Report of Independent Auditors
and Consolidated Financial Statements

The CE Shop Intermediate, LLC and Subsidiaries

December 31, 2022 and 2021

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Report of Independent Auditors

The Board or Managers
The CE Shop Intermediate, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The CE Shop Intermediate, LLC (and its subsidiaries), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the related consolidated statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The CE Shop Intermediate, LLC (and its subsidiaries) as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The CE Shop Intermediate, LLC (and its subsidiaries) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The CE Shop Intermediate, LLC (and its subsidiaries)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CE Shop Intermediate, LLC (and its subsidiaries)'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The CE Shop Intermediate, LLC (and its subsidiaries)'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Denver, Colorado
May 30, 2023

Consolidated Financial Statements

The CE Shop Intermediate, LLC and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,668,489	$ 17,697,357
Accounts receivable, net	2,699,866	719,433
Prepaid expenses and other current assets	1,244,331	388,725
Total current assets	14,612,686	18,805,515
PROPERTY AND EQUIPMENT, net	63,358,205	26,022,809
OTHER ASSETS		
Goodwill	273,148,753	166,787,365
Intangible assets, net	65,121,351	53,059,158
Right-of-use asset	1,673,336	-
Other long-term assets	46,335	13,417
TOTAL ASSETS	$ 417,960,666	$ 264,688,264
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,081,292	$ 308,608
Accrued expenses and other liabilities	6,087,180	2,491,934
Current portion of note payable, net	1,511,444	718,456
Operating lease liability, current	439,742	-
Deferred revenue	6,885,697	4,413,396
Total current liabilities	16,005,355	7,932,394
OPERATING LEASE LIABILITY, less current portion	1,365,242	-
CONTINGENT CONSIDERATION, less current portion	7,880,000	-
NOTE PAYABLE, less current portion, net	166,427,953	81,307,019
Total liabilities	191,678,550	89,239,413
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
MEMBER'S EQUITY		
Member's equity	247,165,697	182,737,721
Retained earnings	(20,883,581)	(7,288,870)
Total member's equity	226,282,116	175,448,851
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 417,960,666	$ 264,688,264

See accompanying notes.

The CE Shop Intermediate, LLC and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUES		
Product revenue	$ 66,709,957	$ 50,128,568
Other revenue	796,682	1,046,771
Refunds	(1,998,996)	(1,364,431)
Total revenues, net	65,507,643	49,810,908
COST OF SALES	4,036,775	-
GROSS MARGIN	61,470,868	49,810,908
EXPENSES		
Personnel costs	19,467,074	11,776,380
Sales and marketing costs	15,324,632	11,411,920
Operating costs	16,614,832	6,524,467
Depreciation expense	7,758,569	5,254,471
Amortization expense	6,377,806	5,710,319
Total expenses	65,542,913	40,677,557
(LOSS) INCOME FROM OPERATIONS	(4,072,045)	9,133,351
OTHER EXPENSES		
Interest expense, net	9,406,643	5,783,166
Other expense	116,023	22,329
Total other expenses, net	9,522,666	5,805,495
NET (LOSS) INCOME	$ (13,594,711)	$ 3,327,856

See accompanying notes.

The CE Shop Intermediate, LLC and Subsidiaries
Consolidated Statements of Member's Equity
Years Ended December 31, 2022 and 2021

	Member's Equity	Accumulated Deficit	Total
BALANCE, January 1, 2021	$ 182,737,721	$ (10,616,726)	$ 172,120,995
Net income	-	3,327,856	3,327,856
BALANCE, December 31, 2021	182,737,721	(7,288,870)	175,448,851
Contributions	75,329,483	-	75,329,483
Distributions	(10,901,507)	-	(10,901,507)
Net loss	-	(13,594,711)	(13,594,711)
BALANCE, December 31, 2022	$ 247,165,697	$ (20,883,581)	$ 226,282,116

See accompanying notes.

