TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES

Consolidated Financial Statements

For the Years Ended September 30, 2017 and 2016

with

Independent Auditors' Report

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES

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ALMICH & ASSOCIATES
AN ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION

To the Board of Directors and Stockholder of
Tulsa Welding School, Inc.:

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tulsa Welding School, Inc. (an Oklahoma corporation) and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of income and retained earnings 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.

Auditors' 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 auditors' 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. 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 Tulsa Welding School, Inc. and Subsidiaries as of September 30, 2017 and 2016, and the consolidated 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.

26463 Rancho Parkway South, Lake Forest • CA 92630 • (949) 600-7550 • Fax (949) 600-7558
website: www.almichcpa.com • email: info@almichcpa.com

Report on Required Supplementary Information and Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information beginning on page 14 on Tulsa Welding School, Inc. and Subsidiaries' calculation of their Title IV 90/10 revenue test and on related party transactions is required by the U.S. Department of Education and is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audits of the 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 consolidated financial statements or to the 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of Tulsa Welding School, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Tulsa Welding School, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Almich & Associates

Lake Forest, California
December 21, 2017

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
September 30, 2017 and 2016

Assets

	2017	2016
Current assets:		
Cash	$ 4,105,100	$ 4,259,144
Accounts receivable, net of allowance for doubtful accounts of $4,729,120 for 2017 and $3,253,782 for 2016	8,518,507	5,119,940
Income taxes receivable	15,692	67,023
Inventory	393,754	529,091
Prepaid expenses and other	657,074	525,428
Deferred income taxes	1,070,366	749,980
Total current assets	14,760,493	11,250,606
Accounts receivable, net of allowance for doubtful accounts of $753,894 for 2017 and $804,841 for 2016 and current portion	463,374	366,695
Furniture, equipment and improvements, net of accumulated depreciation and amortization of $9,592,548 for 2017 and $8,305,313 for 2016	5,884,299	6,401,271
Curriculum and trademark assets, net of accumulated amortization of $166,861 for 2017 and $158,393 for 2016	9,205	12,683
Deposits	174,486	172,778
Goodwill	13,759,582	13,759,582
	$ 35,051,439	$ 31,963,615

Liabilities and Stockholder's Equity

	2017	2016
Current liabilities:		
Accounts payable	$ 1,119,568	$ 807,611
Accrued expenses	773,057	791,387
Unearned tuition	2,991,469	3,595,602
Current portion of deferred rent	106,371	106,371
Current portion of capital lease obligations	244,158	269,686
Total current liabilities	5,234,623	5,570,657
Deferred rent, net of current portion	1,758,121	1,804,778
Capital lease obligations, net of current portion	405,331	647,884
Deferred income taxes	2,963,520	2,705,693
Total liabilities	10,361,595	10,729,012
Stockholder's equity:		
Common stock, $1 par value, 1,000 shares authorized, 100 shares issued and outstanding	100	100
Additional paid-in capital	16,499,571	16,499,571
Retained earnings	8,190,173	4,734,932
Total stockholder's equity	24,689,844	21,234,603
	$ 35,051,439	$ 31,963,615

See notes to consolidated financial statements

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Consolidated Statements of Income and Retained Earnings
For the Years Ended September 30, 2017 and 2016

	2017	2016
Revenues		
Tuition and fees	$ 63,238,403	$ 61,317,467
Other income	686,842	534,838
Total revenues	63,925,245	61,852,305
Costs and expenses:		
Education	15,536,070	15,138,012
Marketing	15,314,543	13,924,107
Occupancy	3,529,647	3,594,454
General and administrative	20,725,309	19,342,623
Depreciation and amortization	1,396,698	1,617,394
Total costs and expenses	56,502,267	53,616,590
Income from operations	7,422,978	8,235,715
Interest expense	(49,002)	(54,016)
Income before provision for income taxes	7,373,976	8,181,699
Provision for income taxes	(2,779,730)	(3,123,197)
Net income	4,594,246	5,058,502
Retained earnings, beginning of year	4,734,932	4,883,375
Distributions to parent	(1,139,005)	(5,206,945)
Retained earnings, end of year	$ 8,190,173	$ 4,734,932

