
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): November 8, 2018

Cambium Learning Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34575
(Commission
file number)

27-0587428
(I.R.S. employer
identification no.)

17855 Dallas Parkway, Suite 400, Dallas, Texas
(Address of principal executive offices)

75287
(Zip Code)

Registrant's telephone number, including area code: (888) 399-1995

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 1.01. Entry into a Material Definitive Agreement***VKIdz SPA Amendment and Rights Agreement Amendment***

On November 8, 2018, Cambium Learning Group, Inc. (the “Company”) entered into the Third Amendment (the “VKIdz SPA Amendment”) to the Stock Purchase Agreement (as amended from time to time, the “VKIdz SPA”), with Edcity Holding Inc., a Florida corporation (“Edcity”), VSS VKidZ LLC, a Delaware limited liability company (“VSS VKidZ” and together with Edcity, the “Sellers”), VKidz Holdings Inc., a Delaware corporation (“VKIdz”), and VSS VKidZ, solely in its capacity as Representative, pursuant to which the Company agreed to acquire from the Sellers all of the issued and outstanding capital stock of VKidz (the “VKIdz Acquisition”). As previously disclosed, pursuant to the terms of the VKidz SPA, the Company agreed to issue an aggregate of 6,742,000 shares of its common stock, par value \$0.001 per share (the “Common Stock”), subject to adjustment as set forth in the VKidz SPA, as consideration to the Sellers. Pursuant to the VKidz SPA Amendment, in lieu of the shares of Common Stock, the Sellers will receive as consideration an aggregate payment in the amount of \$77,533,000 in cash, subject to adjustment as set forth in the VKidz SPA and the VKidz SPA Amendment. In addition, as previously disclosed, on October 12, 2018, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Campus Holding Corp. (“Parent”), a Delaware corporation, and Campus Merger Sub Inc., a Delaware corporation and newly formed wholly-owned subsidiary of Parent, providing for the acquisition of the Company by Parent (the “Merger”). Pursuant to the terms of the Merger Agreement, upon consummation of the Merger, the Sellers were to receive consideration in the form of a fixed per share price of \$11.50 per share of Common Stock. The aggregate dollar amount of \$77,533,000 to be paid to the Sellers, in accordance with the terms of the VKidz SPA Amendment, upon consummation of the VKidz Acquisition represents the product of (i) \$11.50 multiplied by (ii) 6,742,000 shares of Common Stock. The VKidz SPA Amendment was approved by a Special Committee of the Company’s Board of Directors comprised entirely of independent and disinterested directors to evaluate certain aspects of the VKidz Acquisition and the Audit Committee of the Company’s Board of Directors.

In addition, on November 8, 2018, the Company entered into the Amendment (the “Rights Agreement Amendment”) to the Tax Asset Protection Rights Agreement, dated as of September 21, 2016 (the “Rights Agreement”), between the Company and Equiniti Trust Company (successor of interest of Wells Fargo Bank, National Association), as Rights Agent. Pursuant to the terms of the Rights Agreement Amendment, the parties agreed to amend the Final Expiration Date (as defined in the Rights Agreement) to mean the moment in time that is immediately prior to the effective time of the Merger.

The foregoing descriptions of the VKidz SPA Amendment and the Rights Agreement Amendment are qualified in their entirety by reference to the full text of the VKidz SPA Amendment and Rights Agreement Amendment, copies of which are attached hereto as Exhibit 10.1 and 10.2, respectively, and incorporated by reference. Except as expressly modified in the VKidz SPA Amendment and the Rights Agreement Amendment, the VKidz SPA and the Rights Agreement remain in full force and effect.

Item 8.01. Other Information.

A copy of the audited financial statements for the fiscal year ended December 31, 2017 for VKidz are being voluntarily provided herewith as Exhibit 99.1 for informational purposes only.

Forward-Looking Statements

This Current Report on Form 8-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are based on management’s current expectations, the accuracy of which is necessarily subject to risks and uncertainties. These statements are not historical in nature and use words such as “expect,” “anticipate,” “possible,” “project,” “intend,” “forecast,” “plan,” “believe” and other similar expressions or words of similar meaning. Risks and uncertainties include, but are not limited to: conditions to the closing of the proposed transaction, including the obtaining of required regulatory approvals, which may not be satisfied; risks associated with the financing of the transaction; the proposed transaction may involve unexpected costs, liabilities or delays; the business of the Company may suffer as a result of uncertainty surrounding the

proposed transaction; the outcome of any legal proceedings related to the proposed transaction; the Company may be adversely affected by other economic, business and/or competitive factors; the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement; the ability to recognize benefits of the proposed transaction; risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the proposed transaction; and other risks to consummation of the proposed transaction, including the risk that the proposed transaction will not be consummated within the expected time period or at all. A further list and description of these risks, uncertainties and other factors can be found in the Company's Form 10-K for the fiscal year ended December 31, 2017 and the Company's subsequent filings with the SEC. Any forward-looking statements should be considered in light of these factors. The Company undertakes no obligation to update its forward-looking statements, whether as a result of new information, future results or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Third Amendment to Stock Purchase Agreement, dated as of November 8, 2018</u>
10.2	<u>Amendment to Tax Asset Protection Rights Agreement, dated as of November 8, 2018</u>
99.1	<u>Audited Consolidated Financial Statements of VKidz Holdings, Inc. as of and for the year ended December 31, 2017 and accompanying notes</u>

