TUI Learning, LLC

Consolidated Financial Statements

As of and for the Years Ended
June 30, 2017 and 2016

TUI Learning, LLC

Consolidated Financial Statements

As of and for the Years Ended June 30, 2017 and 2016

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Contents

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Independent Auditor's Report

To the Board of Managers
TUI Learning, LLC
Cypress, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TUI Learning, LLC (the "Company"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, members' deficit, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial position of TUI Learning, LLC, as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Note 9 of the Company's calculation of its Title IV 90/10 revenue test ("Note 9 – Title IV 90/10") and Note 11 on related party transactions are required by the U.S. Department of Education and are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Note 9 –Title IV 90/10 information and Note 11 on related party transactions are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

BDO USA, LLP

October 27, 2017

Consolidated Financial Statements

TUI Learning, LLC

Consolidated Balance Sheets

(in thousands)

June 30,		**2017**		2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**2,670**	$	2,850
Restricted cash		**220**		265
Accounts receivable, net		**4,130**		1,700
Notes receivable		**277**		458
Prepaid expenses and other current assets		**894**		813
Total current assets		**8,191**		6,086
Property and equipment, net		**4,616**		4,820
Intangible assets, net		**4,503**		4,631
Goodwill		**45,078**		45,078
Other assets		**251**		256
Total assets	**$**	**62,639**	$	60,871
Liabilities and Members' Deficit				
Current liabilities				
Accounts payable and accrued expenses	**$**	**3,142**	$	1,866
Accrued payroll and related benefits		**1,933**		1,656
Deferred tuition revenue		**2,208**		2,010
Student deposits		**1,302**		1,561
Other current liabilities		**121**		-
Current portion of long-term debt		**1,312**		2,250
Total current liabilities		**10,018**		9,343
Long-term portion of debt, net of current portion		**59,527**		62,275
Other liabilities		**3,308**		2,886
Total liabilities		**72,853**		74,504
Commitments and contingencies				
Members' deficit		**(10,214)**		(13,633)
Total liabilities and members' deficit	**$**	**62,639**	$	60,871

The accompanying notes are an integral part of these consolidated financial statements.

TUI Learning, LLC

Consolidated Statements of Operations

(in thousands)

Years Ended June 30,	**2017**	2016
Revenues, net	**$ 48,807**	$ 47,757
Costs and operating expenses		
Instructional costs and services	**13,767**	13,576
Selling and promotional	**11,794**	11,140
General and administrative	**16,596**	17,866
Total costs and operating expenses	**42,157**	42,582
Income from operations	**6,649**	5,175
Other expense:		
Interest expense	**(3,421)**	(4,226)
Total other expense	**(3,421)**	(4,226)
Net income	**$ 3,228**	$ 949

The accompanying notes are an integral part of these consolidated financial statements.

TUI Learning, LLC

Consolidated Statements of Members' Deficit

(in thousands, except unit amounts)

	Summit Senior Preferred Units	Senior Preferred Units	Preferred Units	Common Units	Other Incentive Units	Senior Promote Units	Tranche 1 & Tranche 2 Incentive Units	Total Members' Deficit
Balance at June 30, 2015	10,000	46	1,700,000	119,929	45,630	-	99,398	$ (14,849)
Issuance of units	-	-	-	-	-	50,000	118,402	1
Repurchase of units	-	-	-	-	(2,679)	-	(47,198)	-
Share-based compensation	-	-	-	-	-	-	-	266
Net income	-	-	-	-	-	-	-	949
Balance at June 30, 2016	10,000	46	1,700,000	119,929	42,951	50,000	170,602	(13,633)
Issuance of units	-	-	-	-	-	-	24,000	-
Repurchase of units	-	-	-	-	(21,435)	-	(24,000)	-
Share-based compensation	-	-	-	-	-	-	-	191
Net income	-	-	-	-	-	-	-	3,228
Balance at June 30, 2017	10,000	46	1,700,000	119,929	21,516	50,000	170,602	$ (10,214)

The accompanying notes are an integral part of these consolidated financial statements.

TUI Learning, LLC

Consolidated Statements of Cash Flows

(in thousands)

Years Ended June 30,		**2017**		2016
Cash flows from operating activities				
Net income	**$**	**3,228**	$	949
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:				
Share-based compensation		**191**		266
Depreciation and amortization		**3,151**		2,907
Amortization of financing costs		**495**		497
Impairment of leasehold improvements		**-**		250
Provision of bad debts		**56**		580
Paid-in-kind interest on long-term debt		**286**		304
Changes in assets and liabilities				
Restricted cash – student stipends		**45**		163
Restricted cash - used to secure credit card processor		**-**		(200)
Accounts receivable		**(2,485)**		146
Notes receivable		**181**		(81)
Prepaid expenses and other current assets		**(81)**		(2)
Accounts payable and accrued expenses		**1,276**		(1,017)
Accrued payroll and related benefits		**277**		898
Deferred tuition revenue		**198**		609
Student deposits		**(259)**		340
Other assets and liabilities, net		**547**		92
Net cash and cash equivalents provided by operating activities		**7,106**		6,701
Cash flows from investing activities				
Purchases of property and equipment		**(2,820)**		(2,270)
Net cash and cash equivalents used in investing activities		**(2,820)**		(2,270)
Cash flows from financing activities				
Issuance of units, net		**-**		1
Payments on line of credit, net		**(1,500)**		(1,500)
Payment of deferred financing costs		**-**		(94)
Repayment of term loan borrowings		**(2,966)**		(645)
Net cash and cash equivalents used in financing activities		**(4,466)**		(2,238)
Net increase (decrease) in cash and cash equivalents		**(180)**		2,193
Cash and cash equivalents, beginning of year		**2,850**		657
Cash and cash equivalents, end of year	**$**	**2,670**	$	2,850
Supplemental disclosure of cash flow information:				
Interest paid	**$**	**2,650**	$	3,418
Paid-in-kind interest on long term debt		**286**		304