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income	$ 4,594,246	$ 5,058,502
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	1,396,698	1,617,394
Provision for bad debts	7,277,502	6,145,486
Income from donated fixed assets	(33,738)	-
Deferred income taxes	(62,559)	678,420
Changes in assets and liabilities -		
Accounts receivable	(10,772,748)	(7,074,538)
Inventory	135,337	(95,439)
Prepaid expenses and other	(131,646)	(249,364)
Deposits	(1,708)	10,580
Accounts payable	311,957	(201,824)
Accrued expenses	(18,330)	(295,811)
Income taxes receivable/payable	51,331	(131,661)
Unearned tuition	(604,133)	408,912
Deferred rent	(46,657)	(8,833)
Net cash provided by operating activities	2,095,552	5,861,824
Cash flows from investing activities:		
Purchases of furniture, equipment and improvements	(837,520)	(1,053,802)
Purchases of trademark assets	(4,990)	-
Net cash used by investing activities	(842,510)	(1,053,802)
Cash flows from financing activities:		
Repayments on capital lease obligations	(268,081)	(237,009)
Distributions to parent	(1,139,005)	(5,206,945)
Net cash used by financing activities	(1,407,086)	(5,443,954)
Decrease in cash	(154,044)	(635,932)
Cash, beginning of year	4,259,144	4,895,076
Cash, end of year	$ 4,105,100	$ 4,259,144
Supplemental cash flows information:		
Cash paid for -		
Interest	$ 49,002	$ 54,016
Income taxes	$ 194,342	$ 422,381
Supplemental schedule of noncash investing and financing activities:		
Acquisition of equipment under capital lease obligations	$ -	$ 226,873

See notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Tulsa Welding School, Inc. is incorporated in the state of Oklahoma as a taxable corporation and owns 100% of Tulsa Welding School/Jacksonville Campus, Inc.; 100% of The Refrigeration School, Inc.; 100% of Tulsa Welding School/Houston Campus, Inc.; and 100% of Tulsa Welding School/Phoenix Campus, Inc., which is inactive (collectively, the Company). The Company is a wholly owned subsidiary of T.H.E., Inc. (the Parent), which is a wholly owned subsidiary of TWS Acquisition Corporation (the Ultimate Parent).

The Company has locations in Tulsa, Oklahoma, Jacksonville, Florida and Houston, Texas that provide proprietary, post-secondary education with instruction in pipe, pipeline and aircraft welding, and nondestructive weld testing through structured instructional programs. The Company's locations in Phoenix, Arizona and Jacksonville provide programs in heating and air conditioning, refrigeration, as well as solar and electrical technologies.

Basis of Presentation

The accompanying consolidated financial statements include only the accounts of the Company. All intercompany amounts have been eliminated in consolidation.

Reclassifications

Certain amounts on the accompanying September 30, 2016 consolidated balance sheet have been reclassified to conform to the current year presentation.

Revenue Recognition

Tuition revenues are derived primarily from tuition on courses taught at the Company's campuses. Tuition revenue is recognized on a straight-line basis over the term of instruction. Unearned tuition represents tuition payments received but not earned as of the consolidated balance sheet date and is reflected as a current liability on the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. Accounts receivable include tuition amounts earned less payments received and an allowance for doubtful accounts. The allowance for doubtful accounts is management's best estimate based upon historical experience. Management continually monitors and adjusts its allowance associated with the Company's receivables to address any credit risks associated with the accounts receivable. When uncertainty exists as to the collection of receivables, the Company records an allowance for doubtful accounts and a corresponding charge to bad debt expense.

Inventory

Inventory consists of various welding and HVAC supplies, materials and textbooks, used for instruction purposes, which are carried at the lower of cost or market, on a first in, first out basis.

Furniture, Equipment and Improvements

Furniture and equipment are recorded at cost and are being depreciated over their estimated useful lives ranging from 3 to 10 years utilizing the straight-line method. Leasehold improvements are stated at cost and are being amortized on a straight-line basis over their estimated useful lives or the remaining lease term, whichever is shorter. When furniture, equipment and improvements are sold or otherwise disposed of, the asset and accumulated depreciation and amortization are removed from the accounts, with any resulting gain or loss being reflected within operations for the period. Maintenance, repairs, and minor renewals and betterments are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the Company's long-lived assets.

Curriculum and Trademark Assets

Curriculum is being amortized ratably over its estimated useful life of 5 years. Trademark assets are being amortized ratably over their estimated useful lives of 10 years. Amortization expense related to curriculum and trademark assets for the years ended September 30, 2017 and 2016 was $8,468 and $8,010, respectively, and is included within depreciation and amortization expense on the accompanying consolidated statements of income and retained earnings.

Goodwill

Goodwill consists of the cost in excess of fair value of identifiable assets acquired in a purchase business combination. Goodwill is not amortized, but evaluated for impairment annually, in the fourth quarter of each fiscal year, or whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. The implied fair value of goodwill is determined by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded value of goodwill exceeds its implied value, an impairment charge is recorded for the excess. The Company tests for goodwill impairment at the reporting unit level. The Company's annual impairment testing did not result in an impairment of goodwill. There have been no goodwill impairment losses recorded by the Company to date.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include, among others, future economic and market conditions and determination of appropriate market comparables. Such estimates are unpredictable and inherently uncertain; actual future results may differ from the estimates. The Company may also assess qualitative factors to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

Additional goodwill of $28,370,649 resides at the Ultimate Parent as the election was made in prior years not to push down the goodwill to the Company. No impairment loss has been recorded on that goodwill to date.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in income in the period that includes the enactment date.