SIGNATURES

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

CAMBIUM LEARNING GROUP, INC.

By: /s/ Barbara Benson
Name: Barbara Benson
Title: Chief Financial Officer

Date: November 8, 2018

THIRD AMENDMENT TO STOCK PURCHASE AGREEMENT

THIS THIRD AMENDMENT TO STOCK PURCHASE AGREEMENT (this "Amendment") is entered into and effective as of November 8, 2018 (the "Effective Date"), by and among Cambium Learning Group, Inc., a Delaware corporation (the "Purchaser"), Edcity Holding Inc., a Florida corporation ("Edcity"), VSS VKidz LLC, a Delaware limited liability company ("VSS", and together with Edcity, the "Sellers", and each, a "Seller"), VKidz Holdings Inc., a Delaware corporation (the "Company"), and VSS, solely in its capacity as Representative (as defined in the Purchase Agreement (as defined below)) (the "Representative"). Capitalized terms used but not otherwise defined in this Amendment shall have the respective meanings ascribed to such terms in the Purchase Agreement.

WHEREAS, the Company, the Sellers, the Purchaser and the Representative are parties to that certain Stock Purchase Agreement, dated as of May 13, 2018 (as amended, the "Purchase Agreement"), as amended by that certain First Amendment to Stock Purchase Agreement, dated as of June 6, 2018, by and among the Company, the Sellers, the Purchaser and the Representative, and as further amended by that certain Second Amendment to Stock Purchase Agreement, dated as of October 12, 2018, by and among the Company, the Sellers, the Purchaser and the Representative;

WHEREAS, pursuant to Section 10.8 of the Purchase Agreement, at any time prior to the Closing, whether before or after receipt of the Purchaser Required Vote, if applicable, the parties to the Purchase Agreement may modify or amend the Purchase Agreement by written agreement executed and delivered by duly authorized officers of the respective parties to the Purchase Agreement; and

WHEREAS, the parties to the Purchase Agreement desire to amend certain provisions of the Purchase Agreement in accordance with the terms set forth herein and therein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Amendments to the Purchase Agreement. The Purchase Agreement is hereby amended as follows:

(a) The definitions of "Exchange Ratio", "Purchaser Shares" and "Share Price" set forth in Section 1.1 of the Purchase Agreement are hereby deleted in their entirety.

(b) The following defined terms set forth in Section 1.2 of the Purchase Agreement are hereby deleted in their entirety: "Base Equity Consideration" and "Reduction Amount".

(c) Section 2.2(a) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“(a) The aggregate consideration to be paid by the Purchaser to the Sellers, which shall be allocated among the Sellers in accordance with the Consideration Schedule, for the sale and transfer of the Shares to the Purchaser, as further described in Section 2.1, upon the terms and subject to the conditions of this Agreement, and on the basis of the representations, warranties and agreements contained herein, shall be an amount in cash (such amount, the “Closing Consideration”) equal to: (i) \$77,533,000, plus (ii) the Estimated Working Capital Excess (if any), minus (iii) the Estimated Working Capital Shortfall (if any), minus (iv) the Estimated Retention Expenses, minus (v) the amount of Estimated Transaction Expenses that constitute Excess Transaction Expenses, minus (vi) the Escrow Amount, minus (vii) the Representative Amount, minus (viii) the aggregate Option Cancellation Amount due to the holders of In the Money Subject Stock Options pursuant to Section 2.5.”

(d) Section 2.2(b)(i) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“(i) The Purchaser shall pay, or cause to be paid, by wire transfer of immediately available funds to the respective account or accounts designated by each Seller in writing, to the Sellers the Closing Consideration in accordance with a consideration schedule, which shall be prepared in good faith and delivered to the Purchaser by the Representative not less than three Business Days prior to the Closing (the “Consideration Schedule”). The Consideration Schedule shall include each of the following: (A) the calculation, which shall be consistent with the Estimated Closing Reports, of the Closing Consideration pursuant to this Section 2.2, (B) the portion of the Closing Consideration to be paid to each Seller, and (C) the calculation of the Option Cancellation Amount for each holder of In the Money Subject Stock Options pursuant to Section 2.5.”