The CE Shop Intermediate, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (13,594,711)	$ 3,327,856
Adjustments to reconcile net (loss) income to cash provided from (used in) operating activities		
Depreciation and amortization	14,136,375	10,964,790
Amortization of debt issuance costs	170,922	140,225
Bad debt expense	68,028	91,587
Changes in operating assets and liabilities, net of effect of acquisitions		
Accounts receivable	(380,604)	(321,588)
Prepaid expenses and other current assets	(297,485)	463,198
Other long-term assets	(32,914)	10,815
Accounts payable	772,684	17,018
Accrued expenses and other liabilities	(4,822,699)	474,297
Deferred revenue	(454,443)	622,371
Cash from operating activities	(4,434,847)	15,790,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalized software	(651,512)	(620,708)
Capitalized content	(2,013,409)	(1,731,787)
Purchase of equipment	(404,374)	(164,660)
Acquisition of Mbition, LLC, net of cash acquired of $581,266	(28,799,615)	-
Acquisition of A.D. Banker & Company, LLC, net of cash acquired of $3,772,162	(63,539,284)	-
Acquisition of Ermann Associates, LLC, (DBA Amber Book) net of cash acquired of $92,898	(51,856,803)	-
Cash from investing activities	(147,264,997)	(2,517,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(1,150,000)	(850,000)
Proceeds from note payable	88,550,000	-
Member distributions	(10,901,507)	-
Member contributions	69,829,483	-
Payments for debt issuance costs	(1,657,000)	-
Cash from financing activities	144,670,976	(850,000)
NET INCREASE (DECREASE) IN CASH	(7,028,868)	12,423,414
CASH AND CASH EQUIVALENTS, beginning of year	17,697,357	5,273,943
CASH AND CASH EQUIVALENTS, end of year	$ 10,668,489	$ 17,697,357

See accompanying notes.

The CE Shop Intermediate, LLC
Consolidated Statements of Cash Flows
December 31, 2022 and 2021

	2022	2021
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 9,237,868	$ 5,842,752
Contingent liability assumed in the acquisition of A.D. Banker & Company, LLC	$ 7,880,000	$ -
Equity of Parent issued for the acquisition of A.D. Banker & Company, LLC	$ 2,500,000	$ -
Contingent liability assumed in the acquisition of Ermann Associates, LLC, (DBA Amber Book)	$ 2,800,000	$ -
Equity of Parent issued for the acquisition of Ermann Associates, LLC, (DBA Amber Book)	$ 3,000,000	$ -
Right-of-use assets obtained in exchange for operating lease liabilities	$ 1,925,860	$ -

See accompanying notes.

Note 1 – Organization and Nature of Operations

The CE Shop Intermediate, LLC (the Company) is an education company headquartered in Greenwood Village, Colorado. The Company provides a range of educational services with a focus on online education for individuals residing in the US.

The Company currently offers online education courses for professionals in the real-estate, insurance and securities, and architecture industries. Core products include pre-licensing, post-licensing, continuing education, and exam preparation products. Other non-core offerings include professional development courses, compliance services, advertising space, and real-estate broker services.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The consolidated financial statements and accompanying notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of consolidation – The consolidated financial statements and accompanying notes include the accounts of The CE Shop Intermediate, LLC and its wholly owned subsidiaries, Career Certified LLC, The CE Shop LLC, Mbition LLC, Ermann Associates, LLC DBA Amber Book, and A.D. Banker & Company, LLC. Accordingly, all significant inter-company transactions and balances have been eliminated in consolidation.

The Company acquired Mbition LLC, (Mbition) on January 6, 2022; Ermann Associates, LLC DBA Amber Book, (Amber Book) on November 9, 2022; and A.D. Banker & Company LLC, (A.D. Banker) on December 9, 2022, resulting in separate business combinations. As a result of the business combinations, the Company is the acquirer for accounting purposes, and Mbition, Amber Book, and A.D. Banker are the acquirees.

The acquisitions were accounted for as business combinations using the acquisition method of accounting, and the Company's financial statements reflect a new basis of accounting that is based on the fair value of the net assets acquired. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. See Note 3 for a discussion of the estimated fair values of assets and liabilities recorded in connection with the 2022 business combinations.

Use of estimates – The preparation of the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses, as well as disclosures of such during the reporting period. Actual results may differ from those estimates. Significant areas involving the use of estimates and assumptions include the average usage period of courses for the purposes of revenue and deferred revenue, and the useful lives of property and equipment and intangible assets.

Fair value of financial instruments – The carrying value of cash and cash equivalents, trade accounts receivable and payable, and accrued liabilities are considered to approximate fair value due to the short-term nature of these instruments. The carrying amount of notes payable reflected on the balance sheet approximates fair value as this debt has a variable interest rate that approximates a market interest rate.

Cash and cash equivalents – For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in banks, money market accounts, and merchant accounts. The Company maintains its cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in banks may at times exceed the federally insured limit. The Company has not experienced losses in such bank accounts and believes it is not exposed to any significant risk on cash.