In November 2015, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2015-17, Income Taxes (Topic 740)*. Under *ASU 2015-17*, both deferred tax liabilities and assets are required to be classified as noncurrent in a classified balance sheet. *ASU 2015-17* will become effective for the Company for the year ending September 30, 2019 with early adoption permitted. Management does not intend to early adopt *ASU 2015-17*. The adoption of *ASU 2015-17* will have no impact on the Company's consolidated results of operations.

Fair Value Measurements

The carrying value of the Company's financial instruments approximates fair value due to the relative short-term nature of these instruments.

The Company uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company has no financial instruments utilizing Level 2 or Level 3 inputs for measurement of fair value.

Recent Accounting Pronouncements

In May 2014, FASB issued *ASU 2014-09, Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. This *ASU* will become effective for the Company for the year ending September 30, 2019. The Company is currently evaluating the effect the provisions of *ASU 2014-09* will have on the consolidated financial statements.

In February 2016, FASB issued *ASU No. 2016-02, Leases*. The guidance in this *ASU* supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of income. This *ASU* will become effective for the Company for the year ending September 30, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the effect the provisions of *ASU 2016-02* will have on the consolidated financial statements.

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 amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the auditors' report, December 21, 2017, which is the date the accompanying consolidated financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE AND UNEARNED TUITION

The following is a reconciliation of gross accounts receivable to earned accounts receivable and gross unearned tuition to unearned tuition as presented on the accompanying consolidated balance sheets as of September 30:

	2017	2016
Gross accounts receivable	$ 46,879,752	$ 32,930,749
Less: Unearned tuition receivable	(32,414,857)	(23,385,491)
Accounts receivable, earned tuition receivable	14,464,895	9,545,258
Less: Allowance for doubtful accounts	(5,483,014)	(4,058,623)
Net accounts receivable	$ 8,981,881	$ 5,486,635
Gross unearned tuition	$ 35,406,326	$ 26,981,093
Less: Unearned tuition receivable	(32,414,857)	(23,385,491)
Unearned tuition	$ 2,991,469	$ 3,595,602

NOTE 3 – FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements consisted of the following as of September 30:

	2017	2016
Furniture	$ 812,695	$ 769,625
Equipment	5,644,629	5,326,299
Leasehold improvements	8,931,703	8,610,660
	15,389,027	14,706,584
Less: accumulated depreciation and amortization	(9,592,548)	(8,305,313)
	5,796,479	6,401,271
Construction-in-progress	87,820	-
	$ 5,884,299	$ 6,401,271

Depreciation and amortization expense related to furniture, equipment and improvements for the years ended September 30, 2017 and 2016 was $1,388,230 and $1,609,384, respectively, and is included within depreciation and amortization expense on the accompanying consolidated statements of income and retained earnings.

NOTE 4 – CAPITAL LEASE OBLIGATIONS

The Company leases certain equipment under the terms of non-cancelable capital lease agreements maturing through October 2023. As of September 30, 2017, the cost of equipment acquired under the terms of the capital lease agreements was $1,253,432; the related accumulated amortization was $636,790. Amortization of assets under capital lease agreements is a component of depreciation and amortization expense.

Future minimum payments under the capital lease agreements were as follows as of September 30, 2017:

Year Ending September 30,		
2018	$	279,244
2019		218,843
2020		140,920
2021		27,731
2022		27,731
Thereafter		30,041
Future minimum lease payments		724,510
Less: amount representing interest		(75,021)
Present value of future minimum lease payments		649,489
Less: current portion		(244,158)
	$	405,331

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its operating facilities under the terms of non-cancelable lease agreements which expire at various times through April 2029. The leases contain rent abatement periods, scheduled increases in base rent, tenant improvement allowances and require payment of certain operating expenses and real property taxes. In addition, certain of the Company's facility leases provide an option to renew for additional five year terms. Rent expense is recorded evenly over the terms of the leases. The difference between rent expense recorded and amounts paid is reflected as deferred rent on the accompanying consolidated balance sheets.

Tenant improvement allowances are recorded, (a) as leasehold improvement assets and amortized over the shorter of their economic useful lives or the remaining lease term, and (b) as a deferred rent liability and amortized over the remaining lease term as a reduction of rent expense.

Deferred rent consisted of the following as of September 30:

		2017		2016
Unamortized tenant improvement allowances	$	1,232,133	$	1,338,504
Straight-line rent expense in excess of payments		632,359		572,645
Deferred rent	$	1,864,492	$	1,911,149

The Company also leases certain equipment under the terms of non-cancelable operating leases which expire at various dates through July 2023.

Future minimum lease payments under the terms of the agreements as of September 30, 2017, were as follows:

Year Ending September 30,	Facility Leases	Equipment Leases	Total
2018	$ 1,513,703	$ 205,635	$ 1,719,338
2019	1,552,351	95,093	1,647,444
2020	1,564,643	29,291	1,593,934
2021	1,292,257	22,335	1,314,592
2022	1,183,017	13,891	1,196,908
Thereafter	5,299,967	7,965	5,307,932
	$ 12,405,938	$ 374,210	$ 12,780,148

Facility rent expense for the years ended September 30, 2017 and 2016, was approximately $1,434,000 and $1,513,000, respectively, and is included within occupancy expense on the accompanying consolidated statements of income and retained earnings.