(e) Section 2.2(b)(iv) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“(iv) The Purchaser shall pay, or cause to be paid, by wire transfer of immediately available funds to the account or accounts designated by the Company in writing, sufficient funds such that the Company shall be able to pay the aggregate Option Cancellation Amount due to the holders of In the Money Subject Stock Options, subject to, and in accordance with, the terms of Section 2.5.”

(f) Section 2.3(b)(iii) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“(iii) [Reserved.]”

(g) The second sentence set forth in Section 2.5 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following

text:

“Prior to the Closing, the board of directors of the Company shall take all actions necessary such that all Stock Options that are outstanding immediately prior to the Closing (“Subject Stock Options”) (i) are fully vested in advance of the Closing in accordance with the terms of the Company Stock Compensation Plans and (ii) shall be forfeited prior to the Closing or, solely in the case of Subject Stock Options that are In the Money Subject Stock Options, if the holders thereof execute and deliver, prior to the Closing, an option cancellation agreement in form and substance reasonably acceptable to the Purchaser (each, an “Option Cancellation Agreement”), cancelled in exchange for the right to receive, as promptly as practicable following the Closing Date (but in no event later than the second regular payroll date after the Closing), a cash payment (without interest and less such amounts as are required to be withheld or deducted under applicable Tax Law with respect to the making of such payment) with respect thereto not to exceed the aggregate Option Cancellation Amount, payable to the holders of In the Money Subject Stock Options as set forth in the Consideration Schedule.

(h) The third sentence set forth in Section 2.5 of the Purchase Agreement is hereby deleted in its entirety.

(i) The fourth sentence set forth in Section 2.5 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“For purposes of this Agreement:

(i) the term “Option Cancellation Amount” shall mean, for a Subject Stock Option covering a specified number of shares of Class C Stock outstanding immediately prior to the Closing, an amount equal to the product of (A) the number of shares of Class C Stock covered by such Subject Stock Option immediately prior to the Closing, and (B) the excess, if any, of (x) the Value per Share, over (y) the exercise price of such Subject Stock Option (subject to equitable adjustment in the event of a reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or a stock dividend affecting the Company Common Stock);

(ii) the term “In the Money Subject Stock Options” means Subject Stock Options for which (A) the Value per Share, exceeds (B) the exercise price of such Subject Stock Option (subject to equitable adjustment in the event of a reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or a stock dividend affecting the Company Common Stock);

(iii) the term “Out of the Money Subject Stock Options” means all Subject Stock Options that are not In the Money Subject Stock Options; and

(iv) the term “Value per Share” means the quotient of (A)(i) \$77,533,000, plus (ii) the Estimated Working Capital Excess (if any), minus (iii) the Estimated Working Capital Shortfall (if any), minus (iv) the Estimated Retention Expenses, minus (v) the amount of Estimated Transaction Expenses that constitute Excess Transaction Expenses, minus (vi) the Escrow Amount, minus (vii) the Seller’s Preference Amount, divided by (B) the total number of shares of Company Common Stock on a Fully Diluted Basis immediately prior to the Closing.

(j) Section 3.8 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“Section 3.8 [Reserved.]”

(k) Section 3.9 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“Section 3.9 [Reserved.]”

(l) Section 5.4 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

“Section 5.4 [Reserved.]”

2. Miscellaneous.

(a) Except as expressly provided herein or any side letters executed by the parties pursuant to the Purchase Agreement, all of the terms, conditions and other provisions of the Purchase Agreement are hereby ratified and confirmed and shall remain unchanged and in full force and effect in accordance with their respective terms. Any reference to the Purchase Agreement in any instrument or document shall be deemed a reference to the Purchase Agreement as amended hereby. In the event of any conflict or inconsistency between the provisions of the Purchase Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

(b) This Amendment, together with the Purchase Agreement and any side letters thereto, constitute the entire agreement among the parties hereto and thereto and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof and thereof.

(c) This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York without regard to the conflicts of law rules thereof.

(d) This Amendment may be executed in one or more counterparts (including by facsimile or electronic .pdf submission), each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by telecopy, portable document format (.pdf) or otherwise) to the other parties, it being understood that the parties need not sign the same counterpart.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

PURCHASER:

CAMBIUM LEARNING GROUP, INC.

By: /s/ Barbara Benson

Name: Barbara Benson

Title: Chief Financial Officer

[Signature Page to Third Amendment to Stock Purchase Agreement]

SELLER:

EDCITY HOLDING INC.

By: /s/ John Edelson
Name: John Edelson
Title: President

COMPANY:

VKIDZ HOLDINGS INC.