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of the Organization

TUI Learning, LLC ("TUI" or the "Company"), through its subsidiary, Trident University International, LLC (formerly known as TUI University, LLC), is an Internet-based university located in California, which offers bachelors, masters and doctoral degrees in business administration, health sciences, information systems and education.

Regulatory

TUI is accredited by the Western Association of Schools and Colleges ("WASC" or the "Commission"). In March 2013, the Commission provided the Company with notification indicating that its accreditation has been reaffirmed, with the next comprehensive review to be scheduled in 2018.

The Company participates in Title IV programs under a Provisional Program Participation Agreement ("PPA"). The Company submitted for recertification on June 26, 2017, and is currently under month-to-month approval while awaiting recertification from the United States Department of Education.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of TUI Learning, LLC and its subsidiary, Trident University International, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP 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 revenues and expenses for each reporting period. Significant items subject to such estimates and assumptions include the valuation of receivables, goodwill, intangible assets, long-lived assets and stock based compensation. Estimates were made based on the Company's historical experience, knowledge of current events, industry and market conditions, anticipated future events and valuation methodologies. Actual results could materially differ from those estimates. The Company evaluates and updates its assumptions and estimates on an ongoing basis.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash and cash equivalents.

Restricted Cash

The majority of the restricted cash balance consists of a $200 reserve to meet future credit card obligations and stipends received from the government or other payors for future classes to be taken by students.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represent amounts due for student courses and are recognized when the student has registered for a course and the course has commenced. Accounts receivable are recorded at net realizable value or the amount expected to be received from students or third-party payors. Accounts receivable are generally due upon receipt of invoice or in certain cases up to 30 days after the end of a student's course. The Company does not require collateral for outstanding receivables.

An allowance for doubtful accounts is maintained to provide for potential credit losses on receivables. Management continually monitors and adjusts its allowances associated with receivables to address credit risks. The allowance for doubtful accounts is management's best estimate of the probable loss based on historical collection experience and current conditions. The allowance for doubtful accounts is determined by analyzing the accounts receivable by payor type and applying historical payment trends by payor type to derive estimated uncollectible balances. Accounts receivables, net of recoveries, are written off against the allowance after internal collection activity has been exhausted and the potential for recovery is remote. As of June 30, 2017 and 2016, allowance for doubtful accounts approximated $1,465 and $1,409, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight line basis over their estimated useful lives of 3 to 5 years. Maintenance and repairs are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the estimated useful life or the related lease term. Upon retirement or disposition of property and equipment, the related costs and accumulated depreciation is removed and a gain or loss is recorded in the consolidated statement of operations.

Internally Developed Software

The Company capitalizes software development costs for internal use in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*. Capitalized internal software costs are included in property and equipment and are amortized using the straight-line method over an estimated useful life of three years.

Goodwill and Indefinite Lived Intangible Assets

The Company's indefinite lived intangible assets consist of a trade name and accreditation. Goodwill represents the excess of purchase consideration paid over the fair value of net assets acquired in a business acquisition. Goodwill at June 30, 2017 and 2016 is fully attributable to the asset acquisition of Touro University International from Touro College in 2007.

In accordance with ASC 350, goodwill and indefinite lived intangible assets are not amortized but rather reviewed for impairment annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's annual impairment testing date is March 31. Goodwill impairment is determined utilizing either a qualitative assessment or a two-step process. If the Company decides that it is appropriate to perform a qualitative assessment and concludes that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation necessary.

If the two-step process is performed, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. Fair value is estimated using valuation techniques, including a discounted cash flow model. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit.

The discounted cash flow model requires the Company to make various judgments, estimates and assumptions, many of which are interdependent, about future enrollments and revenues, operations margins, growth and retention rates, capital expenditures, working capital and discount rates. The Company takes into consideration a multitude of factors, including historical growth rates and operating performance, related industry trends, macroeconomic conditions, and marketplace data, among others, when preparing the long range financial forecast. Assumptions are also made for perpetual growth rates for periods beyond the long range financial forecast period. The Company's estimates of fair value are highly sensitive to change in these variables, certain of which relate to broader macroeconomic conditions outside the Company's control. Any changes to these estimates or assumptions could result in a material impairment charge. The estimates, based on reasonable and supportable assumptions and projections, require management's subjective judgments. Depending on the assumptions and estimates used, the estimated results of the impairment tests can materially vary within a range of outcomes.

The impairment test for indefinite lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. The excess of the carrying amount of the intangible asset over its fair value is its impairment loss.

During the years ended June 30, 2017 and 2016, the Company did not record any impairment of its goodwill or indefinite lived intangible assets.

Impairment of Long-lived Assets

The Company assesses potential impairments to its long-lived assets, including intangible assets subject to amortization, when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The intangibles subject to amortization are student relationships, non-compete agreements, course curriculum, and developed technology. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results.

