OnCourse Learning Corporation and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

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Consolidated Financial Statements
Years Ended December 31, 2017 and 2016

OnCourse Learning Corporation and Subsidiaries

Contents

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Independent Auditor's Report

Board of Directors
OnCourse Learning Corporation and Subsidiaries
Brookfield, Wisconsin

We have audited the accompanying consolidated financial statements of OnCourse Learning Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OnCourse Learning Corporation and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 27, 2018

Consolidated Financial Statements

OnCourse Learning Corporation and Subsidiaries

Consolidated Balance Sheets

December 31,	**2017**	2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,918,477**	$ 3,239,791
Trade accounts receivable, less allowance for uncollectible accounts of $60,872 for 2017 and $1,286,229 for 2016	**10,832,740**	8,488,193
Income taxes receivable	**-**	83,012
Inventories	**655,829**	628,775
Prepaid expenses and other current assets	**2,475,254**	2,395,947
Total Current Assets	**15,882,300**	14,835,718
Leasehold Improvements, Equipment and Course Development, net	**8,591,382**	7,551,558
Goodwill, net	**116,614,231**	108,981,586
Intangible Assets, net	**57,774,478**	62,586,005
Debt Issuance Costs, net	**99,944**	123,931
Deposit	**863,140**	863,140
Total Assets	**$199,825,475**	$ 194,941,938

OnCourse Learning Corporation and Subsidiaries

Consolidated Balance Sheets

December 31,	**2017**	2016
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt	**$ 2,210,083**	$ 1,340,000
Trade accounts payable	**3,364,601**	2,597,940
Deferred revenue and customer deposits	**12,013,944**	11,588,732
Contingent earn-out liability	**-**	2,250,000
Accrued expenses	**4,133,579**	2,127,019
Total Current Liabilities	**21,722,207**	19,903,691
Deferred Income Taxes	**-**	4,226,931
Revolving Line of Credit	**3,000,000**	3,000,000
Long-Term Debt, less current portion, net of unamortized issuance costs	**157,848,131**	130,445,769
Total Liabilities	**182,570,338**	157,576,391
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $0.01 par value	**186**	186
Additional paid-in capital	**76,343,018**	75,636,383
Accumulated deficit	**(59,012,542)**	(38,195,497)
	17,330,662	37,441,072
Less: Notes receivable, officer-stockholder	**(75,525)**	(75,525)
Total Stockholders' Equity	**17,255,137**	37,365,547
Total Liabilities and Stockholders' Equity	**$199,825,475**	$ 194,941,938

See accompanying notes to consolidated financial statements.

OnCourse Learning Corporation and Subsidiaries

Consolidated Statements of Operations

Year ended December 31,	**2017**	2016
Net Revenues	**$ 77,116,517**	$ 71,195,888
Cost of Revenues	**11,229,336**	10,654,422
Gross profit	**65,887,181**	60,541,466
Operating Expenses		
Selling, general, and administrative expenses	**52,806,326**	45,928,249
Depreciation expense	**5,879,322**	4,671,594
Amortization of intangible assets	**8,319,852**	10,027,967
Amortization of goodwill	**13,209,555**	10,859,334
Restructuring	**-**	650,000
Total Operating Expenses	**80,215,055**	72,137,144
Operating Loss	**(14,327,874)**	(11,595,678)
Other Income (Expense)		
Other income (expense)	**1,063,826**	74,365
Interest expense	**(11,683,739)**	(9,954,617)
Loss on extinguishment of debt	**-**	(2,845,986)
Net Other Expense	**(10,619,913)**	(12,726,238)
Loss Before Income Tax Benefit	**(24,947,787)**	(24,321,916)
Income Tax Benefit	**(4,130,742)**	(6,388,328)
Net Loss	**$ (20,817,045)**	$ (17,933,588)

See accompanying notes to consolidated financial statements.

OnCourse Learning Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock (1)	Additional Paid-in Capital	Accumulated Deficit	Notes Receivable Officer-Stockholder	Total Stockholders' Equity
Balance, December 31, 2015	$ 186	$ 68,398,877	$ (20,261,909)	$ (37,000)	$ 48,100,154
Issuance of stock	-	5,100,000	-	-	5,100,000
Issuance of notes receivable, officer-stockholder	-	-	-	(38,525)	(38,525)
Issuance of stock for acquisition	-	1,687,506	-	-	1,687,506
Stock-based compensation	-	450,000	-	-	450,000
Net loss	-	-	(17,933,588)	-	(17,933,588)
Balance, December 31, 2016	186	75,636,383	(38,195,497)	(75,525)	37,365,547
Issuance of stock	-	50,000	-	-	50,000
Stock-based compensation	-	656,635	-	-	656,635
Net loss	-	-	(20,817,045)	-	(20,817,045)
Balance, December 31, 2017	$ 186	$ 76,343,018	$ (59,012,542)	$ (75,525)	$ 17,255,137

(1) $0.01 par value; 30,000 shares authorized; 18,552 shares issued and outstanding at December 31, 2017 and 2016.

See accompanying notes to consolidated financial statements.

OnCourse Learning Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,	**2017**	2016
Cash Flows From Operating Activities		
Net loss	**$ (20,817,045)**	$ (17,933,588)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	**5,879,322**	4,671,594
Loss on extinguishment of debt	**-**	2,845,986
Gain on contingent liabilities associated with acquistions	**(975,000)**	-
Amortization of goodwill	**13,209,555**	10,859,334
Amortization of intangible assets	**8,319,852**	10,027,967
Amortization of debt issuance costs	**647,314**	597,303
Provision for bad debts, net of recoveries	**30,737**	832,974
Stock-based compensation	**656,635**	450,000
Deferred income taxes	**(4,226,931)**	(6,038,924)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	**(2,375,284)**	510,477
Income taxes receivable	**83,012**	2,104,179
Inventories	**(27,054)**	(47,218)
Prepaid expenses and other current assets	**(79,307)**	12,014
Trade accounts payable	**766,661**	955,891
Deferred revenue and customer deposits	**425,212**	386,757
Accrued expenses	**731,560**	(5,096,578)
Net cash provided by operating activities	**2,249,239**	5,138,168
Cash Flows From Investing Activities		
Cash paid for acquisitions, net of cash acquired	**(24,350,525)**	(33,330,839)
Purchases of leasehold improvements, equipment and course development	**(6,919,146)**	(6,572,806)
Net cash used in investing activities	**(31,269,671)**	(39,903,645)