By: /s/ John Edelson
Name: John Edelson
Title: President

[Signature Page to Third Amendment to Stock Purchase Agreement]

SELLER:

VSS VKIDZ LLC

By: /s/ David F. Bainbridge
Name: David F. Bainbridge
Title: Authorized Signatory

REPRESENTATIVE:

VSS VKIDZ LLC

By: /s/ David F. Bainbridge
Name: David F. Bainbridge
Title: Authorized Signatory

[Signature Page to Third Amendment to Stock Purchase Agreement]

AMENDMENT TO TAX ASSET PROTECTION RIGHTS AGREEMENT

This AMENDMENT TO TAX ASSET PROTECTION RIGHTS AGREEMENT (this "Amendment") is entered into and effective as of November 8, 2018 (the "Effective Date"), between CAMBIUM LEARNING GROUP, INC., a Delaware corporation (the "Company"), and EQUINITI TRUST COMPANY, a limited trust company organized under the laws of the State of New York and successor of interest of Wells Fargo Bank, National Association, as Rights Agent (the "Rights Agent"), amending that certain Tax Asset Protection Rights Agreement (the "Rights Agreement"), dated as of September 21, 2016, between the Company and the Rights Agent. Capitalized terms used but not otherwise defined in this Amendment shall have the respective meanings ascribed to such terms in the Rights Agreement.

RECITALS

WHEREAS, Section 26 of the Rights Agreement provides that at any time prior to the Distribution Date, the Company may, and the Rights Agent shall if the Company so directs, amend any provision of the Rights Agreement in any manner which the Company may deem necessary or desirable (including the date on which the Distribution Date or Expiration Date shall occur) without the approval of any Rights holder. Section 26 also provides that all amendments shall be in writing and must be authorized by the Board;

WHEREAS, on October 12, 2018, the Company entered into that certain Agreement and Plan of Merger (as amended from time to time, the "Merger Agreement"), with Campus Holding Corp., a Delaware corporation ("Parent"), and Campus Merger Sub Inc., a Delaware corporation ("Merger Sub") and together with Parent, the "Purchaser Entities"), pursuant to which Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly-owned subsidiary of Parent (the "Merger");

WHEREAS, prior to entering into the Merger Agreement, Parent provided a written letter to the Company in accordance with the terms of Section 34 of the Rights Agreement stating that the effect of the Merger and the other transactions contemplated by the Merger Agreement would, if consummated, result in Parent becoming an Acquiring Person and requesting that the Board determine that each of the Purchaser Entities be deemed an Exempt Person under the Rights Agreement;

WHEREAS, prior to entering into the Merger Agreement, the Board deemed it to be advisable and in the best interests of the Company and its stockholders to determine that each of the Purchaser Entities is an "Exempt Person" subject to the condition that the Purchaser Entities' acquisition of Common Shares is pursuant to the Merger Agreement;

WHEREAS, prior to entering into the Merger Agreement, the Board, in connection with approving the Merger, also affirmatively determined that each of the Purchaser Entities is an "Exempt Person" under the terms of the Rights Agreement, subject to the condition that the Purchaser Entities' acquisition of Common Shares is pursuant to the Merger Agreement. The Board further resolved authorized officers of the Company to take such further actions necessary such that neither the execution and delivery of the Merger Agreement, nor the consummation of the Merger and the other transactions contemplated therein, will cause (a) the grant of any new rights under the Rights Agreement or (b) any rights previously granted under the Rights Agreement to become exercisable;

WHEREAS, Section 5.7 of the Merger Agreement requires the Company and the Board, as the case may be, to amend the Rights Agreement to (a) render it inapplicable to the Merger Agreement and the Merger and (b) provide that it shall have terminated immediately prior to the time when the Merger becomes effective under the Merger Agreement; and

WHEREAS, pursuant to the terms of the Rights Agreement, the Rights Agreement may expire on the Expiration Date, which is the earliest of the Final Expiration Date, which is September 21, 2019, or such earlier date as of which the Board determines that the Rights Agreement is no longer necessary for the preservation of Tax Benefits.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

SECTION 1. Amendment. The Rights Agreement is hereby amended as follows:

(a) A definition of “Merger Agreement” is hereby added to Section 1 as follows:

“‘Merger Agreement’ shall mean that certain Agreement and Plan of Merger, dated as of October 12, 2018, and as may be amended from time to time, among the Company, Campus Holding Corp., a Delaware corporation, and Campus Merger Sub Inc., a Delaware corporation.”

(b) The definition of “Final Expiration Date” is hereby deleted in its entirety and replaced with the following:

“‘Final Expiration Date’ shall mean the moment in time that is immediately prior to the Effective Time (as defined in the Merger Agreement).”

SECTION 2. Miscellaneous.