Equipment rent expense for the years ended September 30, 2017 and 2016, was approximately $226,000 and $165,000, respectively, and is included within occupancy expense on the accompanying consolidated statements of income and retained earnings.

Purchase Commitments

The Company has a minimum purchase commitment with a vendor that provides custom textbook and lab manuals. The contract remains in effect until minimum commitments are met. The minimum future commitment as of September 30, 2017, totaled approximately $472,000. Subsequent to September 30, 2017, the Company entered into an additional minimum purchase commitment with a different vendor that provides textbooks. The minimum future commitment under this agreement totals approximately $60,000.

Contingencies

The Company is involved in various claims and lawsuits arising in the ordinary course of its business; the majority of these claims and lawsuits are covered by the Company's insurance policies. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect upon the financial condition of the Company.

NOTE 6 – INCOME TAXES

The benefit (provision) for income taxes consisted of the following for the years ended September 30:

	2017	2016
Current:		
State	$ (375,690)	$ (355,245)
Federal	(2,466,599)	(2,089,532)
	(2,842,289)	(2,444,777)
Deferred:		
State	14,897	(128,798)
Federal	47,662	(549,622)
	62,559	(678,420)
	$ (2,779,730)	$ (3,123,197)

The amount of income tax expense that would result from applying federal statutory rates to pretax income differs from the provision for income taxes due primarily to state income taxes and the timing of recognition of certain expenses for financial reporting and income tax reporting purposes.

As of September 30, 2017 and 2016, deferred tax assets recognized for deductible temporary differences totaled $1,684,553 and $1,309,384, respectively. Deferred tax liabilities recognized for taxable temporary differences totaled $3,577,707 and $3,265,097, respectively. Deferred tax assets and liabilities relate to differences in the timing of recognizing various expenses for income tax purposes and financial reporting purposes and result primarily from the allowance for doubtful accounts, depreciation and goodwill. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Management believes that the Company's deferred tax assets will be fully-realized through the generation of future taxable income.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company guarantees a loan of the Ultimate Parent with an outstanding balance of $9,432,521 and $10,000,000 as of September 30, 2017 and 2016, respectively. The loan matures in July 2020. The common stock of the Company is part of the collateral on this loan.

NOTE 8 – 401(k) RETIREMENT PLAN

The Ultimate Parent maintains a 401(k) retirement plan (the Plan) covering substantially all employees of the Company. The Plan provides for employer matching contributions based on a 100% match of the first 3% of eligible compensation each employee contributes to the Plan, and up to 50% of the next 2% of eligible compensation contributed to the Plan. Company matching contributions are fully vested at all times. Company contributions for the years ended September 30, 2017 and 2016 were approximately $360,000 and $354,000, respectively.

NOTE 9 – REGULATORY MATTERS

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act (the Act) and the regulations promulgated thereunder by the U.S. Department of Education (ED) subject the Company to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Act. These standards include, among others, financial responsibility, student default rates, and the "90/10" rule. Ineligibility to participate in the Title IV programs would have a material adverse effect on the Company's enrollments, revenue and results of operations.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in 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. 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 of and for the years ended September 30, 2017 and 2016, the Company's composite score was 2.7 and 2.1, respectively.

For each federal fiscal year, ED calculates a rate of student defaults for each educational institution known as a "cohort default rate". Under certain defined circumstances, an institution may lose its eligibility to participate in some or all Title IV programs. As of September 30, 2017 and 2016, management believes that the Company was in compliance with ED's requirements concerning cohort default rates.

Substantial portions of the Company's revenue and collection of accounts receivable are dependent upon its continued participation in the Title IV programs of the Act. To continue to participate in the Title IV programs, the Company must comply with certain regulations of ED. ED regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. The failure of an institution to meet the 90 percent limitation could result in the loss of an institution's ability to participate in Title IV programs. For the years ended September 30, 2017 and 2016, the Company was in compliance with the 90/10 rule. ED requires an institution to provide additional disclosures with respect to the 90/10 rule, which are included in the accompanying supplementary information beginning on page 14.

As a result of operating in a highly regulated industry, the Company may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or other third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on the Company's business, results of operations or financial condition, management believes that the Company has complied with all regulatory requirements.