OnCourse Learning Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,	**2017**	2016
Cash Flows From Financing Activities		
Proceeds from long-term debt	**$ 29,287,375**	$ 131,470,038
Principal payments on long-term debt	**(1,638,257)**	(103,031,250)
Penalty for early extinguishment of debt	**-**	(1,401,259)
Net proceeds from revolving line of credit	**-**	3,000,000
Proceeds from issuance of stock and stockholder notes receivable	**50,000**	5,061,475
Net cash provided by financing activities	**27,699,118**	35,099,004
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,321,314)**	333,527
Cash and Cash Equivalents, beginning of period	**3,239,791**	2,906,264
Cash and Cash Equivalents, end of period	**$ 1,918,477**	$ 3,239,791
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 11,020,576**	$ 10,787,169
Cash paid for income taxes, net of (refunds)	**138,403**	(94,257)

See accompanying notes to consolidated financial statements.

1. Summary of Accounting Policies

Nature of Business

OnCourse Learning Corporation and Subsidiaries (the Company) is a leading provider of online training, technology, compliance and workforce solutions to the healthcare, financial services and real estate markets. The Company offers a full suite of educational and compliance products including pre-licensing, continuing education, professional development, governance, risk and compliance solutions, and a sophisticated and customizable learning management system. The Company's primary customers are hospitals, assisted living facilities, home care agencies, banks and credit unions, mortgage lenders and individual professionals. The Company's customers are located primarily in the United States of America.

Customers know the Company by its marketed brands such as:

OnCourse Learning Healthcare (OLH) is a premier provider of education, technology, compliance and talent management solutions to large hospitals and health systems, assisted living organizations, home care agencies and individual healthcare professionals. OLH also offers recruiting solutions for hospitals, universities and other healthcare organizations.

OnCourse Learning Financial Services (OLFS) provides mortgage pre-licensing and continuing education training as well as governance, risk and compliance training for the bank, credit union, gaming and nonbank financial services industries. OLFS offers a comprehensive course catalog powered by its sophisticated learning management system.

OnCourse Learning Real Estate (OLRS) offers a full lifecycle suite of licensure education programs for real estate agents, appraisers and home inspection professionals. OLRS provides a comprehensive catalog of e-learning opportunities as well as instructor-led courses and books to enhance the education experience.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Significant estimates include, but are not limited to, accounting for business combinations, revenue recognition, allowance for uncollectible accounts, depreciation and amortization, impairment assessments, certain accrued expenses, and the income tax provision. Management believes that the estimates and assumptions are reasonable, based on the information available at the time they are made.

Risks and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to differ materially from expectations include, but are not limited to, competition, changes in regulations, dependence on key personnel, integration of businesses purchased, and the Company's ability to fund and manage growth.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, trade accounts payable, accrued expenses, and long-term debt. The Company believes the carrying amounts of these financial instruments are a reasonable estimate of their fair value because of the short-term nature of such instruments or, in the case of long-term debt, because of interest rates available to the Company for similar obligations.

The Company uses the methods of fair value as described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures,* to value its financial assets and liabilities. ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs to valuation techniques used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company considers all unrestricted balances with banks and highly liquid short-term investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places its cash and cash equivalents with high credit quality financial institutions. The Company maintains bank accounts at financial institutions, which at times may exceed amounts insured by the Federal Deposit Insurance Corporation. At December 31, 2017 and 2016, approximately $1,355,800 and $2,700,100, respectively, of cash and cash equivalents were either not insured or were in excess of insurance limits. The Company has never experienced any losses related to these balances.

With respect to trade accounts receivable, the Company performs ongoing credit evaluations of its customers' financial conditions and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company provides credit to its customers on an unsecured basis, primarily in the United States (U.S.), in the normal course of business. The Company routinely assesses the financial strength of its customers and, as a consequence, believes its trade accounts receivable credit risk exposure is limited.

Trade Accounts Receivable

Trade accounts receivable are carried at an original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by regularly evaluating individual receivables and considering a counterparties' financial condition, credit history, and current economic conditions. Accounts receivable are written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recorded when received. Based upon information available to the Company, management believes the allowance for uncollectible accounts to be adequate.

Accounts receivable not subject to a financing arrangement are considered to be past due if any portion of the receivable is outstanding for more than 30 days. The Company does not charge interest on such receivables. The Company offers various financing arrangements to customers for certain products at the time of purchase. Although the payment terms and interest rates vary, generally payments are received between three and 24 months from the date of purchase, and the interest rate on such receivables is consistent with other short-term financing options.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventories consist primarily of books and classroom materials.

Equipment and Course Development

Equipment and course development are carried at cost less accumulated depreciation and amortization. Depreciation on equipment is provided for over the useful lives of the assets using the straight-line method. The Company capitalizes costs to develop course content and amortizes these costs over the expected useful life of the course.

The following estimated useful lives are used for financial statement purposes:

Classification	Estimated Useful Lives (Years)
Purchased software	3
Equipment	3-10
Course development	1-3

Expenditures for repairs and maintenance are charged against income as incurred.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Amortization expense of the intangible assets is recognized in operating expenses within the accompanying consolidated statements of operations.

Intangible assets include trade names, databases, course content, internally-developed software, non-compete agreements and customer relationships. Trade names, databases, course content, internally-developed software, and non-compete agreements are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 15 years. Customer relationships are amortized to reflect the pattern of economic benefits consumed, which is primarily based on estimated future cash flows, over their estimated useful lives, which ranged from 2.5 to 15 years.