In June 2016, the Company amended its lease for office space in Cypress, California, decreasing floor space rented, extending the term, and adjusting the lease payments, among other changes in terms (see Note 8). As a result of the reduction in floor space rented, the Company recorded an impairment of the related leasehold improvements of approximately $250 which is included in general and administrative expenses in accompanying statement of operations for the year ended June 30, 2016.

No other impairment to long lived assets was identified as of June 30, 2017 and 2016.

Fair Value Measurement

The Company determines fair value in accordance with ASC 820, which defines fair value and establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

- Level 3 inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. ASC 820 does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

Deferred Financing Costs

Deferred financing costs represent those costs incurred to obtain debt financing which are amortized over the terms of the underlying obligations using the effective interest method.

Amortization of deferred financing costs for the years ended June 30, 2017 and 2016 was $495 and $497 and are included in interest expense in the accompanying consolidated statements of operations.

Deferred Tuition Revenue and Student Deposits

Deferred tuition is the aggregate amounts billed to students but not earned and is reflected as a current liability in the consolidated balance sheet as such amount is expected to be earned within the next year. Tuition received either directly from the student or from the student's source of funding that is in excess of amounts billed is recorded as a student deposit and applied to future classes and recognized as revenue when earned.

Revenue Recognition

The Company's revenue consists primarily of tuition from courses taught online. Tuition revenue is deferred and recognized on a straight-line basis over the applicable period of instruction net of expected refunds. If a student withdraws from a program prior to a specified date, a portion of such student's tuition is refunded. Provisions for expected refunds have not been material to any periods presented.

Selling, Promotional and Advertising Costs

Selling, promotional and advertising costs are expensed as incurred and totaled $5,990 and $5,457 for the years ended June 30, 2017 and 2016, respectively.

Leases

Leases are evaluated and classified as operating or capital leases at the inception of the lease. Tenant allowances from the lessor for certain improvements made to property under lease, are capitalized as leasehold improvements and a long-term liability is established. The long-term liability is amortized on a straight-line basis over the corresponding lease term. Additionally, the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded as a long-term liability.

Income Taxes

The Company has elected to be taxed as a partnership for federal and state income tax purposes. Therefore, all items of income and expense for the Company pass through to the members and the Company does not realize any income tax expense, income tax liability or deferred income taxes. Furthermore, the Company pays no income taxes, other than minimum state income taxes.

Based on its evaluation under ASC 740, *Income Taxes* ("ASC 740"), the Company has concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions. The Company's evaluation was performed for the tax year beginning July 1, 2016, through June 30, 2017. If an uncertain income tax position were to be identified, the Company would account for such in accordance with ASC 450, *Contingencies*.

Equity-Based Compensation

Equity-based compensation to employees, including grants of incentive units, stock options, restricted stock units and employee stock purchase rights are recognized based on their respective grant date fair values. Equity based compensation expense is recognized on a straight-line basis over the requisite vesting period and is reflected in general and administrative expenses the accompanying statement of operations (see Note 7).

Concentration of Credit Risk

A significant portion of tuition revenue is derived from federal sources, primarily military tuition assistance. Additionally, accounts receivable of approximately 28% and 21% were derived from military students as of June 30, 2017 and 2016, respectively.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation. The reclassifications of debt issuance costs had no effect on net income (loss).

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services, and 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, (v) recognize revenue when (or as) the entity satisfies a performance obligation. Three basic transition methods are available — full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2019) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. This standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently analyzing the impact of this accounting standard on its consolidated financial statements.

In August 2014, FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard is effective for reporting periods ending after

December 15, 2016. The adoption of this standard did not have a significant impact on the consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*. This ASU revises Subtopic 835-30 to require that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the amendments, debt issuance costs were presented as a deferred charge (i.e., an asset) on the balance sheet. Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. The amendments are effective for reporting periods beginning after December 31, 2015. The adoption of this standard required $1,134 and $1,629, respectively, to be reflected against the long-term portion of debt as of June 30, 2017 and 2016.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, amending the accounting for leases. The new guidance requires the recognition of lease assets and liabilities for operating leases with terms of more than 12 months, in addition to those currently recorded, in the balance sheet. Presentation of leases within the statement of operations and statement of cash flows will be generally consistent with the current lease accounting guidance. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the impact on its consolidated financial statements; however, the Company expects the ASU will have a material impact on the consolidated financial statements, primarily to the balance sheet and related disclosures.

In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash*. This ASU updates Topic 230 to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments should be applied retrospectively to each period presented. Early adoption is permitted, including adoption in an interim period. The Company is currently analyzing the impact of this accounting standard on its consolidated financial statements.

In January 2017, FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the test for Goodwill Impairment* ("ASU 2017-04"). This ASU eliminates Step 2 from the goodwill impairment test. ASU 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new standard will be effective for reporting periods ending after December 15, 2021, with early adoption permitted beginning in January 2017. The Company is currently analyzing the impact of this accounting standard on its consolidated financial statements.