(a) Except as expressly provided herein, all of the terms, conditions and other provisions of the Rights Agreement are hereby ratified and confirmed and shall remain unchanged and in full force and effect in accordance with their respective terms. Any reference to the Rights Agreement in any instrument or document shall be deemed a reference to the Rights Agreement as amended hereby. In the event of any conflict or inconsistency between the provisions of the Rights Agreement and the provisions of this Amendment, the provisions of this Amendment shall control.

(b) This Amendment, together with the Rights Agreement, constitute the entire agreement among the parties hereto and thereto and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof and thereof.

(c) This Amendment shall be deemed to be a contract made under the law of the State of Delaware and for all purposes shall be governed by and construed in accordance with the law of such State applicable to contracts to be made and performed entirely within such State.

(d) This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Amendment transmitted electronically shall have the same authority, effect and enforceability as an original signature. This Amendment shall be effective as of the Close of Business on the date hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

CAMBIUM LEARNING GROUP, INC.

By: /s/ Barbara Benson

Name: Barbara Benson

Title: Chief Financial Officer

[Signature Page to Amendment to Tax Asset Protection Rights Agreement]

EQUINITI TRUST COMPANY

By: /s/ Dawn R. Coleman

Name: Dawn R. Coleman

Title: Vice President

[Signature Page to Amendment to Tax Asset Protection Rights Agreement]

MAZARS USA LLP

VKidz Holdings Inc.

Financial Statements
December 31, 2017



MAZARS USA LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.

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December 31, 2017

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Independent Auditors' Report

To the Shareholders of
VKidz Holdings Inc.

We have audited the accompanying consolidated financial statements of VKidz Holdings Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of operations, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of VKidz Holdings Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mazars USA LLP

March 27, 2018

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VKidz Holdings Inc.**Balance Sheet**
December 31, 2017

Assets	
Current assets	
Cash and cash equivalents	\$ 1,372,547
Accounts receivable	399,048
Prepaid expenses and other current assets	737,478
Total current assets	2,509,073
Property and equipment, net	185,191
Intangible assets, net	21,669,004
Software development costs, net	1,277,975
Goodwill, net	28,229,515
Security deposits	2,500
Total assets	<u>\$53,873,258</u>
Liabilities and shareholder's equity	
Current liabilities	
Current portion of note payable—Bank	\$ 825,000
Accounts payable and accrued expenses	1,213,496
Deferred revenue	3,245,105
Deferred tax liability, net	2,170,000
Total current liabilities	7,453,601
Note payable - Bank, net of current portion and un amortized deferred finance costs	9,499,667
Note payable - related party	10,000,000
Total liabilities	26,953,268
Shareholders' equity	
Class A common stock - \$0.0001 par value; 3,000,000 authorized, issued and outstanding shares	300
Class B common stock - \$0.0001 par value; 2,000,000 authorized, issued and outstanding shares	200
Class C common stock - \$0.0001 par value; authorized 55,556 shares, issued 0 shares; outstanding 0 shares	—
Additional paid in capital	33,331,587
Accumulated deficit	(6,412,097)
Total Shareholders' equity	26,919,990
Total liabilities and shareholders' equity	<u>\$53,873,258</u>

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

VKidz Holdings Inc.

Statement of Operations
Year Ended December 31, 2017

Revenue	<u>\$18,904,351</u>
Operating expenses	
Selling and marketing expenses	1,976,808
Licensing, hosting & credit card fees	3,449,493
Payroll and related costs	6,819,245
General and administrative expenses	<u>2,146,107</u>
Total operating expenses	<u>14,391,653</u>
Income from operations before depreciation and amortization	4,512,698
Depreciation & Amortization	<u>6,436,114</u>
Loss from operations	(1,923,416)
Interest expense	<u>1,613,432</u>
Loss before provision for income taxes	(3,536,848)
Provision for income taxes	<u>1,604,937</u>
Net loss	<u><u>\$ (5,141,785)</u></u>

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

VKidz Holdings Inc.

Statement of Changes in Shareholders' Equity
Year Ended December 31, 2017

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Units	Amount	Units	Amount			
Balance at January 1, 2017	3,000,000	\$ 300	2,000,000	\$ 200	\$33,299,500	\$(1,270,312)	\$ 32,029,688
Compensation expense—stock options	—	—	—	—	32,087	—	32,087
Net Loss	—	—	—	—	—	(5,141,785)	(5,141,785)
Balance at December 31, 2017	<u>3,000,000</u>	<u>\$ 300</u>	<u>2,000,000</u>	<u>\$ 200</u>	<u>\$33,331,587</u>	<u>\$(6,412,097)</u>	<u>\$ 26,919,990</u>