On January 1, 2016, the Company adopted the alternative accounting treatment under FASB Accounting Standard Update (ASU) 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council)*. The ASU provides private companies an accounting alternative for certain intangible assets acquired in a business combination. If the private company elects the alternative, it would not recognize separately from goodwill certain assets arising from customer-related intangibles and noncompetition agreements upon acquisition. Rather, they would be subsumed into goodwill and the goodwill would be amortized. The guidance includes a presumption that customer-related intangibles do not meet the criterion for separate recognition because they typically are not capable of being sold or licensed separately from other assets.

Goodwill

Goodwill is stated at cost less accumulated amortization in accordance with FASB issued ASU 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*. Goodwill is amortized on a straight-line basis over a useful life of 10 years. Goodwill is evaluated for impairment should a triggering event occur. Goodwill amortization expense is recognized in operating expenses within the accompanying consolidated statements of operations. Goodwill continues to be evaluated for impairment as events or circumstances occur that may indicate that an impairment loss may have been incurred. No indicators of impairment were identified during the years ended December 31, 2017 and 2016.

Impairment of Long-Lived Assets

The Company assesses the carrying value of its long-lived assets whenever economic events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. Long-lived assets are considered to be impaired when the sum of the undiscounted expected future net operating cash flows from operating those assets is less than the carrying values of the related assets.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more-likely-than-not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2017 and 2016, there were no uncertain tax positions recorded as an accrued expense. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of operations.

The Company files income tax returns in the U.S. federal jurisdiction and a number of state jurisdictions. As of December 31, 2017, tax years open to examination by taxing authorities under the statutes of limitations include years ended December 31, 2012 through 2017 for federal and state tax jurisdictions. Tax regulations with each jurisdiction are subject to interpretation of the related tax laws and regulations, and require significant judgment to apply.

Debt Issuance Costs

Debt issuance costs are recorded at cost less accumulated amortization. Amortization is computed on the effective interest method over the life of the related debt. Amortization of these costs is reflected in the consolidated statements of operations, as a component of interest expense. Amortization expense for the debt issuance costs was $647,314 and $597,303 for the years ended December 31, 2017 and 2016, respectively.

Revenue Recognition

The Company recognizes revenue when all of the following conditions are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) delivery has occurred or services have been rendered.

The Company recognizes revenue on home study and online courses on a straight-line basis over the average customer life. Revenue from live classroom courses is recognized when the course takes place. If a student withdraws from a live classroom course prior to a specific date, any amount paid but unearned is refunded to the student. Revenue from online course libraries is recognized on a straight-line basis over the access period. Revenue from textbook sales, periodical sales, electronic advertising solutions, software sales, and support are recognized as services are performed or as products are delivered.

Descriptions of the Company's revenue streams are as follows:

OnCourse Learning Healthcare

OLH has four primary revenue streams: (1) online training and development, (2) digital recruiting solutions, (3) periodical sales, and (4) conferences and events.

OnCourse Learning Financial Services

OLFS has three primary revenue streams: (1) online training courses, (2) live classroom training and webinars, and (3) textbook sales.

OnCourse Learning Real Estate

OLRE provides several products and services and has multiple revenue streams. Significant revenue streams include: (1) home study courses, (2) online training courses, (3) live classroom training, (4) hybrid courses of both home study and live classroom training, (5) software sales and support, and (6) textbook sales.

Revenue from OLRE's hybrid courses are accounted for in accordance with FASB ASC 605-25, *Revenue Recognition: Multiple-Element Arrangements*. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to the deliverables: (1) vendor-specific objective evidence (VSOE) of fair value, if available, (2) third-party evidence (TPE) of selling price if VSOE is not available, and (3) best estimate of the selling price if neither VSOE nor TPE is available. To determine the selling price in multiple-element arrangements, the Company establishes the selling price for the hybrid courses using management's best estimate of the selling price, as VSOE or TPE does not exist. OLRE's hybrid courses consist of two units of accounting: a home study or online course and a live class. The revenue from the home study/online portion is recognized on a straight-line basis over the average customer life, and the revenue from the live class portion is recognized when the course takes place. Revenue is allocated between the two based on relative selling price using best estimate of selling price for the home study/online portion and the Company's best estimate of the selling price for the live class.

Shipping Costs

Shipping costs charged to customers are included in revenues. Shipping costs incurred are included in cost of revenues.

Stock-Based Compensation

The Company recognizes the cost of the employee services received in exchange for awards of equity instruments based on the grant date fair value of those awards over the requisite service period.

Advertising Costs

The Company follows the policy of charging the costs of advertising and promotion to expense as incurred. Advertising and promotion expense was approximately $3,785,000 and $4,252,800 for the years ended December 31, 2017 and 2016, respectively.

Subsequent Events

The Company has performed a review of events subsequent to the consolidated balance sheet date through April 27, 2018, the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09*, Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU establish a comprehensive revenue recognition standard whereby the core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Since the issuance of this ASU, the FASB has issued further ASU's to provide additional guidance and clarification as to the application of ASU 2014-09 and delaying its original effective date. The ASU allows companies to elect either a full retrospective or modified retrospective approach to adoption. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of this update.

2. Business Combinations

Distance CME

On December 31, 2015, the Company entered into an asset purchase agreement to acquire certain assets of Distance CME, LLC (Distance CME) for a purchase price of $1,050,000 plus an additional contingent earn-out of up to $1,250,000. The transaction closed on January 1, 2016 when the assets were acquired and the cash consideration was transferred.

Distance CME provides online continuing education and training in the healthcare industry. The Company's primary reason for acquiring Distance CME was to further expand its presence in the healthcare training market. The goodwill that arose from the acquisition consists of synergies expected from integrating Distance CME into the Company's operations and customer base. The goodwill recognized is expected to be deductible for income tax purposes.