On October 30, 2014, ED released its final rule concerning gainful employment which was formally published in the Federal Register October 31, 2014 and became effective July 1, 2015. The final rule applies to all gainful employment programs, which include all non-degree programs at public and private non-profit institutions, and all programs offered at for-profit institutions. The final rule assesses continued eligibility of gainful employment programs by their performance against specific defined debt-to-earnings measures. Gainful employment programs that fail in two out of any three consecutive years or are in the zone for four consecutive years will be ineligible. In addition, institutions are required to certify that each of their gainful employment programs meet state and federal licensure, certification, and accreditation requirements, as well as make public disclosures regarding performance and outcomes of their gainful employment programs, such as costs, earnings, debt and completion rates. In January 2017, ED released its final debt-to-earnings rates and underlying data applicable for the first measurement year. The Company had no programs that were determined to fail or be in the zone.

NOTE 10 – CONCENTRATION OF CREDIT RISK

At September 30, 2017 and 2016, the Company maintained cash balances with a bank in excess of the federally insured amount.

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Supplementary Information
(Information Required by the U.S. Department of Education)
September 30, 2017 and 2016

Institution's Calculation of 90/10 Revenue Test

Tulsa Welding School, Inc. and Subsidiaries (collectively, the Institution) derives a significant portion of its revenues from Student Financial Aid (SFA) received by its students under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). To continue to participate in the SFA programs the Institution 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 the Title IV programs. In July 2008, modifications to the regulations were made to allow for the inclusion of funds received for certain qualifying non-Title IV programs. In addition, the modifications included provisions for institutions that do not comply with the 90 percent rule for a single fiscal year, whereby such institutions would be placed on provisional certification status for a period of two years. Institutions that do not comply with the 90 percent rule for two consecutive fiscal years are subject to the loss of their ability to participate in the SFA programs.

For the years ended September 30, 2017 and 2016, the Institution's 90/10 revenue test percentages were computed as detailed on the following pages:

Revenue by Fund Source	For the year ended September 30, 2017			
	Tulsa Welding School, Inc. OPE ID No. 00961800		The Refrigeration School, Inc. OPE ID No. 01168900	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue				
Subsidized Loan	$ 7,461,566	$ 7,461,566	$ 2,080,089	$ 2,080,089
Unsubsidized Loan	10,534,265	10,534,265	2,744,221	2,744,221
Federal Pell Grant	9,873,585	9,873,585	2,656,214	2,656,214
FSEOG (subject to matching reduction)	71,488	53,616	40,648	30,486
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-
Federal Direct PLUS Loan	8,872,256	8,872,256	364,755	364,755
All Other Title IV Loans and Grants	-	-	-	-
Student Title IV Revenue	$ 36,813,160	$ 36,795,288	$ 7,885,927	$ 7,875,765
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.		(1,829,964)		(157,331)
Title IV funds returned for a student under 34 C.F.R § 668.22 (withdrawal), reduce Student Title IV Revenue		(2,446,984)		(544,258)
Adjusted Student Title IV Revenue		$ 32,518,340		$ 7,174,176
Student Non-Title IV Revenue				
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ -		$ -	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	412,964		230,045	
Funds used by a student from savings plans for educational expenses established by, or on behalf of, the student that qualify for special tax treatment under the Internal Revenue Code	-		-	
Institutional scholarships disbursed to the student	-		-	
Student payments on current charges	10,600,630		2,227,512	
Student Non-Title IV Revenue	$ 11,013,594		$ 2,457,557	
Revenue from Other Sources (Totals for the Fiscal Year)				
Activities conducted by the institution that are necessary for education and training	$ -		$ -	
Funds paid by a student, or on behalf of a student, by a party other than the school for an education or training program that is not eligible	-		-	
Allowable student payments plus allowable amounts from account receivable or institutional loan sales minus any required payments under a recourse agreement	-		-	
Revenue from Other Sources	$ -		$ -	
Adjusted Title IV Revenue		$ 32,518,340		$ 7,174,176
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from other sources		$ 43,531,934		$ 9,631,733
		74.70%		**74.48%**

Revenue by Fund Source	For the year ended September 30, 2016			
	Tulsa Welding School, Inc. OPE ID No. 00961800		The Refrigeration School, Inc. OPE ID No. 01168900	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue				
Subsidized Loan	$ 7,501,503	$ 7,501,503	$ 2,132,261	$ 2,132,261
Unsubsidized Loan	10,418,645	10,418,645	2,587,442	2,587,442
Federal Pell Grant	10,372,446	10,372,446	2,601,439	2,601,439
FSEOG (subject to matching reduction)	87,359	65,519	37,783	28,337
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-
Federal Direct PLUS Loan	8,564,670	8,564,670	319,825	319,825
All Other Title IV Loans and Grants	-	-	-	-
Student Title IV Revenue	$ 36,944,623	$ 36,922,783	$ 7,678,750	$ 7,669,304
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.		(1,781,973)		(133,937)
Adjusted Student Title IV Revenue		$ 35,140,810		$ 7,535,367
Student Non-Title IV Revenue				
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ -		$ -	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	371,535		184,010	
Funds used by a student from savings plans for educational expenses established by, or on behalf of, the student that qualify for special tax treatment under the Internal Revenue Code	-		-	
Institutional scholarships disbursed to the student	-		-	
Student Payments	10,315,840		2,128,985	
Student Non-Title IV Revenue	$ 10,687,375		$ 2,312,995	
Revenue from Other Sources (Totals for the Fiscal Year)				
Activities conducted by the institution that are necessary for education and training	$ -		$ -	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-	
Revenue from Other Sources	$ -		$ -	
Adjusted Title IV Revenue		$ 35,140,810		$ 7,535,367
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from other sources		$ 45,828,185		$ 9,848,362
		76.68%		**76.51%**

Related Party Transactions

The Institution participates in Student Financial Aid (SFA) under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). The Institution must comply with the regulations promulgated under HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the consolidated financial statements.

