hong Kong and other European, Asian and African countries. As a result of the COVID-19 pandemic, we placed in liquidation certain entities that operated in this segment, resulting in zero revenues and expenses from continuing operations in the other foreign markets segment for the six months ended June 30, 2022 and June 30, 2021, respectively. We are no longer actively selling in the market.

Three months ended June 30, 2022 compared to three months ended June 30, 2021

Revenue

Revenue was $0.07 million for the three months ended June 30, 2022 compared to $3.4 million for the three months ended June 30, 2021. Revenue decreased $3.3 million or 98% during the three months ended June 30, 2022 compared to the same period in 2021. The decrease in revenue was mainly due to decreased attendance (i.e. fulfillment) of $0.4 million or 61.5% and decreases in recognition of revenue from expired contracts of $1.9 million or 98.1%. The decrease in attendance was due to a temporary suspension of live in-person events during the six months ended June 30, 2022. In addition, the decrease is attributed to contract fulfillment of $880.0 thousand for the three month ended June 30, 2021 to fulfill student contract obligations during the liquidation process.

Cash sales were $0 million for the three months ended June 30, 2022 compared to $0.5 million for the three months ended June 30, 2021, a decrease of $0.51 or 100%. The decrease is due to the temporary suspension of live in-person events and ongoing student fulfillment in the North America segment.

Operating Expenses

Total operating costs and expenses were $0.8 million for the three months ended June 30, 2022 compared to $2.8 million for the three months ended June 30, 2021, a decrease of $ 2 million or 71%. The decrease was primarily due to a $0.7 million decrease in direct course expenses and a $0.7 million decrease in general and administrative expenses. These decreases were related to the temporary suspension of live in-person events and the ongoing impact of the COVID-19 pandemic.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were $0.1 million for the three months ended June 30, 2022 compared to $0.8 million for the three months ended June 30, 2021, a decrease of $0.7 million or 87 %, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers and the temporary suspension of live in-person events.

Advertising and sales expenses

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

Advertising and sales expenses were $ 0.05 million and $0.6 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $ 0.55 million. As a percentage of revenue, advertising and sales expenses were 78% and 16.5% of revenue for the three months ended June 30, 2022 and 2021, respectively. The decrease is due to the temporary suspension of live in-person events beginning December 2021.

Royalty expenses

We are required to pay royalties under the licensing and related agreements pursuant to which we develop, market, and sell Rich Dad and Homemade Investor branded live seminars, training courses, and related products worldwide. There were no royalty expenses for the three months ended June 30, 2022 and 2021, respectively due to transitioning sales to our *Building Wealth with Legacy* ^{TM}.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were $0.6 million for the three months ended June 30, 2022 compared to $1.4 million for the three months ended June 30, 2021, a decrease of $0.8 million, or 53%.

Income tax expense

We recorded income tax benefit of $0 and $131 thousand for the three months ended June 30, 2022 and 2021, respectively. Our effective tax rate was 20.0% and (56.7%) for the three months ended June 30, 2022 and 2021, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21.0%, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions.

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, 2022 and December 31, 2021, valuation allowances of $3.5 million and $3.5 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets.

Net income (loss) from continuing operations

Net income (loss) from continuing operations was $(0.9) million or $(0.04) per basic and diluted common share for the three months ended June 30, 2022 compared to net income from continuing operations of $0.4 million or $0.01 per basic and diluted common share for the three months ended June 30, 2021, a decrease in net income from continuing operations of $(1.3) million or $(0.05) per basic and diluted common share.

Net income from discontinued operations

There was no Net income from discontinued operations for the three months ended June 30, 2022 and 2021.

Net Income

Net income (loss) was $(0.8) million or $(0.04) per basic and diluted common share for the three months ended June 30, 2022, compared to a net income of $0.4 million or $0.01 per basic and diluted common share for the three months ended June 30, 2021, a decrease in net income of $0.4 million or $(0.03) per basic and diluted common share.

Six months ended June 30, 2022 compared to six months ended June 30, 2021

Revenue

Revenue was $0.3 million for the six months ended June 30, 2022 compared to $6.0 million for the six months ended June 30, 2021. Revenue decreased $5.7 million or 95% during the six months ended June 30, 2022 compared to the same period in 2021. The decrease in revenue was mainly due to a decreased attendance (i.e. fulfillment) of $5.1 million or 79.9% and decrease in recognition of revenue from expired contracts of $3.0 million or 39.0%. 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 million for the three months ended June 30, 2022 compared to $0.5 million for the three months ended June 30, 2021, a decrease of $0.5 million or 100%. The decrease is due to the temporary suspension of live in-person events and ongoing student fulfillment in the North America segment.