The acquisition was accounted for in accordance with FASB ASC 805, *Business Combinations*, and accordingly, the operating results are included in the Company's consolidated financial statements from the date of acquisition. Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets acquired and any liabilities assumed, based on various estimates of their respective fair values.

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The following table summarizes the final fair value of the consideration transferred at the acquisition date:

January 1, 2016		
Cash	$	1,050,000
Contingent consideration		1,250,000
Fair Value of Consideration Transferred	$	2,300,000

The following table summarizes the final fair value amounts of the assets acquired and liabilities assumed at the acquisition date:

January 1, 2016		
Accounts receivable	$	30,283
Course content		248,050
Customer relationships		100,000
Trade name		100,000
Goodwill		1,821,667
Fair Value of Assets and Liabilities Transferred	$	2,300,000

As of December 31, 2016, the Company retained a contingent liability of $1,250,000 that was to be paid out to the former owners of Distance CME depending on performance targets outlined in the purchase agreement. Upon completion of the earn-out period, it was determined that the earn-out was $1,000,000; during the year ended December 31, 2017 the Company recorded other income of $250,000.

The course content was assigned an estimated useful life of three years and customer relationships and trade names were each assigned an estimated useful life of 15 years. The goodwill was assigned an estimated useful life of 10 years.

Institute for Professional Care Education

On September 2, 2016, the Company entered into an equity purchase agreement to acquire the Institute for Professional Care Education, LLC (IPCed) for a purchase price of $32,250,000 subject to a net working capital adjustment, an additional contingent earn-out of up to $2,000,000, and 122,750 units of Company common stock. The transaction closed on September 12, 2016 when the assets were acquired, liabilities were assumed, and the cash consideration was transferred. The Company financed a portion of the acquisition through proceeds received from the Company’s long-term debt.

IPCed provides caregiver training and compliance solutions for the assisted living and home care industries. IPCed offers a series of specialized certifications for caregivers, including dementia care, Parkinson's care, end-of-life care and diabetes care. IPCed also offers training materials, such as DVDs and care checklists, for family members who provide care to others. The Company's primary reason for acquiring IPCed was to further expand its presence in the healthcare training market. The goodwill that arose from the acquisition consists of synergies expected from integrating IPCed into the Company's operations and customer base and the acquisition of IPCed's assembled workforce. A portion of the goodwill considered purchased is tax deductible. The remaining goodwill balance, considered contributed, is not tax deductible.

The acquisition was accounted for in accordance with FASB ASC 805, *Business Combinations*, and accordingly, the operating results are included in the Company's consolidated financial statements from the date of acquisition. Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets acquired and any liabilities assumed, based on various estimates of their respective fair values.

The following table summarizes the final fair value of the consideration transferred at the acquisition date:

September 12, 2016		
Cash	$	32,135,912
Common stock		1,687,506
Contingent consideration		1,000,000
Fair Value of Consideration Transferred	$	34,823,418

The following table summarizes the final fair value amounts of the assets acquired and liabilities assumed at the acquisition date:

September 12, 2016		
Accounts receivable	$	527,936
Inventories		8,243
Prepaid expenses and other current assets		113,226
Leasehold improvements, equipment and course development		123,019
Course content		2,903,000
Trade names		1,940,000
Goodwill		30,033,903
Trade accounts payable		(57,302)
Deferred revenue and customer deposits		(53,683)
Accrued expenses		(569,997)
Deferred income taxes		(144,927)
Fair Value of Assets and Liabilities Transferred	$	34,823,418

As of December 31, 2016, the Company retained a contingent liability of $1,000,000 that was to be paid out to the former owners of IPCed depending on performance targets outlined in the purchase agreement. Upon completion of the earn-out period, it was determined that the earn-out was $275,000; during the year ended December 31, 2017 the Company recorded other income of $725,000.

The course content was assigned an estimated useful life of three years and trade names was assigned an estimated useful life of 12.5 years. The goodwill was assigned an estimated useful life of 10 years.

Stringham

On May 31, 2017, the Company entered into an asset purchase agreement to acquire Stringham Real Estate Schools, LLC (Stringham). The aggregate consideration of the acquired assets is equal to $3,850,525, which consists of a $2,850,525 cash closing price, and $1,000,000 seller note. The transaction closed on May 31, 2017 when the assets were acquired and the cash consideration was transferred.

Stringham provides customers with a series of pre-licensing and continuing education online real estate course options. The goodwil that arose from the acquisition consists of synergies expected from integrating Stringham into the Company's operations and customer base. The goodwill recognized is expected to be deductible for income tax purposes.

The acquisition was accounted for in accordance with FASB ASC 805, *Business Combinations*, and accordingly, the operating results are included in the Company's consolidated financial statements from the date of acquisition. Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets acquired and any liabilities assumed, based on various estimates of their respective fair values. The purchase price allocation is subject to change upon completion of the purchase accounting, including the finalization of preliminary asset valuations. The Company expects to complete the valuation of the assets acquired and liabilities assumed during the year ending December 31, 2018.

The following table summarizes the preliminary fair value of the consideration transferred at the acquisition date:

May 31, 2017	
Cash	$ 2,850,525
Seller note (see Note 6)	1,000,000
Fair Value of Consideration Transferred	**$ 3,850,525**

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The following table summarizes the preliminary fair value amounts of the assets acquired and liabilities assumed at the acquisition date:

May 31, 2017		
Course content	$	420,811
Trade names		169,648
Goodwill		3,260,066
Fair Value of Assets and Liabilities Transferred	**$**	**3,850,525**

The goodwill was assigned an estimated useful life of 10 years, the course content has an estimated useful life of three years, and the trade names had a useful life of 10 years.

Praedo

On October 4, 2017, the Company entered into an asset purchase agreement to acquire The Mortgage Academy, doing business as Praedo Institute (Praedo). The aggregate consideration of the acquired assets is equal to $3,000,000, which consists of a $2,750,000 cash closing price and $250,000 seller note. The transaction closed on October 4, 2017 when the assets were acquired and the cash consideration was transferred.