(in thousands, except unit and per unit amounts)

3. Property and Equipment

Property and equipment consist of the following:

As of June 30,	**2017**	2016
Computer equipment and software	**$ 5,219**	$ 4,867
Website development	**780**	780
Furniture, fixtures and equipment	**1,994**	1,791
Internally developed software	**8,056**	5,792
	16,049	13,230
Accumulated depreciation and amortization	**(11,433)**	(8,410)
	$ 4,616	$ 4,820

Depreciation expense was $3,023 and $2,779 for the years ended June 30, 2017 and 2016, respectively.

4. Intangible Assets

The following is a summary of the Company's acquired intangible assets:

	June 30, 2017			
Intangible assets	**Useful Life (Years)**	**Carrying Amount**	**Accumulated Amortization**	**Net**
Student relationships	**6**	**$ 22,228**	**$ (22,228)**	**$ -**
Noncompete agreements	**5**	**12,000**	**(12,000)**	**-**
Course curriculum	**15**	**1,921**	**(1,238)**	**683**
Developed technology	**5**	**587**	**(587)**	**-**
Trade name – indefinite life	**N/A**	**2,860**	**-**	**2,860**
Accreditation – indefinite life	**N/A**	**960**	**-**	**960**
		$ 40,556	**$ (36,053)**	**$ 4,503**

	June 30, 2016			
Intangible assets	Useful Life (Years)	Carrying Amount	Accumulated Amortization	Net
Student relationships	6	$ 22,228	$ (22,228)	$ -
Noncompete agreements	5	12,000	(12,000)	-
Course curriculum	15	1,921	(1,110)	811
Developed technology	5	587	(587)	-
Trade name – indefinite life	N/A	2,860	-	2,860
Accreditation – indefinite life	N/A	960	-	960
		$ 40,556	$ (35,925)	$ 4,631

(in thousands, except unit and per unit amounts)

Amortization expense for intangible assets subject to amortization approximated $128 and $128 for the years ended June 30, 2017 and 2016, respectively.

The estimated amortization expense to be recorded subsequent to June 30, 2017 is as follows:

For the year ending June 30,		
2018	$	128
2019		128
2020		128
2021		128
2022		128
Thereafter		43
	$	683

5. Long-Term Debt

Long-term debt consists of the following:

As of June 30,		**2017**		2016
Term loan payable to bank with mandatory minimum payments due quarterly, as applicable, and balloon payoff with accrued PIK interest at 1% per annum, due in October 2019	**$**	**26,973**	$	29,654
Credit facility with bank with mandatory periodic principal payments of $750,000 from October 2015 through June 2017		-		1,500
Term loan payable to principal member which matures in April 2020		**35,000**		35,000
		61,973		66,154
Less: Debt issuance costs		**1,134**		1,629
Less: Current maturities		**1,312**		2,250
Long-term portion of debt, net	**$**	**59,527**	$	62,275

Loan Payable to Bank

In October 2014 (as subsequently amended), the Company entered into a $35,000 credit facility with a bank consisting of a $30,000 term loan and a $5,000 available revolving credit facility (the "Credit Facility"). Funds affiliated with Summit Partners (the Company's principal member) agreed to guarantee $4,000 of the Credit Facility obligations pursuant to a Limited Guaranty entered into for the benefit of the new lender and agent. In the event the Limited Guaranty is called upon by the lenders, the guaranteeing funds will be subrogated to the rights of the lender subject to certain limitations. Proceeds from the term loan, plus approximately $5,014 in additional cash, were used towards the pay-off of the existing term loan payable. Bank and other fees paid in connection with securing the Credit Facility was approximately $2,400. Additional prepayment fees ranging from 1% to 3% of the principal amount being prepaid will be due if the Company decides to prepay all or part of the term loan prior to October 2017. Interest on the Credit Facility accrues at either a base rate (greater of prime rate or the federal funds rate plus ½ percent, with a 3.25% floor) plus a margin of 6.75% or a LIBOR rate, as defined, plus a margin of 9.00%. The interest rate margins are subject to reduction upon the Company's attainment of certain financial ratios. The interest rate as of June 30, 2017 was 9%, including PIK interest of 1%. Mandatory minimum quarterly principal payments on the Credit Facility range from $75 to $375 beginning December 31, 2014, with a balloon payment of approximately $25,000 with accrued PIK interest at 1% per annum due in October 2019. In addition, the revolving credit facility required principal payments of $750,000 at October 2015, June 2016, December 2016, and June 2017. The Credit Facility contain various covenants, including but not limited to, minimum coverage ratios, minimum EBITDA requirements and restrictions on capital expenditures. The Credit Facility is collateralized by substantially all the assets of the Company.

Loan Payable to Principal Member

In October 2007 (as subsequently amended), the Company entered into a second lien term loan with the Company's principal member with a maximum borrowing capacity of $35,000. The outstanding balance on the term loan is subordinated to the bank term loan.

Concurrent with the Credit Facility, the Company also entered into additional amendments to the term loan with its principal member to amend certain terms and provisions, including the extension of the maturity date to April 2020, and beginning in October 2014 the loan is no longer interest bearing.

In connection with the Credit Facility and amendment and restatement of the second lien term loan agreement, the second lien holders contributed to the Company all unpaid PIK interest ($11,707, which was then extinguished) in exchange for 5,000 Summit senior preferred units and 850,000 preferred units.