Operating expenses

Total operating costs and expenses were $1.6 million for the six months ended June 30, 2022 compared to $4.2 million for the six months ended June 30, 2021, a decrease of $2.6 million or 61%. The decrease was primarily due to a $1 million decrease in direct course expenses, a $0.5 million decrease in advertising and sales expenses and $1.1 million decrease in general and administrative expenses. These decreases were related to disruptions in operations and sales activities due to the impact of the COVID-19 pandemic.

Direct course expenses

Direct course expenses relate to our free preview workshops, basic and elite training, and individualized mentoring programs, consisting of instructor fees, facility costs, salaries, commissions and fees associated with our field representatives and related travel expenses. Direct course expenses were $0.2 million for the six months ended June 30, 2022 compared to $1.2 million for the six months ended June 30, 2021, a decrease of $1 million or 83%, which was related to decreases in sales and training compensation, due to the economic impact of the COVID-19 pandemic on consumers.

Advertising and sales expenses

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

Advertising and sales expenses were $0.1 million and $0.6 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $0.5 million, or 77%. As a percentage of revenue, advertising and sales expenses were 40% and 10 % of revenue for the six months ended June 30, 2022 and 2021, a decrease of 30%.

Royalty expenses

We are required to pay royalties under the licensing and related agreements pursuant to which we develop, market, and sell Rich Dad and Homemade Investor branded live seminars, training courses, and related products worldwide. There were no royalty expenses for the six months ended June 30, 2022 and 2021, respectively due to transitioning sales to our *Building Wealth with Legacy* ^{TM}.

General and administrative expenses

General and administrative expenses primarily consist of compensation, benefits, insurance, professional fees, facilities expenses and travel expenses for the corporate staff, as well as depreciation and amortization expenses. General and administrative expenses were $1.3 million for the six months ended June 30, 2022 compared to $2.4 million for the six months ended June 30, 2021, a decrease of $1.1 million, or 46%.

Income tax expense

We recorded income tax expense/(benefit) of $(136) thousand and $915 thousand for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rate was 38 % and 33.4% for the six months ended June 30, 2022 and 2021, respectively. Our effective tax rates differed from the U.S. statutory corporate tax rate of 21.0%, primarily because of the mix of pre-tax income or loss earned in certain jurisdictions

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, 2022 and December 31, 2021, valuation allowances of $3.5 million and $3.5 million, respectively have been provided against net operating loss carryforwards and other deferred tax assets.

Net income from continuing operations

Net income was $(1.4) million or $(0.04) per basic and diluted common share for the six months ended June 30, 2022, compared to a net income of $0.6 million or $0.3 per basic and diluted common share for the six months ended June 30, 2021, a decrease in net income of $2 million or $0.07 per basic and $0.07 per diluted common share.

Net income from discontinued operations

There was no Net income from discontinued operations for the six months ended June 30, 2022

Net income (loss)

Net income was $(1.4) million or $(0.04) per basic and diluted common share for the six months ended June 30, 2022, compared to a net income of $0.6 million or $0.3 per basic and diluted common share for the six months ended June 30, 2021, a decrease in net income of $2 million or $0.07 per basic and $0.07 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, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Known Trends and Uncertainties

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

Historically, we have funded our working capital and capital expenditures using cash and cash equivalents on hand. However, given our decreased operating cash flows during and due to the COVID-19 pandemic and other reasons, it has been necessary for us to manage our cash position to ensure the future viability of our business, and to raise additional capital from outside and affiliates sources. Our cash flows are subject to a number of risks and uncertainties, including, but not limited to, earnings, success in raising capital from third parties, favorable terms from our merchant processors, seasonality, and fluctuations in foreign currency exchange rates.

We continue to take steps to ensure our expenses are in line with our projected cash sales and liquidity requirements for 2022 and based upon current and anticipated levels of operations, we believe cash and cash equivalents on hand will not be sufficient to fund our expected financial obligations and anticipated liquidity requirements for the fiscal year 2022. However, we are exploring alternative sources of capital, but there can be no assurances any such capital will be obtained. For the six months ended June 30, 2022, we had an accumulated deficit, a working capital deficit and a negative cash flow from operating activities. These circumstances raise substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate profits by expanding current operations as well as reducing our costs and increasing our operating margins, raising capital from outside sources through the sale of equity and/or debt, 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 and could result in us suspending some or all of our operations.