Praedo offers a highly-acclaimed national online offering of mortgage and real estate courses. The goodwill that arose from the acquisition consists of synergies expected from integrating Praedo into the Company's operations and customer base. The goodwill recognized is expected to be deductible for income tax purposes.

The acquisition was accounted for in accordance with FASB ASC 805, *Business Combinations*, and accordingly, the operating results are included in the Company's consolidated financial statements from the date of acquisition. Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets acquired and any liabilities assumed, based on various estimates of their respective fair values. The purchase price allocation is subject to change upon completion of the purchase accounting, including the finalization of preliminary asset valuations. The Company expects to complete the valuation of the assets acquired and liabilities assumed during the year ending December 31, 2018.

The following table summarizes the preliminary fair value of the consideration transferred at the acquisition date:

October 4, 2017		
Cash	$	2,750,000
Seller note (see Note 6)		250,000
Fair Value of Consideration Transferred	**$**	**3,000,000**

The following table summarizes the preliminary fair value amounts of the assets acquired and liabilities assumed at the acquisition date:

October 4, 2017		
Course content	$	300,539
Trade names		121,160
Goodwill		2,578,301
Fair Value of Assets and Liabilities Transferred	**$**	**3,000,000**

The goodwill was assigned an estimated useful life of 10 years, the course content has an estimated useful life of three years, and the trade names had a useful life of 10 years.

Wound Care

On December 21, 2017, the Company entered into an asset purchase agreement to acquire Wound Care Education Institute (WCEI) and Wild on Wounds Productions (WOW) (collectively Wound Care). The aggregate consideration of the acquired assets is equal to $17,500,000. The transaction closed on December 21, 2017 when the assets were acquired and the cash consideration was transferred.

WCEI provides training to healthcare professionals interested in skin and wound management. These training programs provide attendees the ability to be certified as a skin and wound management specialist and the necessary continuing education to stay certified within those areas. WOW is a media corporation that hosts seminars and conferences on behalf of WCEI customers. Annually, WOW hosts a national wound care conference designed for healthcare professionals interested in skin and wound management. The Company's primary reason for acquiring Wound Care was to further expand its presence in the healthcare training market. The goodwill that arose from the acquisition consists of synergies expected from integrating WCEI and WOW into the Company's operations and customer base. The goodwill recognized is expected to be deductible for income tax purposes.

The acquisition was accounted for in accordance with FASB ASC 805, *Business Combinations*, and accordingly, the operating results are included in the Company's consolidated financial statements from the date of acquisition. Under the acquisition method of accounting, the total purchase price was allocated to the net tangible and intangible assets acquired and any liabilities assumed, based on various estimates of their respective fair values. The purchase price allocation is subject to change upon completion of the purchase accounting, including the finalization of preliminary asset valuations. The Company expects to complete the valuation of the assets acquired and liabilities assumed during the year ending December 31, 2018.

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The following table summarizes the preliminary fair value of the consideration transferred at the acquisition date:

December 21, 2017	
Cash	$ 17,500,000
Fair Value of Consideration Transferred	**$ 17,500,000**

The following table summarizes the preliminary fair value amounts of the assets acquired and liabilities assumed at the acquisition date:

December 21, 2017	
Trade names	$ 2,500,000
Goodwill	15,000,000
Fair Value of Assets and Liabilities Transferred	**$ 17,500,000**

The goodwill was assigned an estimated useful life of 10 years and the trade names had a useful life of 10 years.

3. Leasehold Improvements, Equipment and Course Development

Leasehold improvements, equipment and course development at December 31, 2017 and 2016 were as follows:

December 31,	**2017**	2016
Leasehold improvements	**$ 1,120,361**	$ 845,691
Purchased software	**9,252,014**	5,882,628
Equipment	**2,358,094**	1,829,369
Course development	**10,064,728**	7,318,363
	22,795,197	15,876,051
Less: accumulated depreciation and amortization	**(14,203,815)**	(8,324,493)
Net	**$ 8,591,382**	$ 7,551,558

Depreciation expense was $5,879,322 and $4,671,594 for the years ended December 31, 2017 and 2016, respectively.

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4. Intangible Assets

The following tables summarize the carrying amounts of acquired and developed intangible assets and related amortization:

December 31, 2017	Weighted Average Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	11	$ 7,674,707	$ (1,749,824)	$ 5,924,883
Database	7	409,000	(122,700)	286,300
Course content	3	8,305,668	(3,465,975)	4,839,693
Internally-developed software	7	25,458,000	(9,301,733)	16,156,267
Non-compete agreements	2	616,000	(508,000)	108,000
Customer relationships	12	50,881,000	(20,421,665)	30,459,335
Total		$ 93,334,375	$ (35,569,897)	$ 57,774,478

December 31, 2016	Weighted Average Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	13	$ 7,385,000	$ (1,136,393)	$ 6,248,607
Database	8	409,000	(81,800)	327,200
Course content	2	5,087,050	(2,044,483)	3,042,567
Internally-developed software	8	25,458,000	(6,755,933)	18,702,067
Non-compete agreements	1	616,000	(454,000)	162,000
Customer relationships	13	50,881,000	(16,777,436)	34,103,564
Total		$ 89,836,050	$ (27,250,045)	$ 62,586,005

Amortization expense on intangible assets was $8,319,852 and $10,027,967 for the years ended December 31, 2017 and 2016, respectively.

Expected aggregate amortization expense for each of the next five years and thereafter is approximately as follows:

Year ending December 31,	
2018	$ 8,934,837
2019	8,330,427
2020	7,310,676
2021	6,161,778
2022	5,990,492
Thereafter	21,046,268
Total	$ 57,774,478

5. Goodwill

The changes in the carrying value of goodwill for the years ended December 31, 2017 and 2016 were as follows:

December 31,	**2017**	2016
Balance, beginning of year	**$ 108,981,586**	$ 87,985,350
Additions	**20,842,200**	31,855,570
Amortization	**(13,209,555)**	(10,859,334)
Balance, end of year	**$ 116,614,231**	$ 108,981,586

Goodwill at December 31, 2017 and 2016 was as follows:

December 31,	**2017**	2016
Gross goodwill	**$ 150,459,270**	$ 129,617,070
Less: accumulated amortization	**(33,845,039)**	(20,635,484)
Goodwill	**$ 116,614,231**	$ 108,981,586

Amortization expense of goodwill was $13,209,555 and $10,859,334 for the years ended December 31, 2017 and 2016, respectively.