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

Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities	
Net loss	\$(5,141,785)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	6,436,114
Bad debt expense	(895)
Amortization of debt issuance costs	32,000
Stock based compensation	32,087
Deferred taxes	1,566,078
Changes in operating assets and liabilities, net of effects of acquisitions:	
Accounts receivable	(157,043)
Prepaid expenses and other current assets	1,592,394
Accounts payable and accrued expenses	(732,756)
Deferred revenue	2,146,923
Net cash provided by operating activities	<u>5,773,117</u>
Cash flows from investing activities	
Acquisition of property and equipment	(90,077)
Acquisition of website domain	(120,001)
Capitalization of software development	(1,311,236)
Acquisition of businesses	(3,325,000)
Net cash used in investing activities	<u>(4,846,314)</u>
Cash flows from financing activities	
Repayment of note payable - bank	(550,000)
Net cash used in financing activities	<u>(550,000)</u>
Net increase in cash and cash equivalents	376,803
Cash and cash equivalents - beginning of year	995,744
Cash and cash equivalents - end of year	<u>\$ 1,372,547</u>

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

Statement of Cash Flows (Cont'd)
Year Ended December 31, 2017

Supplemental disclosures of cash flow information

Cash paid during the period for:	
Income taxes	<u>\$ 548,774</u>
Interest	<u>\$1,752,273</u>

Supplemental disclosures of non-cash investing and financing activities

In connection with the acquisitions, liabilities were assumed as follows:	
Fair value of assets acquired	\$3,749,719
Cash paid	<u>3,325,000</u>
Liabilities assumed, including deferred purchase price of \$200,000	<u>\$ 424,719</u>

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

Notes to Financial Statements
Year Ended December 31, 2017

1. Organization and Nature of Business

VKidz Holdings Inc. (the "Company"), a Delaware Corporation, was incorporated on November 1, 2016. The Company, headquartered in Fort Lauderdale, FL, is an award-winning provider of subscription-based online curriculum for the homeschool, elementary school, and parent markets.

The Company has two divisions and six product lines:

The Homeschool Division is made up of *Time4Learning*, *Time4Writing* and *HomeschoolConnect*. *Time4Learning* provides an interactive online core curriculum from PreK-12th grade, generally as a monthly subscription. *Time4Writing* is a series of eight-week online writing classes taught and facilitated by experienced teachers. *HomeschoolConnect*'s revenues consists of media sales on a network of homeschool related sites.

The School Division features *VocabularySpellingCity*, *Science4Us*, and *WritingCity*, all of which are generally sold as annual subscriptions. *VocabularySpellingCity* offers supplementary literacy products for phonics, spelling, vocabulary and literacy for K-12 grades. *Science4Us* is a supplementary or core curriculum for K-2nd grades. *WritingCity* is a writing curriculum for elementary schools.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities, when purchased, of three months or less to be cash equivalents. The Company maintains cash accounts in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to a limit of \$250,000 per depositor, per institution. Such deposits periodically exceed the FDIC insured limit of \$250,000 for balances held at each bank. The Company's total uninsured cash balance retained in FDIC-insured institutions was approximately \$1,053,000 at December 31, 2017.

Accounts Receivable

Accounts receivable consist of trade receivables recorded at original invoice amount, less an estimated allowance for uncollectible accounts. Credit is generally extended on a short-term basis, thus trade receivables do not bear interest, although a finance charge may be applied to receivables that are past due. The Company generally does not require collateral for trade receivables. Trade receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of trade receivables are recorded in the results of operations in the period in which the estimate is revised. The Company had no allowance for uncollectible accounts at December 31, 2017.

Property and Equipment, Net

Property and equipment are stated at cost. Depreciation of property and equipment is recorded using the straight-line method over the estimated useful lives of the assets. Upon retirement or disposal, the cost of the asset disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of operations. Expenditures for repairs and maintenance are expensed as incurred.

Software Development Costs

The Company capitalizes costs associated with the development of internal-use software.

The Company capitalizes certain internal software costs incurred during the application development stage which generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred. Upgrades and enhancements, as well as conversion costs incurred to develop or obtain software that allows for access of old data or conversion of old data to the new system, are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of three years.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed.

The Company elected to adopt the private company accounting alternative for goodwill whereby goodwill is amortized using the straight-line method over a period of 10 years. Goodwill under this accounting alternative is tested for impairment only when a triggering event occurs that indicates that the fair value of an entity or a reporting unit may be below its carrying amount. Should the Company be required to test goodwill for impairment, the Company has elected to test for impairment at the entity level. At December 31, 2017, the Company determined that no triggering event occurred and thus no impairment testing was required.