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

	Six Months Ended June 30,	
	2022	2021
Net cash used in operating activities	(2,372)	(3,440)
Net cash provided by investing activities	—	—
Net cash provided by financing activities	310	2,300
Effect of exchange rate differences on cash	1,244	464
Net decrease in cash and cash equivalents and restricted cash	132	2,004

Operating Cash Flows and Liquidity

Net cash used in operating activities was $2.4 million in the six months ended June 30, 2022 compared to net cash used in operating activities of $3.4 million in the six months ended June 30, 2021, representing a period-over-period decrease of $1 million. This increase was primarily the result of a decrease in sales events due to COVID-19 and the temporary suspension of live in-person events in December 2021 and throughout the six months ending June 30, 2022.

Investing Cash Flows

There was no cash used in or provided by investing activity in the six months ended June 30, 2022 and 2021.

Financing Cash Flows

Our consolidated capital structure as of June 30, 2022 was 19% debt and 81% equity. As of December 31, 2021, our consolidated capital structure was 17% debt and 83% equity.

Net cash provided by financing activities totaled $310 thousand during the six months ended June 30, 2022, representing our payment on debt.

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, 2022, and December 31, 2021, our consolidated current deferred revenue was $ 4.2 million and $4.4 million, respectively.

Our cash and cash equivalents were, and continue to be, invested in short-term, liquid, money market funds. Restricted cash balances consisted primarily of funds on deposit with credit card processors and cash collateral with our credit card vendors. Restricted cash balances held by credit card processors are unavailable to us unless we discontinue sale of our products or discontinue the usage of a vendor's credit card.

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, as amended) was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and interim Chief Financial Officer. As of June 30, 2022, based upon that evaluation, the Chief Executive 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, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of June 30, 2022 based upon criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, As of June 30, 2022, we have determined that we presently do not have an internal control system or procedures that are effective and may be relied upon in connection with our financial reporting. The weaknesses in our internal control system that were identified by our management generally include weakness that present a reasonable possibility that a material misstatement of our annual or interim financial statements will not be identified, prevented or detected on a timely basis, and specifically include:

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

- Failure in the operation of internal control: The weakness in our operation of internal control system relate to the lack of proper authorization and segregation of duties for disbursements within the purchasing process.

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 13 *Commitments and Contingencies*, to our consolidated financial statements.

Item 1A. Risk Factors.

For information regarding risk factors, please refer to Part I, Item 1A and the Cautionary Statement Regarding Forward-Looking Information as set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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

Except as set forth in the Company's Current Reports on Form 8-K filed with the U.S. Securities and Exchange Commission during the three months ended June 30, 2022, there were no sales or repurchases of the Company's equity securities during the three months ended June 30, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on November 10, 2014).
3.2	Certificate of Designation of Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on February 17, 2017).
3.3	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on November 10, 2014).
3.4	Amendment to Bylaws of Registrant (Incorporated by reference to Exhibit 3.2 in the Company's Form 8-K filed with the SEC on February 17, 2017).
3.5	Amendment to Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 in the Company's Form 8-K filed with the SEC on January 12, 2018).
10.1	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on May 26, 2022).
10.2	Form of Convertible Promissory Note (Incorporated by reference to Exhibit 10.2 in the Company's Form 8-K filed with the SEC on May 26, 2022).
10.3	Form of Common Stock Purchase Warrant (Incorporated by reference to Exhibit 10.3 in the Company's Form 8-K filed with the SEC on May 26, 2022).
10.4	Convertible Debenture, with form of Common Stock Purchase Warrant (Incorporated by reference to Exhibit 10.1 in the Company's Form 8-K filed with the SEC on June 15, 2022).
31.1*	Certification of the Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2*	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

SIGNATURES

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

LEGACY EDUCATION ALLIANCE, INC.

Dated: August 15, 2022

By: */s/ BARRY KOSTINER*

Barry Kostiner
Chairman of the Board and Chief Executive Officer (principal executive officer and interim principal
financial and accounting officer)

Exhibit 31.1

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

I, Barry Kostiner, certify that:

1. I have reviewed this Form 10-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 15, 2022

/s/ BARRY KOSTINER
Barry Kostiner
Chairman of the Board and Chief Executive Officer (principal executive officer)

Exhibit 31.2

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

I, Barry Kostiner, certify that:

1. I have reviewed this Form 10-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 15, 2022

/s/ BARRY KOSTINER
Barry Kostiner
Chairman of the Board and Chief Executive Officer (interim principal financial and accounting officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Barry Kostiner, Chairman of the Board and Chief Executive Officer (principal 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 15, 2022

/s/ BARRY KOSTINER
Barry Kostiner
Chairman of the Board and Chief Executive Officer
(principal executive officer)

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Legacy Education Alliance, Inc. (the "Company") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Barry Kostiner, Chairman of the Board and Chief Executive Officer (interim principal financial and accounting officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-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 15, 2022

/s/ BARRY KOSTINER
Barry Kostiner
Chairman of the Board and Chief Executive Officer
(interim principal financial and accounting officer)

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