Expected aggregate amortization expense for each of the next five years and thereafter is approximately as follows:

Year ending December 31,	
2018	$ 15,045,927
2019	15,045,927
2020	15,045,927
2021	15,045,927
2022	15,045,927
Thereafter	41,384,596
Total	$ 116,614,231

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6. Long-Term Debt

Term Loan

On February 28, 2014, the Company entered into a credit agreement with a lender for a term loan of $105,000,000 (Old Credit Agreement). The term loan required quarterly installments of principle of $656,250 starting June 30, 2015 and continuing through December 31, 2017, $1,312,500 through December 31, 2018, with a final payment of $92,531,250 due on February 28, 2019. Under the Old Credit Agreement, interest was payable over the interest period at a floating per annum rate equal to the LIBOR rate plus 7.5% with a LIBOR floor of 1.0%. The Old Credit Agreement required mandatory prepayments of 50% of the calculated excess cash flows annually beginning May 2016. The Old Credit Agreement also contained a revolving line of credit allowing for maximum borrowings of $5,000,000.

On September 12, 2016, the Company completed a debt refinancing that resulted in a new five year term loan of $134,000,000 with a new lender (New Credit Agreement). The new term loan replaced the existing term loan and revolving line of credit, each of which were terminated upon completion of the debt refinancing. Proceeds from the new term loan were used to repay the principle outstanding under the existing term loan in addition to financing the acquisition of IPCed. The debt refinancing was accounted for as a debt extinguishment. For the year ended December 31, 2016, the Company recognized as loss on extinguishment of debt of $2,845,986 in the accompanying consolidated statements of operations. The loss on extinguishment of debt included the write-off of unamortized debt issuance costs associated with the existing term loan of $1,444,727 and early retirement costs of $1,401,259 associated with prepaying the remaining principle outstanding on the existing term loan.

The $134,000,000 New Credit Agreement dated September 12, 2016 requires quarterly installments of principle of $335,000 beginning March 31, 2017 and continuing through June 30, 2021, with a final payment of $127,970,000 due on September 12, 2021. Under the New Credit Agreement, the Company pays interest on the new term loan at either (at the Company's election) (i) the Base Rate plus 5.5% or (ii) LIBOR plus 6.5%. The Base Rate is defined as the greatest of (a) the Prime Rate, (b) Federal Funds rate plus 0.5%, (c) the sum of LIBOR plus the spread between the applicable margin for LIBOR Loans and Base Rate Loans, and (d) 2.0%. At no time will LIBOR be less than 1.0%. Interest is payable quarterly or on the last day of the interest period, as defined in the New Credit Agreement, if based on LIBOR and monthly if based on the Prime Rate or Federal Funds rate. As of December 31, 2017, the interest rate on the new term loan was 8.2%. The New Credit Agreement requires mandatory prepayments of excess cash flows as defined in the New Credit Agreement beginning annually with the year ended December 31, 2017. As of December 31, 2017, there was no excess cash flow adjustment required.

The New Credit Agreement is collateralized by a Guarantee and Collateral Agreement covering substantially all assets of the Company. The New Credit Agreement contains certain financial and nonfinancial covenants. The financial covenants include a fixed charge coverage ratio and total debt to EBITDA ratio. The most significant nonfinancial covenants include a restriction on the Company's ability to incur any additional debt, enter into future business combinations, or make distributions to its owners without the lenders consent.

On May 31, 2017, the Company amended the New Credit Agreement to increase borrowings by $6,425,000 (Incremental Term Loan A). The proceeds from the incremental loan were used to finance the acquisition of Stringham. The amendment to the New Credit Agreement was accounted for as a debt modification and, as such, debt issuance costs of $96,375 were recorded to the consolidated balance sheet and amortized to the consolidated statement of operations through the effective interest rate method over the life of the loan. The amendment to the New Credit Agreement does not change the interest rate or maturity date. Incremental Term Loan A requires quarterly principal payments of $16,063, with the first payment beginning on June 30, 2017 and culminating with final payment of $6,119,813 on February 28, 2022.

On October 4, 2017, the Company amended the New Credit Agreement to increase borrowings up to $23,750,000 (Incremental Term Loan B). The proceeds from the incremental loan were used to finance the acquisition of Praedo and Wound Care. As of December 31, 2017, approximately $1,500,000 of Incremental Term Loan B remains available for borrowing. The amendment to the New Credit Agreement was accounted for as a debt modification and, as such, debt issuance costs of $341,250 were recorded to the consolidated balance sheet and amortized to the consolidated statement of operations through the effective interest rate method over the life of the loan. The amendment to the Credit Agreement does not change the interest rate or maturity date. Incremental Term Loan B requires quarterly principal payments of $55,625, with the first payment beginning on June 30, 2017 and culminating with final payment of $21,304,375 on February 28, 2022.

Seller Notes

On May 31, 2017, the Company entered into a term loan of $1,000,000 with the former owner of Stringham Real Estate Schools, LLC (Stringham Seller Note). The Stringham Seller Note requires monthly installments of principal of $27,778 starting July 1, 2017 continuing through maturity, June 1, 2020. Under the Stringham Seller Note, interest is to be accrued at a rate of 3% and paid out at the maturity of the loan.

On October 4, 2017, the Company entered into a term loan of $250,000 with former owers of Praedo (Praedo Seller Note). The Praedo Seller Note requires the loan to be paid in one installment on October 4, 2018. Under the Praedo Seller Note, interest is to be accrued at a rate of 2.5% and paid out at the maturity of the loan.