In October 2014, in connection with the Company entering into the Credit Facility, the funds affiliated with Summit Partners (the Company's principal member) secured a letter of credit on behalf of the Company (the "Member LC") that is issued in favor of the bank that issued the letter of credit in favor of the United States Department of Education. In the event the Member LC is drawn on, the members securing it will be entitled to reimbursement from the Company for the amounts incurred solely in the form of a deemed capital contribution in respect of the Summit senior preferred units they hold in such amounts.

The provisions of the debt agreements require that the Company maintain certain financial covenants, as amended. The Company was in compliance with these amended covenants for both lenders as of and for the year ended June 30, 2017.

6. Preferred and Common Units

In September 2013, the Company issued 5,000 shares of its newly designated Summit senior preferred units in exchange for $5,000. The $5,000 was used to make a required principal payment on the First Lien Term Loan. In connection with the October 2014 Credit Facility and amendment and restatement of the second lien term loan agreement, the second lien lenders contributed to the Company all unpaid PIK interest ($11,707, which was then extinguished) in exchange for 5,000 Summit senior preferred units and 850,000 preferred units that are economically equivalent (including accrued preferential returns and deemed preference amounts) to the Summit senior preferred units and preferred units that were outstanding as of June 30, 2014. The Summit senior preferred units are held by funds affiliated with a private equity firm.

The Company had 100 senior preferred units authorized and 46 outstanding as of June 30, 2017 and 2016 and 1,700,000 preferred units authorized and outstanding as of June 30, 2017 and 2016. The Company had 150,000 common units authorized and 119,929 common units outstanding as of June 30, 2017 and 2016. The senior preferred units are held by two members of the Company's board of managers, one of whom is a former member of management and whom also holds 44,929 common units. The preferred units are held by funds affiliated with a private equity firm. Additionally, 50,000 common units are held by the previous owner (the "Seller") of Touro University International, the predecessor to Trident University International, LLC, and 25,000 common units are held by a former employee of the Company. The Company had 10,000 Summit senior preferred units authorized and outstanding as of June 30, 2017 and 2016. The Summit senior preferred units represent a senior fixed-value right to capital in the Company and a specified multiple of its money together with a preferential return described below. The senior preferred units represent a senior fixed-value right to capital in the Company. The preferred units represent a fixed-value right to capital in the Company and a preferential return described below, together with a share of any residual, or remaining, value of the Company following payment of all preferential amounts. As of June 30, 2017 and 2016, the preferred units represented a 93% and 93% ownership interest, respectively, in the residual value of Company (prior to dilution from the incentive equity units discussed in Note 7). The common units represented a 7% and 7% ownership interest, respectively, in the residual value of the Company at June 30, 2017 and 2016 (prior to dilution from the incentive equity units discussed in Note 7). The Summit senior preferred, senior preferred units, preferred units and common units were issued with the following terms:

Liquidation Preference and Distributions

In the event of a liquidation, dissolution or winding up of the Company, the Board of Managers shall designate the liquidator of the business in accordance with the membership agreement. The liquidator will be responsible for satisfying all of the Company's debts and liabilities with creditors (other than its members) with the assets of the business.

Distributions and value beyond that which is used to satisfy the Company's debt and liabilities with creditors will be made and allocated in the following order of priority: (i) To holders of Summit senior preferred units, an amount such that, when taken together with any previous distributions made by the Company on the Summit senior preferred units, each outstanding Summit senior preferred unit receives $1,000, plus a cumulative preferential return accruing on such Summit senior preferred unit on a daily basis, at the rate of 20% per annum, compounded quarterly each calendar year, (ii) to the holders tranche 1 senior incentive units, 10% of distributions, until distributions to the holders of Summit senior preferred units and senior preferred units as described in this clause are complete, and to the holders of Summit senior preferred units or senior preferred units (ratably among them based on the amount to which they are then entitled described in this clause (ii)), 90% of distributions such that, when taken together with any previous distributions made by the Company on the Summit senior preferred units or senior preferred units described in this clause (ii), each Summit senior preferred unit receives $4,000 and each senior preferred unit holder receives $100,000, (iii) to the holders tranche 2 senior incentive units, 14% of the remaining distributions, and to holders of preferred units or common units, 86% of the remaining distributions such that, (a) each preferred unit holders receives an amount equal to an 8% cumulative preferential return on the aggregate liquidation preference amount, compounded annually, plus an amount equal to a per unit liquidation preference equal to their original cost or deemed original cost, (b) each common unit holders receives an amount equal to 119,929 divided by 1,700,000 (which may be adjusted for certain dilutive issuances of units) multiplied by the amount distributed to the preferred unit holders under the preceding clause (i.e., an amount per unit equal to the original preferred unit cost plus a cumulative return, compounded annually), and (c) to the preferred unit, common unit and incentive unit holders on a pro-rata, "as converted" basis in accordance with the number of units held (subject to possible adjustment for certain dilutive issuances of units). The Board of Managers will determine if and when any distributions are to be made, and any distributions will be made in accordance with the waterfall described above and the terms of the membership agreement.

Preferential Return Rate

The holders of Summit senior preferred units, preferred units and common units are entitled to receive a cumulative return based on the liquidation preference described above, when and as declared by the Board of Managers and subject to the order of priority of distributions described in the preceding paragraph. As of June 30, 2017 and 2016, cumulative accrued returns on the Summit senior preferred units were approximately $19,674 and $17,106, respectively. As of June 30, 2017 and 2016, returns on the preferred and common units were approximately $24,725 and $22,893, in aggregate or $13.59 and $12.58 per unit, respectively, for both the preferred and common unit holders. There have been no distributions declared by the Board of Managers or accrued by the Company as of June 30, 2017 and 2016.