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents on deposit with financial institutions, the balances of which frequently exceed federally insured limits. If any of the financial institutions with whom the Company does business were to be placed into receivership, the Company may be unable to access to the cash the Company has on deposit with such institutions. If the Company is unable to access the Company's cash and cash equivalents as needed, the Company's financial position and ability to operate the Company's business could be adversely affected.

Accounts receivable – Accounts receivable are carried at their estimated collectible amounts. The Company's accounts receivable are generally short-term in nature; thus, the Company does not accrue finance or interest charges. All receivables are reviewed periodically, and appropriate actions are taken on past-due amounts and those deemed uncollectible, if any. As of December 31, 2022 the Company recorded an allowance for doubtful accounts of $74,538. No allowance for bad debts has been recorded as of December 31, 2021.

Property and equipment – Property and equipment are stated at cost and are depreciated using straight-line methods over estimated useful lives, ranging from three to five years. Upon disposition of assets, the related cost and accumulated depreciation are removed from the books and the resulting gain or loss, if any, is recognized in the year of disposal. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized.

Software development, curriculum, and content – The Company capitalizes costs related to internal-use software, curriculum, and content during the development stage, including consulting costs and compensation expenses related to employees who devote time to the development projects. The Company records software development, curriculum and content costs in property and equipment, net, on the consolidated balance sheet. Costs incurred in the preliminary stages of development activities and post-implementation activities are expensed in the period incurred and included in operating costs and personnel costs in the consolidated statement of operations. For the years ended December 31, 2022 and 2021, the Company capitalized $651,512 and $620,708 in software development costs and $2,016,117 and $1,731,787, respectively, in curriculum and content costs. Software development, curriculum and content costs are amortized straight-line over the expected useful life of five to seven years.

Intangible assets – The Company has intangible assets consisting of customer lists and trademarks. Customer lists and trademarks have finite lives, are recorded at cost, and are amortized over their respective estimated lives, ranging from 9 to 14 years, using the straight-line method.

Impairment of long-lived assets – The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10-40, *Impairment or Disposal of Long-Lived Assets*. The Company assesses these assets for impairment based on estimated undiscounted future cash flows from these assets. If the carrying value of the assets exceeds the estimated future undiscounted cash flows, a loss is recorded for the excess of the asset's carrying value over the fair value. To date, the Company has not recognized any impairment loss for long-lived assets.

Goodwill – Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired in connection with a business combination. Goodwill is not amortized. The Company reviews goodwill for possible impairment on an annual basis or when triggering events occur in accordance with FASB ASC 350, *Intangibles—Goodwill and Other*. When evaluating whether goodwill is impaired, the Company makes a qualitative assessment to determine if it is more likely than not that the fair value is less than its carrying amount. If the Company determines through its qualitative assessment that it is more likely than not that its fair value is less than its carrying amount, the fair value is compared to the carrying amount of the reporting unit to which the goodwill is assigned. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss, if any, is calculated by comparing the implied fair value of the goodwill to its carrying amount. In calculating the implied fair value of the goodwill, the fair value of the reporting unit is allocated to the other assets and liabilities within the reporting unit based on estimated fair value. The excess of the fair value of a reporting unit over the amount allocated to its other assets and liabilities is the implied fair value of the goodwill. An impairment loss is recognized when the carrying amount of goodwill exceeds its implied fair value. No impairment was recognized during the years ended December 31, 2022 and 2021.

Debt issuance costs – Debt issuance costs are capitalized and amortized over the contractual term of the related obligations. Debt issuance costs of $3,610,603 and $2,124,525 were recorded to the note payable as a reduction of the current and long-term outstanding balance as of December 31, 2022 and 2021, respectively. The Company recorded amortization related to debt issuance costs of $170,922 and $140,225, respectively, which is recorded as interest expense on the consolidated statement of operations.

Revenue recognition – Revenue is recognized when control of promised goods or services are transferred to customers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation. In addition, this requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's contracts are deemed to be single performance obligations. In certain instances, the Company offers discounted or free courses for renewal, which is treated as a separate performance obligation when offered.

The Company has one distinct revenue stream related to product revenue. Product revenue is generated through the Company's product line which primarily includes Continuing Education, Pre-Licensing, and Exam Preparation courses. Product revenue is recognized ratably over the average usage period of the course, depending upon the type of course. Contract liabilities are contained within deferred revenue on the consolidated balance sheet. Deferred revenue primarily consists of advanced payments or performance obligations that have not been satisfied. Deferred revenue is recognized when the services are provided, and all other revenue recognition criteria have been met.