Organization and Basis of Presentation

Tulsa Welding School, Inc. is incorporated in the state of Oklahoma as a taxable corporation and owns 100% of Tulsa Welding School/Jacksonville Campus, Inc.; 100% of the Refrigeration School, Inc.; 100% of Tulsa Welding School/Houston Campus, Inc.; and 100% of Tulsa Welding School/Phoenix Campus, Inc. (collectively, the Institution). The Institution is a wholly owned subsidiary of T.H.E., Inc. (the Parent), which is a wholly owned subsidiary of TWS Acquisition Corporation (the Ultimate Parent).

The Institution has locations in Tulsa, Oklahoma, Jacksonville, Florida and Houston, Texas that provide proprietary, post-secondary education with instruction in pipe, pipeline and aircraft welding, and nondestructive weld testing through structured instructional programs. The Institution's locations in Phoenix, Arizona and Jacksonville provide programs in heating and air conditioning, refrigeration, as well as solar and electrical technologies.

The accompanying consolidated financial statements include only the accounts of the Institution. All intercompany amounts have been eliminated in consolidation.

Loan Guarantees

The Institution guarantees a loan of the Ultimate Parent with an outstanding balance of $9,432,521 and $10,000,000 as of September 30, 2017 and 2016, respectively. The loan matures in July 2020. The common stock of the Institution is part of the collateral on this loan.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Stockholder of
Tulsa Welding School, Inc.:

We have audited, 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, the consolidated financial statements of Tulsa Welding School, Inc, and Subsidiaries (collectively, the Company) which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits 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 audits 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.

26463 Rancho Parkway South, Lake Forest • CA 92630 • (949) 600-7550 • Fax (949) 600-7558
website: www.almichcpa.com • email: info@almichcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulsa Welding School, Inc, and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of 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, used 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 our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards* or the Guide.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

Ahuja & Associates

Lake Forest, California
December 21, 2017

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors and Stockholder of
Tulsa Welding School, Inc.:

We have audited the consolidated financial statements of Tulsa Welding School, Inc. and Subsidiaries as of and for the years ended September 30, 2017 and 2016, and our report thereon dated December 21, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Supplemental Schedules I, II, III, and IV is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is 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 consolidating information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Almich & Associates

Lake Forest, California
December 21, 2017

26463 Rancho Parkway South, Lake Forest • CA 92630 • (949) 600-7550 • Fax (949) 600-7558
website: www.almichcpa.com • email: info@almichcpa.com

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Supplemental Schedule I - Consolidating Balance Sheet
September 30, 2017

Assets

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Tulsa Welding School/Phoenix Campus, Inc.	Eliminating Entries	Consolidated
Current assets:							
Cash	$ 3,832,226	$ 197,651	$ 207,861	$ (132,638)	$ -	$ -	$ 4,105,100
Current portion of accounts receivable, net	1,705,896	3,224,918	1,357,458	2,230,235	-	-	8,518,507
Income taxes receivable	14,632	1,060	-	-	-	-	15,692
Inventory	86,722	79,955	128,096	98,981	-	-	393,754
Prepaid expenses and other	153,012	188,008	132,028	184,026	-	-	657,074
Deferred income taxes	318,994	275,878	108,958	366,536	-	-	1,070,366
Total current assets	6,111,482	3,967,470	1,934,401	2,747,140	-	-	14,760,493
Investment in subsidiaries	101	-	-	-	-	(101)	-
Due from affiliates, net	-	17,295,664	12,062,255	14,111,883	-	(43,469,802)	-
Deferred income taxes	-	45,498	-	-	-	(45,498)	-
Accounts receivable, net of current portion	101,293	132,784	57,767	171,530	-	-	463,374
Furniture, equipment and improvements, net	514,626	1,232,501	346,632	3,790,540	-	-	5,884,299
Curriculum and trademark assets, net	-	4,672	4,533	-	-	-	9,205
Deposits	2,235	55,160	54,000	63,091	-	-	174,486
Goodwill	-	-	13,759,582	-	-	-	13,759,582
	$ 6,729,737	$ 22,733,749	$ 28,219,170	$ 20,884,184	$ -	$ (43,515,401)	$ 35,051,439