Voting Rights

On all matters on which the members are entitled to vote generally, common units are entitled to one vote per unit and the preferred units issued in 2007 are entitled to one vote per common unit held on an "as-converted" basis. Summit senior preferred units, senior preferred units, and the preferred units issued in October 2014 are not entitled to any voting rights.

In accordance with the membership agreements of the Company and Trident University International, LLC, the respective Boards of Managers and Trustees shall conduct, direct and execute full control over all activities of the Company and of Trident University International, LLC. The Boards of Managers and Trustees of the Company and of Trident University International, LLC, respectively, had the same membership as each other and consisted of twelve members and fourteen members as of June 30, 2017 and 2016, respectively. As of both June 30, 2017 and 2016, the chief executive officer served as a member of each Board by virtue of his or her position and the remaining members of the Boards were elected by the holders of a majority of the voting units (in the case of the Company) or by the Company (in the case of Trident University International). Each member of the Board of Trustees is entitled to cast one vote, except that the chief executive officer serves on the Trident University International, LLC board in a non-voting capacity and decisions are made based on obtaining a majority of the voting rights.

Additionally, if at any time, the principal member and Board of Managers approve (i) the consummation of a public offering (as defined in the membership agreement) or (ii) the reorganization of the business, or the principal member approves the sale of the Company, each unit holder shall not object to such decision and will use all reasonable efforts to execute such transaction.

Conversion Feature

Effective upon the consummation of a public offering, each Summit senior preferred, senior preferred, preferred, common, and incentive equity unit shall convert into shares of common stock of the successor company (public registrant), and the shares of successor company shall be allocated among the holders of the senior preferred, preferred, common, and incentive units in exchange for their ownership interest such that each holder shall receive a number of shares of successor stock equal to the quotient of (i) the amount such holder would have received in respect of such holder's units in a liquidation or dissolution at the time of the public offering (as converted amount) divided by (ii) the offering price in the transaction.

The "as converted" number of common units deemed held by holders of preferred units is determined by dividing the sum of (i) the aggregate amount of capital contributions made with respect to such holder's preferred units, plus (ii) the aggregate unpaid preferential return thereon, by (iii) the conversion price in effect at such time.

7. Incentive Equity Units

Under the membership agreement, the Board of Managers of the Company is responsible for granting of up to 240,000 tranche 1 and tranche 2 senior incentive units ("senior incentive units"), and 128,969 incentive units ("incentive units", together, "incentive equity units") to employees and board members. During the year ended June 30, 2016, the Company authorized and issued 50,000 Senior Promote Units to an executive of the Company. As of June 30, 2017, the Company has 21,516 incentive units, 50,000 Senior Promote Units and 170,602 senior incentive units outstanding to eligible employees and board members who paid between $0.002 and $0.050 per unit for the awards. Incentive equity units are drawn from the pool of authorized but unissued incentive equity units. The incentive equity units and the Senior Promote Units vest over a period of four years and have no approval, voting, governance, control or preemptive rights as well as no redemption features. In the event that the employee or board member ceases to be employed by or serve the Company, then as of the termination date (i) the holder's incentive equity units and Senior Promote Units become vested on a pro-rata basis through the termination date (with first year cliff vesting in some instances), and (ii) all further vesting ceases, except that in some cases a termination for cause results in all incentive equity units and Senior Promote Units remaining unvested. Some unvested incentive equity units are subject to forfeiture at the time of a termination of employment or services. The remaining incentive equity units and Senior Promote Units are subject to a right of repurchase by the Company upon a termination of employment or services. The repurchase price for the unvested incentive equity units and Senior Promote Units is the lesser of their original cost or fair market value. The repurchase price for the vested incentive equity units and Senior Promote Units is fair value unless the termination is for cause, in which case it is the lesser of cost or fair value. Distributions in respect of unvested incentive equity units and Senior Promote Units, if any, will be escrowed rather than paid to the holder. These distributions will be subsequently paid to the holder as the incentive equity units and Senior Promote Units vest. If the holder's employment or service terminates, then the amount held in escrow will be forfeited. The incentive equity units and Senior Promote Units are considered equity or profit interests in the Company and, therefore, all holders are members of the limited liability company.

As of June 30, 2017 and 2016, 128,558 and 123,773 incentive equity units and Senior Promote Units were vested, respectively. If all 242,118 incentive equity units remain outstanding and vest, the Company will record an aggregate of $708 in additional compensation expense, which will be recognized on a pro-rata basis over the remaining four-year vesting period.

The following table presents a summary of the incentive equity unit activity in years ended June 30, 2017 and 2016 (in thousands, except for purchase prices and contractual terms):

	Incentive Equity Units and Senior Promote Units Outstanding	Weighted-Average Purchase Price Per Unit	Weighted-Average Remaining Vesting Term (in years)	Aggregate Intrinsic Value
Balance at June 30, 2015	145,028	$ 0.012	0.92	$ 888
Issuances	168,402	0.004		
Repurchases	(49,877)	0.004		
Balance at June 30, 2016	263,553	0.007	2.12	1,431
Issuances	24,000	0.003		
Repurchases	(45,435)	0.009		
Balance at June 30, 2017	242,118	$ 0.037	1.88	$ 1,433

The Company determined the estimated fair value of the incentive equity units using an option pricing methodology. The weighted average fair value of the incentive equity units granted during the years ended June 30, 2017 and 2016 was $7.10 and $3.89, respectively. The fair value of each unit was estimated on the date of grant using the following assumptions:

	2017	2016
Risk-free interest rate	**1.50%**	1.04%
Expected dividend yield	**0.00%**	0.00%
Expected volatility	**75.00%**	74.00%
Expected life (in years)	**3.00**	4.00

Compensation expense related to incentive equity units and Senior Promote Units for the years ended June 30, 2017 and 2016 was $191 and $266, respectively.