The Company has elected a practical expedient to record incremental costs to obtain or fulfill a contract when the amortization period would have been one year or less as incurred. These incremental costs primarily relate to sales commissions costs and are recorded in sales and marketing costs on the consolidated statement of operations.

The Company's receivables from contracts with customers and contract liabilities were as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable, net	$ 2,699,866	$ 719,433	$ 489,432
Deferred revenue	$ 6,885,697	$ 4,413,396	$ 3,791,025

Advertising – The Company expenses advertising costs as incurred. Total advertising costs incurred during the years ended December 31, 2022 and 2021 was $12,272,758 and $8,681,551, respectively.

Income taxes – The Company is treated as a partnership for income tax purposes and is not subject to federal or state income taxes. All revenues and expenses of the Company are reportable in the income tax returns of the members.

The Company has not recorded any liabilities as of December 31, 2022 and 2021, related to uncertain tax positions or made any provision for interest or penalties related to uncertain tax provisions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. No interest or penalties were incurred for the years presented.

Lease obligations – Effective January 1, 2022, the Company adopted ASC 842, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the consolidated statements of operations. The Company elected the modified-retrospective transition as of the date of adoption.

For leases that commenced before the effective date of ASC 842, the Company elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Additionally, the Company elected the practical expedient to not separate lease and non-lease components of a contract for all equipment and data center leases. The Company also elected to exclude leases with a term of 12 months or less in the recognized ROU assets and lease liabilities when the likelihood of renewal is not probable.

The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. The Company elected upon adoption to utilize the risk-free interest rate at the commencement date in determining the present value of future payments. The ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives. See Note 9 for further details.

Recent Accounting Pronouncements – During 2022, the Company early adopted ASU 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, (ASU 2021-08). ASU 2021-08 allows the acquiring company to recognize contract assets and contract liabilities as part of a business combination equal to that of the acquiree's balance before the acquisition assuming the acquiree is following GAAP revenue recognition policies.

Note 3 – Business Combinations

Mbition, LLC (Mbition) – On January 6, 2022, Mbition was acquired by the Company for $29,380,881. The consideration transferred included cash of $29,380,881. As a result of the acquisition, the Company intends to expand its position in the market and improve operating efficiencies. The acquisition was financed through term debt of $30,000,000 (see Note 6). The Company incurred transaction costs in the amount of $416,618 in connection with the acquisition. These costs are expensed in the consolidated statement of operations as operating costs.

The acquisition was accounted for as a business combination. The purchase price was allocated to the net assets acquired based on their estimated fair value. The purchase price was allocated to the acquired assets and liabilities as set forth in the following table:

Net assets acquired	
Cash	$ 581,266
Accounts receivable	295,465
Prepaid expenses and other assets	442,749
Property, plant, and equipment	32,447
Customer relationships	3,180,000
Trademarks	2,950,000
Curriculum and content	8,020,000
Assets acquired	15,501,927
Accounts payable and accrued expenses	(1,347,902)
Deferred revenue	(952,644)
Net assets acquired	13,201,381
Goodwill	16,179,500
Purchase price	$ 29,380,881

Goodwill is primarily attributable to the excess purchase consideration over the fair value of the net tangible assets. Goodwill is anticipated to be deductible for income tax purposes.

Ermann Associates, LLC DBA Amber Book LLC (Amber Book) – On November 9, 2022, Amber Book was acquired by the Company for $57,749,701. The consideration transferred included cash of $51,949,701, parent company stock with a fair value of $3,000,000 and contingent consideration of $2,800,000. As a result of the acquisition, the Company intends to expand its position in the market and improve operating efficiencies.

The acquisition was financed through term debt of $33,550,000 (see Note 6) and equity contributions of $25,304,080. The equity contributions consisted of the $3,000,000 parent stock that was exchanged as consideration. The Company incurred transaction costs in the amount of $2,883,334 in connection with the acquisition. These costs are expensed in the consolidated statement of operations as operating costs.

In connection with the business combination, the Company entered into an agreement to pay additional milestone-based payments of cash with a maximum aggregate amount to be paid of $12,000,000. In accordance with GAAP, the Company has recorded the acquisition-date estimated fair value of the contingent liability as a component of the consideration transferred using Level 3 inputs. The acquisition-date fair value of $2,800,000 was measured utilizing a scenario-based model. The Company remeasured the fair value of the contingent consideration as of December 31, 2022, and determined there was no change in the fair value.