The Company periodically reviews the carrying values of its intangible and long-lived assets when events or changes in circumstances would indicate that it is more likely than not that their carrying values may exceed their fair values, and record impairment charges when considered necessary. When circumstances indicate that an impairment may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying value of the asset over its estimated fair value, is recognized. During the year ended December 31, 2017, the Company noted no indicators of impairment.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists, services have been performed, the selling price is fixed or determinable, and collection of the related receivable is reasonably assured.

The Company's revenue is primarily derived from subscriptions to its various educational platforms. The Company recognizes revenue for its offerings ratably over the term of the subscription. Any professional development, training, or media sales are recognized when the service is provided.

Income Taxes

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

The Company has determined that there are no uncertain tax positions requiring accrual or disclosure in the accompanying financial statements as of December 31, 2017.

The Company files a Federal return as well as various state income and franchise tax returns.

Licensed content

Time4Learning includes both third-party and proprietary content. The Company licenses curriculum content from a third party to resell to the home education market. The current distribution agreement with the licensor expires on December 31, 2022 and can be cancelled only by the Company prior to that date. The licenses are determined for a calendar year, adjusted on a pro-rata basis for additional licenses, and paid monthly.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2017 was approximately \$1,712,394.

3. Acquisitions

On October 16, 2017, the Company acquired substantially all the assets and assumed certain liabilities of WriteSteps, LLC (“WriteSteps”). The purchase agreement provided for a purchase price of \$1,225,000, comprised of a \$1,125,000 cash payment at closing and deferred payments of \$50,000 to be paid six months and twelve months after closing.

The purchase price was allocated the estimated fair value of the assets and liabilities acquired as follows:

Net assets acquired:	
Customer relationships	\$ 438,191
Trade name	119,390
Goodwill	879,069
Deferred revenue	(211,650)
	<u>\$1,225,000</u>

The purchase price allocation on the acquisition of WriteSteps includes an estimate of the fair value of the deferred revenue obligation assumed from the seller on the date of acquisition. The estimated fair value of the deferred revenue obligation was determined based on the costs to provide the services plus a reasonable profit margin thereon. Accordingly, the fair value of the deferred revenue obligation assumed reflected on the balance sheet on the date of the acquisition was approximately \$634,000 less than the historical carrying value prior to acquisition. Had the deferred revenue obligation assumed been recorded at the pre-acquisition historical value, revenues for 2017 would have increased by approximately \$115,000.

On October 18, 2017, the Company acquired substantially all the assets and assumed certain of the liabilities of Homeschool.com, Inc. (“Homeschool”). The purchase agreement provided for a purchase price of \$2,300,000, comprised of a \$2,200,000 cash payment at closing and a deferred payment of \$100,000 to be paid six months after closing.

The purchase price was allocated the estimated fair value of the assets and liabilities acquired as follows:

Net assets acquired:	
Customer relationships	\$ 387,244
Tradenname	76,700
Non-compete	151,952
License	300,000
Goodwill	1,397,173
Deferred revenue	(13,069)
	<u>\$2,300,000</u>

4. Property and Equipment, Net

Property and equipment, net consisted of the following at December 31, 2017:

	Estimated Useful Lives	
Furniture and equipment	7 years	\$ 198,320
Computer equipment	3 years	127,977
Leasehold improvements	term of lease	29,651
Total cost		355,948
Less accumulated depreciation		(170,757)
		<u>\$ 185,191</u>

Depreciation expense was approximately \$69,000 for the year ended December 31, 2017.

5. Goodwill and Intangible Assets, Net

Goodwill and Intangible assets, net consisted of the following at December 31, 2017:

	Cost	Accumulated Amortization	Net	Estimated Useful Lives
Goodwill	<u>\$31,425,264</u>	<u>\$(3,195,749)</u>	<u>\$28,229,515</u>	10
Customer relationships	\$13,885,435	(2,040,843)	\$11,844,592	7
Non-compete agreements	1,054,952	(331,148)	723,804	3
Tradenname	6,616,090	(698,768)	5,917,322	10
Acquired technology	3,300,000	(510,714)	2,789,286	7
Domains & licensed content	420,000	(26,000)	394,000	5
	<u>\$25,276,477</u>	<u>\$(3,607,473)</u>	<u>\$21,669,004</u>	

Amortization expense related to goodwill and intangible assets for the year ended December 31, 2017 totaled approximately \$2,920,000 and \$3,413,000, respectively. Goodwill and all other intangibles are amortized over 15 years for income tax purposes.