Liabilities and Stockholder's Equity

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Tulsa Welding School/Phoenix Campus, Inc.	Eliminating Entries	Consolidated
Current liabilities:							
Accounts payable	$ 367,980	$ 283,827	$ 125,112	$ 342,649	$ -	$ -	$ 1,119,568
Accrued expenses	222,737	241,649	125,953	182,708	-	-	773,057
Unearned tuition	816,322	861,215	341,486	972,446	-	-	2,991,469
Current portion of deferred rent	-	-	-	106,371	-	-	106,371
Current portion of capital lease obligations	42,574	44,485	7,099	150,000	-	-	244,158
Total current liabilities	1,449,613	1,431,176	599,660	1,754,174	-	-	5,234,623
Due to affiliates, net	43,428,300	-	-	-	41,502	(43,469,802)	-
Deferred rent, net of current portion	4,800	312,740	-	1,440,581	-	-	1,758,121
Capital lease obligations, net of current portion	63,121	69,593	-	272,617	-	-	405,331
Deferred income taxes	133,214	-	2,518,229	357,575	-	(45,498)	2,963,520
Total liabilities	45,079,048	1,813,509	3,117,889	3,824,947	41,502	(43,515,300)	10,361,595
Stockholder's equity:							
Common stock, $1 par value, 1,000 shares authorized, 100 shares issued and outstanding	101	1	-	-	-	(2)	100
Additional paid-in capital	2,274,999	-	14,224,671	-	-	(99)	16,499,571
Retained earnings (accumulated deficit)	(40,624,411)	20,920,239	10,876,610	17,059,237	(41,502)	-	8,190,173
Total stockholder's equity	(38,349,311)	20,920,240	25,101,281	17,059,237	(41,502)	(101)	24,689,844
	$ 6,729,737	$ 22,733,749	$ 28,219,170	$ 20,884,184	$ -	$ (43,515,401)	$ 35,051,439

See notes to consolidated financial statements

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Supplemental Schedule II - Consolidating Statement of Income and Retained Earnings
For the Year Ended September 30, 2017

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Tulsa Welding School/Phoenix Campus, Inc.	Eliminating Entries	Consolidated
Revenues:							
Tuition and fees	$ 15,786,128	$ 18,320,768	$ 10,592,629	$ 18,538,878	$ -	$ -	$ 63,238,403
Other income	217,686	229,441	41,769	197,946	-	-	686,842
Total revenues	16,003,814	18,550,209	10,634,398	18,736,824	-	-	63,925,245
Costs and expenses:							
Education	4,375,270	4,372,608	2,264,010	4,524,182	-	-	15,536,070
Marketing	4,092,792	5,078,459	2,191,747	3,951,545	-	-	15,314,543
Occupancy	573,433	1,040,373	548,068	1,325,350	42,423	-	3,529,647
General and administrative	5,321,074	6,102,850	3,022,000	6,279,385	-	-	20,725,309
Depreciation and amortization	324,723	366,498	149,369	556,108	-	-	1,396,698
Total costs and expenses	14,687,292	16,960,788	8,175,194	16,636,570	42,423	-	56,502,267
Income (loss) from operations	1,316,522	1,589,421	2,459,204	2,100,254	(42,423)	-	7,422,978
Interest expense	(10,602)	(11,827)	(67)	(26,506)	-	-	(49,002)
Income (loss) before income taxes	1,305,920	1,577,594	2,459,137	2,073,748	(42,423)	-	7,373,976
Benefit (provision) for income taxes	(524,404)	(596,096)	(905,051)	(769,659)	15,480	-	(2,779,730)
Net income (loss)	781,516	981,498	1,554,086	1,304,089	(26,943)	-	4,594,246
Retained earnings (accumulated deficit), beginning of year	(33,149,897)	17,078,876	11,021,662	9,784,291	-	-	4,734,932
Distributions to parent	(8,256,030)	2,859,865	(1,699,138)	5,970,857	(14,559)	-	(1,139,005)
Retained earnings (accumulated deficit), end of year	$ (40,624,411)	$ 20,920,239	$ 10,876,610	$ 17,059,237	$ (41,502)	$ -	$ 8,190,173

See notes to consolidated financial statements

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Supplemental Schedule III - Consolidating Balance Sheet
September 30, 2016