The acquisition was accounted for as a business combination. The purchase price was allocated to the net assets acquired based on their estimated fair value. The purchase price was allocated to the acquired assets and liabilities as set forth in the following table:

Net assets acquired	
Cash	$ 92,898
Accounts receivable	1,800
Prepaid expenses and other assets	51,034
Customer relationships	650,000
Trademarks	2,950,000
Curriculum and content	22,370,000
Assets acquired	26,115,732
Accounts payable and accrued expenses	(944,727)
Deferred revenue	(863,700)
Net assets acquired	24,307,305
Goodwill	33,442,396
Purchase price	$ 57,749,701

Goodwill is primarily attributable to the excess purchase consideration over the fair value of the net tangible assets. Goodwill is anticipated to be deductible for income tax purposes.

A.D. Banker & Company LLC (A.D. Banker) – On December 9, 2022, A.D. Banker was acquired by the Company for $77,691,446. The consideration transferred included cash of $67,311,446, of which $850,000 was transferred to an escrow agent, parent company stock with a fair value of $2,500,000 and contingent consideration of $7,880,000. As a result of the acquisition, the Company intends to expand its position in the market and improve operating efficiencies.

The acquisition was financed through term debt of $25,000,000 (see Note 6), cash of $3,424,955 and equity contributions of $50,075,097. The equity contributions consisted of the $2,500,000 parent stock that was exchanged as consideration. The Company incurred transaction costs in the amount of $3,338,007 in connection with the acquisition. These costs are expensed in the consolidated statement of operations as operating costs.

In connection with the business combination, the Company entered into an agreement to pay additional milestone-based payments of cash with a maximum aggregate amount to be paid of $15,000,000. In accordance with GAAP, the Company has recorded the acquisition-date estimated fair value of the contingent liability as a component of the consideration transferred using Level 3 inputs. The acquisition-date fair value of $7,880,000 was measured utilizing a scenario-based model. The Company remeasured the fair value of the contingent consideration as of December 31, 2022, and determined there was no change in the fair value.

The acquisition was accounted for as a business combination. The purchase price was allocated to the net assets acquired based on their estimated fair value. The purchase price was allocated to the acquired assets and liabilities as set forth in the following table:

Net assets acquired	
Cash	$ 3,772,162
Accounts receivable	1,370,592
Prepaid expenses and other assets	79,045
Property and equipment	329,515
Customer relationships	2,250,000
Trademarks	6,460,000
Developed technology	4,300,000
Internally developed software	1,110,000
Curriculum and content	5,860,000
Assets acquired	25,531,314
Accounts payable and accrued expenses	(3,436,601)
Deferred revenue	(1,110,400)
Net assets acquired	20,984,313
Goodwill	56,707,133
Purchase price	$ 77,691,446

Goodwill is primarily attributable to the excess purchase consideration over the fair value of the net tangible assets. Goodwill is anticipated to be deductible for income tax purposes.

Note 4 – Intangible Assets

Intangible assets consist of the following at December 31:

	2022	2021
Customer lists	$ 43,780,000	$ 37,700,000
Trademarks	33,660,000	21,300,000
Total intangible assets	77,440,000	59,000,000
Accumulated amortization	(12,318,649)	(5,940,842)
Intangible assets, net	$ 65,121,351	$ 53,059,158

Amortization expense for intangible assets with finite lives for the years ended December 31, 2022 and 2021 was $6,377,807 and $5,710,319, respectively. Estimated amortization expense for each of the following fiscal years is as follows:

2023	$ 7,191,484
2024	7,191,458
2025	7,191,458
2026	7,191,458
Thereafter	36,355,493
Total	$ 65,121,351

Note 5 – Property and Equipment

Property and equipment are comprised of the following as of December 31:

	2022	2021
Computer equipment	$ 1,721,650	$ 955,314
Leasehold improvements	40,049	40,049
Software development	19,225,353	13,163,841
Curriculum and content	56,272,756	18,006,639
	77,259,808	32,165,843
Less accumulated depreciation	(13,901,603)	(6,143,034)
Total	$ 63,358,205	$ 26,022,809

Depreciation expense for the years ended December 31, 2022 and 2021 was $7,758,569 and $5,254,471, respectively.