Long-term debt consisted of the following:

December 31,	**2017**	2016
Term loan of $134,000,000 from September 12, 2016	**$ 132,660,000**	$ 134,000,000
Incremental Term Loan A of $6,425,000 from May 31, 2017	**6,376,813**	-
Seller note of $1,000,000 from May 31, 2017	**805,555**	-
Incremental Term Loan B of $22,250,000 from October 4, 2017	**22,194,375**	-
Seller note of $250,000 from October 4, 2017	**250,000**	-
	162,286,743	134,000,000
Less: current maturities	**(2,210,083)**	(1,340,000)
Less: unamortized issuance costs	**(2,228,529)**	(2,214,231)
Long-Term Debt	**$ 157,848,131**	$ 130,445,769

The aggregate principal payments of long-term debt discount for each of the five years as of December 31, 2017 and thereafter are approximately as follows:

Year ending December 31,	Debt	Discount	Net
2018	$ 2,210,083	$ (656,730)	$ 1,553,353
2019	1,960,083	(502,279)	1,457,804
2020	1,765,639	(498,508)	1,267,131
2021	1,626,750	(492,001)	1,134,749
2022	154,724,188	(79,011)	154,645,177
Total	$ 162,286,743	$ (2,228,529)	$ 160,058,214

Revolving Line of Credit

In connection with the New Credit Agreement entered on September 12, 2016, the Company secured a revolving line of credit that allows for borrowings of up to $7,500,000 until its maturity date on September 12, 2021. As of December 31, 2017 and 2016, the Company had drawn $3,000,000 on the revolving line of credit. The remaining borrowing capacity was $4,500,000 on the revolving line of credit as of December 31, 2017.

The Company pays interest on the revolving line of credit at either (at the Company's election) (i) the Base Rate plus 5.5% or (ii) LIBOR plus 6.5%. The Base Rate is defined as the greatest of (a) the Prime Rate, (b) Federal Funds rate plus 0.5%, (c) the sum of LIBOR plus the spread between the applicable margin for LIBOR Loans and Base Rate Loans, and (d) 2.0%. At no time will LIBOR be less than 1.0%. Interest is payable quarterly or on the last day of the interest period, as defined in the New Credit Agreement, if based on LIBOR and monthly if based on the Prime Rate or Federal Funds rate. As of December 31, 2017, the interest rate on the revolving line of credit was 8.2%. In addition, the Company is required to pay a quarterly fee of 0.50% per annum on the unused portion of the revolving line of credit.

7. Profit Sharing Plan

The Company's profit sharing plan (the Plan) includes a 401(k) provision and covers substantially all employees. The Company makes a discretionary matching contribution equal to a percentage of each participant's deferred compensation, which the percentage is determined annually by the Company. In addition, the Plan allows for a discretionary profit-sharing contribution to be made by the Company. Total expense under the Plan was approximately $902,100 and $620,600 for the years ended December 31, 2017 and 2016, respectively.

8. Commitments and Contingencies

The Company has numerous non-cancelable operating lease agreements, for such items as office space and office equipment. Total rent expense related to operating leases was approximately $1,297,800 and $1,278,800 for the year ended December 31, 2017 and 2016, respectively.

Future annual minimum lease payments required under operating leases are approximately:

Year ending December 31,	Operating Leases
2018	$ 1,082,100
2019	810,500
2020	422,000
2021	386,300
2022	351,100
2023	114,400
Total	$ 3,166,400

9. Related Party Transactions

The Company has a management agreement with a stockholder, under which a quarterly financial advisory fee of the greater of $125,000 or 0.75% of the Company's adjusted consolidated EBITDA for the 12-month period ending on the last day of the applicable fiscal quarter is due. Financial advisory fees were $1,400,000 and $345,743 for the years ended December 31, 2017 and 2016, respectively. The Company also incurred and paid the stockholder $65,000 to reimburse costs incurred by the stockholder in conjunction with the purchase of IPCed during the year ended December 31, 2016.

In February 2014, the Company issued note receivables from stockholders totaling $37,000 used for the purchase of stock of the Company. As of December 31, 2017 the note receivables are still outstanding.

In September 2016, the Company issued note receivables from stockholders totaling $38,525 used for the purchase of IPCed. As of December 31, 2017 the note receivables are still outstanding.

10. Stock-Based Compensation

CIP OCL Investments, LLC is the ultimate parent company of the Company. CIP OCL Investments, LLC has established an Incentive Unit Plan through which it awards incentive units to the Company's employees or consultants or those of any of its subsidiaries. The Company records compensation expense related to incentive units granted to its employees and records a corresponding capital contribution, presented as an increase to additional paid-in capital.

Incentive units consist of Class B Units and Class C Units. The Class B Units granted consist of Time Vested Class B Units and Target Vested Class B Units. Both the Time Vested Class B Units and the Class C Units vest on each monthly anniversary of the grant date, provided the holder remains employed. The Target Vested Class B Units vest on an annual basis over five years contingent upon achievement of an annual performance target. If the annual performance target is less than 100% of the performance target for any eligible year (a "Missed Year"), the units that were eligible to vest in such Missed Year but which did not vest shall become vested concurrently with the Target Vested Class B Units for the immediately subsequent eligible year if the actual performance target for the immediately subsequent eligible year is met. Any Target Vested Class B Units for a Missed Year that fail to vest during the subsequent year will not vest at any time and will be deemed forfeited.

Upon the occurrence of a change in control, all Time Vested Class B Units and all Class C Units held on the effective date will vest in their entirety, and all Target Vested Class B Units held on the effective date will vest except for Target Vested Class B Units that are deemed forfeited as described above, provided that the holder has remained employed since the grant date.

If, at any time prior to the earliest of the consummation of an initial public offering, a change in control, or February 28, 2024, a holder ceases to be employed by or provide services to CIP OCL Investments, LLC and its subsidiaries, incentive units held by the holder will be subject to repurchase by CIP OCL Investments, LLC.