8. Commitments and Contingencies

Operating Leases

In May 2011, the Company entered into a lease for office space located in Cypress, California. The facility consists of 62,373 rentable square feet and the term of the lease is for seven years from the date of initial occupancy, with two options to extend the lease term for five years each. Pursuant to the lease, the Company obtained an improvement allowance of $1,643. The Company recorded the improvement allowance as a deferred rent credit, which is amortized as a reduction to rent expense over the life of the lease.

In June 2016, the Company amended the lease agreement, decreasing the rentable square feet to 37,786 and extending the lease term through August 31, 2023. From January 2016 through the end of the lease term, monthly payments will approximate $7,863. In addition, any expenses incurred by the landlord to demise the space that exceed the Demising Allowance of $100 shall be the responsibility of the Company. No amounts have been accrued for this contingent liability as the estimate of costs incurred was less than the allowance. In addition, the amendment granted the Company a tenant improvement allowance of $113 and included two options to renew the lease for a period of five years for each extension. The amendment also revised the amount of common area maintenance to be charged to the Company as a result of the reduction in rented floor space.

(in thousands, except unit and per unit amounts)

Estimated minimum future commitments under non-cancelable operating leases, excluding common area maintenance charges, are as follows:

For the years ending June 30,		
2018	$	934
2019		961
2020		988
2021		1,019
2022		1,051
Thereafter		1,264
	$	6,217

Rent expense net of tenant improvement allowances for the years ended June 30, 2017 and 2016 was $865 and $867, respectively, which is included in general and administrative expense in the accompanying consolidated statements of operations.

Litigation

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Company's management, the outcome of such matters will not have a material effect on the accompanying consolidated financial statements. Moreover, the Company maintains insurance coverage, which management believes is sufficient to ensure that the final outcome of any claims or proceedings will not have a significant adverse effect on the consolidated financial position, operations or liquidity of the Company.

Jones International University Transfer Agreement

In March 2015 (and as subsequently amended), the Company entered into a transfer agreement with Jones International University, Ltd. ("JIU") to transfer JIU students to the Company, with the anticipation of a teach-out of all of its programs and ultimate closure of JIU. In exchange for transitional services and related consent and licenses to be provided by JIU, the Company agreed to pay JIU 25%-35% (based on student status prior to enrollment at the Company) share of net tuition revenue earned and collected from the JIU transfer students with payments due to JIU beginning January 1, 2016. As of June 30, 2017, the Company was in a net payable position related to the TUI JIU transfer agreement. This net $153 payable balance is reflected as $186 payable and $33 receivable, which are reflected in accounts payable and accrued expenses and prepaid expenses and other current assets, respectively, in the accompanying consolidated balance sheet. As of June 30, 2016, the Company was in a net prepaid position related to the TUI JIU transfer agreement. This net $33 prepaid balance is reflected as $26 payable and $59 receivable, which are reflected in accounts payable and accrued expenses and prepaid expenses and other current assets, respectively, in the accompanying consolidated balance sheet.

9. Regulatory

The Company is subject to extensive regulation by (1) state regulatory bodies, (2) accrediting agencies recognized by the U.S. Secretary of Education and (3) the federal government through the Department of Education ("ED") and under the Higher Education Act of 1965, as amended, or the Higher Education Act. The regulations, standards and policies of these agencies cover the vast majority of the Company's operations.

TUI participates in various government programs. The Higher Education Act as amended ("HEA") and its implementing regulations specify the manner in which the ED reviews postsecondary education institutions for eligibility and certification to participate in Title IV programs. Every institution participating in Title IV programs must be eligible and certified to participate and is required to renew this certification periodically.

Financial Responsibility

All institutions participating in the Title IV Programs must satisfy specific standards of financial responsibility as promulgated by the ED. The ED evaluates institutions for compliance with these standards each year, based on the institution's annual audited financial statements. Compliance with the financial responsibility standards are determined through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a composite score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs.

As a result of the low composite scores experienced by the Company, ED required TUI to maintain an irrevocable letter of credit in favor of ED in the amount of $4,351. During 2017, the Company amended the letter of credit, which extends the expiration date to June 30, 2018. For the years ended June 30, 2017 and 2016, the Company has calculated the composite score as 0.3 and -0.2, respectively.

Student Default Rate

For each fiscal year, the ED calculates a rate of student defaults for each educational institution which is known as a "cohort default rate". An institution may lose its eligibility to participate in some or all Title IV programs if, for each of the three most recent federal fiscal years for which information is available, 25% or more of its students who became subject to a repayment obligation in that federal fiscal year defaulted on such obligation by the end of the following federal fiscal year. In addition, an institution may lose its eligibility to participate in some or all Title IV programs if its cohort default rate exceeds 40% in the most recent federal fiscal year for which default rates have been calculated by the ED. The Company's three year cohort default rate for the 2014 federal fiscal year was 3.1%. Federal fiscal year 2014 is the most recent year for which this information is available.