Note 6 – Note Payable

Long-term debt, net of debt issuance costs, consisted of the following at December 31:

	2022	2021
Note payable	$ 171,550,000	$ 84,150,000
Total note payable	171,550,000	84,150,000
Debt issuance costs	(3,610,603)	(2,124,525)
Total note payable, net	167,939,397	82,025,475
Less current portion of note payable, net	(1,511,444)	(718,456)
Total long-term debt	$ 166,427,953	$ 81,307,019

On December 18, 2020, the Company entered into a credit agreement (the Credit Agreement) with a maturity date of December 18, 2026. The Credit Agreement provides a term loan (the Term Loan) with an aggregate principal amount of $173,550,000 and a revolving credit commitment (the Revolving Credit) with an initial aggregate principal amount of $10,000,000. The total outstanding balance for the Term Loan and the Revolving Credit as of December 31, 2022 and 2021 was $171,550,000 and $84,150,000, respectively. Future maturities of notes payable as of December 31, 2022 are as follows:

2023	$ 1,735,000
2024	1,735,000
2025	1,735,000
2026	166,345,000
Total	$ 171,550,000

The Term Loan requires quarterly principal payments of $433,750 commencing March 31, 2023, with the remaining outstanding balance due at maturity. The term loan bears interest at the Secured Overnight Financing Rate (SOFR) plus the applicable rate of 6.25%. The effective interest rate as of December 31, 2022, was 10.55%. The Company recorded $9,408,790 of interest expense for the year ended December 31, 2022.

The credit facility contains, among other terms, provisions for the maintenance of certain financial ratios. As of December 31, 2022, the Company was in compliance with financial covenants under the Credit Agreement.

Note 7 – Member's Equity

The Company is a Limited Liability Company (LLC) made up of one member, The CE Shop Parent, LLC (the Member), owning all the issued and outstanding units of the Company. Pursuant to the Company's Amended and Restated Operating Agreement dated December 18, 2020, as amended, Career Certified, LLC, is established as the Managing Member. The Managing Member has the right to issue or sell additional units or other interests in the Company, including other group or series having such relative rights, powers, and/or obligations as may from time to time. Distributions are made to the Member at the times and in the aggregate amounts determined by the Managing Member.

For the years ending December 31, 2022 and 2021, the Company made distributions to the Member of $10,901,507 and $0, respectively. The Company received contributions from the Member of $75,329,483 and $0 for the years ending December 31, 2022 and 2021, respectively.

Note 8 – Commitments and Contingencies

Litigation – The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination, or breach of contracts incidental to operations of business. The Company is not currently involved in any such incidental litigation.

Note 9 – Leases

The Company leases office space under non-cancellable operating lease agreements in the United States. It has been determined that this lease does not constitute a finance lease. Operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. Any operating lease agreement that includes a renewal option was not believed to be reasonably certain at the date of adoption and was not included within the lease term. The Company believes any option to terminate is not reasonably certain for any operating lease agreement.

For the year ended December 31, 2022, components of lease expense were as follows:

Operating lease expenses	$ 263,714

All components of lease costs are expensed within general and administrative expenses on the consolidated statement of operations.

Total rent expense under noncancellable operating leases for office space was approximately $107,925 for the year ended December 31, 2021.

For the year ended December 31, 2022, supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	119,317
Right-of-use assets obtained in exchange for operating lease liabilities	$	1,925,860
Weighted-average remaining lease term – operating leases (in years)		4.28
Weighted-average discount rate – operating leases		4.5%

The following is the future maturities of the annual undiscounted cash flows of the operating and finance lease liabilities as of December 31, 2022:

	Operating Leases
2023	$ 484,343
2024	455,138
2025	462,273
2026	359,782
Thereafter	236,379
Total	1,997,915
Less imputed interest	(192,931)
Lease liabilities	$ 1,804,984

Future minimum payments on the lease having an initial and remaining non-cancelable lease term in excess of one year as of December 31, 2021 are as follows:

2022	$ 161,764
2023	202,000
2024	205,580
2025	209,161
Thereafter	338,059
Total	$ 1,116,564

Note 10 – Related Party Transactions

The Company pays certain expenses and management fees to a Class A Member, fees for these services totaled $1,471,232 and $1,402,293 for the years ended December 31, 2022 and 2021, respectively, and are recorded as operating cost on the consolidated statement of operations.

Note 11 – Subsequent Events

Subsequent events have been evaluated through May 30, 2023, which is the date the consolidated financial statements were available to be issued.