The total number of incentive units reserved and available for grant under the plan is 932,112 and consists of authorized and unissued incentive units and previously issued incentive units forfeited to, repurchased by or otherwise reacquired by CIP OCL Investments, LLC.

The Company estimated the fair value of the incentive units on the grant date using the option pricing method, which incorporates the Black-Scholes formula. The formula incorporated the following assumptions:

	2017	2016
Volatility	**60%**	60%
Expected life (years)	**5**	5
Risk free interest rate	**1.93%**	1.21 - 1.31%
Expected dividend yield	**0%**	0%

The Company has determined the volatility assumption by using the historical volatility of similar public companies. The risk-free rates used reflect the U.S. Treasury yield curve for a similar expected term instrument in effect at the time of the grant. The expected term assumption reflects the period for which the Company believes the incentive units will remain outstanding. The Company did not expect to pay dividends over the expected term of the options and therefore used zero for the dividend yield.

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A summary of the Company's incentive unit activity under the plan is as follows:

	Class B						Class C			
	Time Vested			Target Vested						
	Number of Units		Weighted Average Grant Date Fair Value	Number of Units		Weighted Average Grant Date Fair Value	Number of Units		Weighted Average Grant Date Fair Value
Non-vested incentive units **December 31, 2015**	193,670	$	3.87	287,179	$	3.52	187,740	$	1.28
Granted	36,250		9.19	36,250		8.27	35,000		6.40
Vested	(53,937)		4.30	-		-	(49,860)		1.70
Cancelled	(20,500)		4.04	(31,385)		3.64	(20,351)		1.36
Non-vested incentive units **December 31, 2016**	155,483		4.94	292,044		4.09	152,529		2.30
Granted	14,950		9.18	14,950		8.26	14,600		6.29
Vested	(60,729)		4.74	(93,676)		3.58	(58,885)		2.23
Cancelled	(14,167)		3.67	(85,027)		4.00	(8,785)		1.36
Non-vested incentive units **December 31, 2017**	95,538	$	5.70	128,291	$	5.09	99,459	$	2.98

The fair value of incentive units vested was approximately $754,400 and $339,000 for the years ended December 31, 2017 and 2016, respectively.

Stock-based compensation expense recognized for the incentive units was $656,635 and $450,000 and the related income tax benefit was approximately $262,700 and $180,000 for the years ended December 31, 2017 and 2016, respectively. There was approximately $1,546,700 of total unrecognized compensation expense related to the incentive units as of December 31, 2017. The cost is expected to be recognized over a weighted-average period of 2.3 years.

11. Income Taxes

The composition of the income tax benefit for the years ended December 31, 2017 and 2016 is as follows:

December 31,	**2017**	2016
Current	**$ 96,189**	$ (204,477)
Deferred	**(4,226,931)**	(6,183,851)
Income Tax Benefit	**$ (4,130,742)**	$ (6,388,328)

The income tax benefit does not bear the usual relationship to the Company's pretax loss. Significant items which affect the relationship are as follows:

December 31,	**2017**	2016
Expected taxes at statutory rates	**$ (8,443,697)**	$ (8,266,894)
Change in taxes resulting from:		
State taxes	**(956,679)**	(832,375)
Permanent differences	**2,518,630**	2,922,293
Rate change – tax reform	**1,055,942**	-
Valuation allowance	**1,864,396**	-
Other	**(169,334)**	(211,352)
Income Tax Benefit	**$ (4,130,742)**	$ (6,388,328)

In accordance to ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, net deferred tax assets and liabilities consisted of the following components:

December 31,	**2017**	2016
Deferred Tax Assets		
Accounts receivable	**$ 14,799**	$ 514,492
Leasehold improvements and equipment	**547,736**	400,140
Accrued expenses	**435,202**	169,540
Stock options	**-**	442,556
Unearned revenue	**101,631**	130,356
Goodwill	**-**	268,943
UNICAP	**148,428**	163,168
Net operating loss carryforwards	**4,905,418**	4,041,719
Total Deferred Tax Assets	**6,153,214**	6,130,914
Deferred Tax Liabilities		
Intangible assets	**(4,066,024)**	(10,122,273)
Prepaid expenses	**(222,793)**	(235,572)
Total Deferred Tax Liabilities	**(4,288,817)**	(10,357,845)
Less Valuation Allowance	**(1,864,397)**	**-**
Net	**$ -**	$ (4,226,931)

The Company has an obligation to review, at least annually, the components of its deferred tax assets. This review is to ascertain that, based on the information available at the time of the preparation of the consolidated financial statement, if it is more-likely-than-not, that the Company expects to utilize these future deductions and credits. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. In the event that the Company determines that it is more-likely-than-not these future deductions, or credits, will not be utilized, a valuation allowance is recorded, reducing the deferred tax assets to the amount expected to be realized. The Company's analysis at December 31, 2017 resulted in a valuation allowance of $1,864,397. The valuation allowance recorded during the year ended December 31, 2017 was primarily attributed to the cumulative losses recognized by the Company in recent years.

As of December 31, 2017, the Company has federal net operating loss carryforwards of $19,587,446. Utilization of a portion of the Company's federal tax credit carryforward is subject to limitations under Internal Revenue Code Section 382. The federal net operating loss carryforwards have a 20-year carryforward period and begin to expire in 2034.

As a result of the reduction in the U.S. corporate tax rate from 35% to 21% under the Tax Cuts and Jobs Act (the Act), the Company revalued its ending net deferred tax liability at December 31, 2017 and recognized approximately $1,055,900 of income tax expense in the Company's consolidated statement of operations and comprehensive loss for the year ended December 31, 2017. At December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the Act; however, the Company has made a reasonable estimate of the effects on its existing deferred tax balances.

12. Subsequent Events

On January 1, 2018, the Company consolidated its legal entity structure. The Company's subsidiary, OnCourse Learning Real Estate, Inc. was merged into OnCourse Learning Corporation.