(in thousands, except unit and per unit amounts)

Revenue Sources

The Company derives a portion of its revenues from Title IV programs administered by the ED pursuant to the HEA. To continue to participate in the Title IV programs, the Company must comply with the regulations promulgated under HEA. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from Title IV programs (the "90/10 rule"). The failure of the institution to meet the 90 percent limitation could result in the loss of the institution's ability to participate in Title IV programs. For the years ended June 30, 2017 and 2016, the Company computed revenue test percentages as follows:

	2017	2016
Revenue from Title IV	**$ 18,687**	$ 19,248
Total cash basis revenue	**$ 44,690**	$ 48,510
Title IV sources	**42%**	40%
Non-Title IV sources	**58%**	60%

In accordance with 34 C.F.R. 668.23, further analysis of Title IV revenues and total cash basis revenues for the years ended June 30, 2017 and 2016 is as follows:

	Year ended June 30, 2017	
	Amount Disbursed	**Adjusted Amount**
Adjusted Student Title IV revenue		
Subsidized loan	**$ 5,229**	**$ 5,229**
Unsubsidized loan	**22,082**	**22,082**
Plus loan	**622**	**622**
Federal PELL grant	**8,116**	**8,116**
Student Title IV revenue		**36,049**
Revenue adjustment		
If the amount of Funds Applied First plus Student Title IV Revenue is more than tuition and fees, then reduce Title IV Revenue by the amount over tuition and fees		**(11,400)**
Title IV funds returned for a student under 34 C.F.R. § 668.22 (withdrawal), reduce Student Title IV Revenue		**(5,964)**
Adjusted Student Title IV revenue		**$ 18,687**
Student non-Title IV revenue		
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	**$ 7,092**	
Student payments	**18,911**	
Student non-Title IV revenue	**$ 26,003**	
Revenue from other sources (totals for the fiscal years)	**$ -**	

	Year ended June 30, 2016			
		Amount Disbursed		Adjusted Amount
Adjusted Student Title IV revenue				
Subsidized loan	$	4,709	$	4,709
Unsubsidized loan		22,183		22,183
Plus loan		653		653
Federal PELL grant		6,760		6,760
Student Title IV revenue				34,305
Revenue adjustment				
If the amount of Funds Applied First plus Student Title IV Revenue is more than tuition and fees, then reduce Title IV Revenue by the amount over tuition and fees				(15,057)
Adjusted Student Title IV revenue			$	19,248
Student non-Title IV revenue				
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$	1,810		
Student payments		27,452		
Student non-Title IV revenue	$	29,261		
Revenue from other sources (totals for the fiscal years)	$	1		

As more than ten percent of revenue is received outside Title IV programs, the Company is considered to be in compliance with this eligibility requirement.

10. Defined Contribution Plan

Effective October 31, 2007, the Company adopted a 401(k) plan which covers all employees meeting certain eligibility requirements. Per the 401(k) Plan Agreement participants may contribute up to 96% of their salary to the 401(k) plan subject to certain limitations. The Company's contributions are discretionary and cannot exceed 4% of the employee's salary. During the years ended June 30, 2017 and 2016, the Company did not contribute to the plan.

11. Related Party Transactions

The Company derives a portion of its revenues from Student Financial Aid ("SFA") received by its students under the Title IV programs administered by the ED pursuant to the HEA, as amended. To continue to participate in the SFA programs, the Company must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

The Company commenced operations effective October 31, 2007 when it acquired the assets of Touro University International from Touro College, a not-for-profit organization (the "Seller"). The Seller has a 5% ownership in TUI Learning, LLC (before dilution from the incentive units described above).

The principal members of the Company are investment funds affiliated with a private equity firm, Summit Partners, L.P., which contributed members' equity and issued a $35,000 term loan to the Company on October 31, 2007 in order to consummate the acquisition of Touro University International (see Note 5).

The Company maintains a management advisory services agreement with an affiliate of its principal members that provides for a management fee of approximately $500 per annum, which is accrued monthly and may only be paid in cash at such times as the Company is permitted under terms of the Credit Facility and the debt agreement with the Company's principal members (see Note 5). The principal members' affiliate provides strategic advice and financing expertise among other services. Management fees are included as general and administrative expenses in the accompanying consolidated statements of operations for each of the years ended June 30, 2017 and 2016. Accrued management fees as of June 30, 2017 and 2016 was $2,250 and $1,750, respectively, and is included in other liabilities on the consolidated balance sheet.

12. Subsequent Events

The Company has performed an evaluation of subsequent events through October 27, 2017, which is the date these consolidated financial statements were available to be issued.

Supplemental Report and Schedule

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Managers
TUI Learning, LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of TUI Learning, LLC (the "Company"), which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of operations, members' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. Such tests included compliance tests as set forth in the Guide For Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 27, 2017

TUI Learning, LLC

Schedule of Findings
June 30, 2017

Section I – Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	_____ yes ___X___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes ___X___ no
• Noncompliance material to consolidated financial statements noted?	_____ yes ___X___ no

Section II – Consolidated Financial Statement Findings

None

Disposition of prior year finding

Not applicable, no findings in the prior year