Assets

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Eliminating Entries	Consolidated
Current assets:						
Cash	$ 3,668,863	$ 156,640	$ 535,223	$ (101,582)	$ -	$ 4,259,144
Current portion of accounts receivable, net	1,283,041	1,836,596	930,648	1,069,655	-	5,119,940
Income taxes receivable	68,697	-	-	-	(1,674)	67,023
Inventory	115,984	95,847	161,177	156,083	-	529,091
Prepaid expenses and other	130,349	152,397	87,768	154,914	-	525,428
Deferred income taxes	268,054	181,911	84,295	215,720	-	749,980
Total current assets	5,534,988	2,423,391	1,799,111	1,494,790	(1,674)	11,250,606
Investment in subsidiaries	101	-	-	-	(101)	-
Due from affiliates, net	-	15,107,572	12,021,429	8,318,445	(35,447,446)	-
Deferred income taxes	-	43,000	-	-	(43,000)	-
Accounts receivable, net of current portion	95,857	130,029	37,714	103,095	-	366,695
Furniture, equipment and improvements, net	608,017	1,331,545	352,900	4,108,809	-	6,401,271
Curriculum assets, net	-	12,683	-	-	-	12,683
Deposits	2,235	55,160	54,000	61,383	-	172,778
Goodwill	-	-	13,759,582	-	-	13,759,582
	$ 6,241,198	$ 19,103,380	$ 28,024,736	$ 14,086,522	$ (35,492,221)	$ 31,963,615

Liabilities and Stockholder's Equity

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Eliminating Entries	Consolidated
Current liabilities:						
Accounts payable	$ 174,586	$ 290,253	$ 100,909	$ 241,863	$ -	$ 807,611
Accrued expenses	204,340	297,292	84,046	205,709	-	791,387
Income taxes payable	-	1,674	-	-	(1,674)	-
Unearned tuition	985,875	961,474	380,344	1,267,909	-	3,595,602
Current portion of deferred rent	-	-	-	106,371	-	106,371
Current portion of capital lease obligations	50,384	48,710	11,346	159,246	-	269,686
Total current liabilities	1,415,185	1,599,403	576,645	1,981,098	(1,674)	5,570,657
Due to affiliates, net	35,447,446	-	-	-	(35,447,446)	-
Deferred rent, net of current portion	-	311,022	-	1,493,756	-	1,804,778
Capital lease obligations, net of current portion	105,695	114,078	7,099	421,012	-	647,884
Deferred income taxes	147,669	-	2,194,659	406,365	(43,000)	2,705,693
Total liabilities	37,115,995	2,024,503	2,778,403	4,302,231	(35,492,120)	10,729,012
Stockholder's equity:						
Common stock, $1 par value, 1,000 shares authorized, 100 shares issued and outstanding	101	1	-	-	(2)	100
Additional paid-in capital	2,274,999	-	14,224,671	-	(99)	16,499,571
Retained earnings (accumulated deficit)	(33,149,897)	17,078,876	11,021,662	9,784,291	-	4,734,932
Total stockholder's equity	(30,874,797)	17,078,877	25,246,333	9,784,291	(101)	21,234,603
	$ 6,241,198	$ 19,103,380	$ 28,024,736	$ 14,086,522	$ (35,492,221)	$ 31,963,615

See notes to consolidated financial statements

TULSA WELDING SCHOOL, INC. AND SUBSIDIARIES
Supplemental Schedule IV - Consolidating Statement of Income and Retained Earnings
For the Year Ended September 30, 2016

	Tulsa Welding School, Inc.	Tulsa Welding School/Jacksonville Campus, Inc.	Refrigeration School, Inc.	Tulsa Welding School/Houston Campus, Inc.	Eliminating Entries	Consolidated
Revenues:						
Tuition and fees	$ 17,872,970	$ 18,408,532	$ 10,466,890	$ 14,569,075	$ -	$ 61,317,467
Other income	206,025	187,139	39,318	102,356	-	534,838
Total revenues	18,078,995	18,595,671	10,506,208	14,671,431	-	61,852,305
Costs and expenses:						
Education	4,788,825	4,463,374	2,177,724	3,708,089	-	15,138,012
Marketing	3,835,510	4,796,296	2,231,636	3,060,665	-	13,924,107
Occupancy	682,182	1,058,314	576,971	1,276,987	-	3,594,454
General and administrative	6,064,220	5,740,184	2,954,789	4,583,430	-	19,342,623
Depreciation and amortization	636,257	337,966	146,844	496,327	-	1,617,394
Total costs and expenses	16,006,994	16,396,134	8,087,964	13,125,498	-	53,616,590
Income from operations	2,072,001	2,199,537	2,418,244	1,545,933	-	8,235,715
Interest expense	(14,725)	(14,971)	(41)	(24,279)	-	(54,016)
Income before income taxes	2,057,276	2,184,566	2,418,203	1,521,654	-	8,181,699
Provision for income taxes	(849,831)	(821,028)	(885,267)	(567,071)	-	(3,123,197)
Net income	1,207,445	1,363,538	1,532,936	954,583	-	5,058,502
Retained earnings (accumulated deficit), beginning of year	(23,113,115)	13,055,412	10,977,072	3,964,006	-	4,883,375
Distributions to parent	(11,244,227)	2,659,926	(1,488,346)	4,865,702	-	(5,206,945)
Retained earnings (accumulated deficit), end of year	$ (33,149,897)	$ 17,078,876	$ 11,021,662	$ 9,784,291	$ -	$ 4,734,932

See notes to consolidated financial statements