As of December 31, 2017, the future amortization of intangible assets was as follows:

Year Ending December 31,	Goodwill	Other Intangibles	Total
2018	\$ 3,142,526	\$ 3,552,322	\$ 6,694,848
2019	3,142,526	3,527,239	6,669,765
2020	3,142,526	3,246,256	6,388,782
2021	3,142,526	3,200,671	6,343,197
2022	3,142,526	3,174,671	6,317,197
Thereafter	12,516,883	4,967,845	17,484,729
	<u>\$28,229,513</u>	<u>\$21,669,004</u>	<u>\$49,898,518</u>

6. Software Development Costs

Software development costs consisted of the following at December 31:

	Estimated Useful Lives	2017
Internal-use software	3	\$1,311,236
Less accumulated amortization		(33,261)
		<u>\$1,277,975</u>

For the year ended December 31, 2017, the Company capitalized internal-use software costs of \$1,311,236. Amortization expense related to software development costs for the year ended December 31, 2017 was \$33,261.

7. Note Payable – Bank

On November 23, 2016, the Company entered into a Credit Agreement (the “Agreement”) with a bank providing for an \$11 million term loan and a revolving loan with a borrowing capacity of \$2.5 million. At the Company’s option, all or part of the borrowings under the credit agreement may be considered Alternate Base Rate (“ABR”) loans or LIBOR loans and bear interest at either the ABR Rate or the LIBOR rate as defined in the Credit Agreement. The revolving line of credit and term loan mature on November 23, 2021, and are collateralized a first security interest in the assets of the Company and a pledge of its equity interests.

At December 31, 2017, the Company's bank debt consisted of:

	2017
Term loan	10,450,000
Less unamortized deferred finance costs	(125,333)
Note payable - Bank, net	10,324,667
Less current portion of note payable - Bank	(825,000)
Note payable - Bank, net of current portion and deferred finance costs	<u>\$ 9,499,667</u>

The Company has recorded amortization of debt issuance costs of \$32,000 for the year-ended December 31, 2017 as interest expense in the statement of operations.

The term loan is repayable in 19 consecutive quarterly installments commencing on March 31, 2017 through September 30, 2021, with a final payment of the remaining unpaid principal at maturity, November 23, 2021. All revolving loan borrowings are due and payable on November 23, 2021.

The scheduled maturities of the Company's term loan under the credit agreement at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 825,000
2019	825,000
2020	1,100,000
2021	7,700,000
	<u>\$10,450,000</u>

The Credit Agreement provides for mandatory prepayments of all borrowings to the extent of: a) the net proceeds from the sale or disposal of any collateral, other than as permitted, less the amount of such proceeds reinvested in assets used in the ordinary course of business or CapEx, in any fiscal year, and b) net proceeds from the issuance of indebtedness, other than permitted. Commencing with the fiscal year ending December 31, 2017, in the amount of 50% of the Company's Excess Cash Flow, as defined, if the Total Leverage Ratio, as defined, on the last day of such fiscal year was greater than 4:1, payable on or before May 5th of the year immediately following the period of the calculation. The Company had no excess cash flow payment liability for the year ended December 31, 2017.

The Credit Agreement requires that the Company maintain a minimum ratio EBITDA to fixed charges and a maximum ratio of debt to EBITDA, as defined. The Company is in compliance with these covenants at December 31, 2017.

8. Note Payable – Related Party

On November 23, 2016, the Company entered into an agreement with an owner of the Company providing for a \$10,000,000 promissory note.

The note is payable and due in full, less any prepayments, on May 23, 2022 and bears interest at 10% per year payable quarterly in arrears, beginning on December 31, 2016.

Interest incurred on the note payable for the year-ended December 31, 2017 totaled \$1,000,000.

9. Shareholders' Equity

Under the Company's amended and restated Certificate of Incorporation dated November 23, 2016, the Company is authorized to issue up to 5,555,556 shares of common stock with a par value of \$0.0001 per share. Of those common stock, 3,000,000 will be designated as Class A Stock, 2,000,000 will be designated as Class B Stock, and 555,556 will be designated as Nonvoting Class C Stock. All Class A Stock and Class B Stock have been issued and remain outstanding at December 31, 2017. Class C Stock has not been issued. Holders of Class A and Class B Common stock is entitled to one vote per share on all matters submitted to a vote of shareholders. Class C Nonvoting Common Stock are classified as nonvoting and as such are not entitled to vote on any matters submitted to a vote to shareholders. Class A Stock and Class B Stock shall accrue dividends ("Liquidating Dividends") at a rate of 10% per annum on \$6.67 and are payable only upon a liquidation event, whether or not declared. The total cumulative accrued dividend at December 31, 2017 was approximately \$3,682,000.

In the event of a liquidation event, the holders of Class A Common Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of Class B Stock and Class C Stock, an amount per share in cash equal to \$6.67 for each share of Class A Stock then held by them. If, upon the occurrence of a Liquidation Event, the assets and funds thus distributed among the holders of the Class A Stock shall be insufficient to permit the payment to such holders of the full Class A Stock Liquidation Preference, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Class A Stock in proportion to the aggregate Class A Stock Liquidation Preference that would otherwise be payable to each of such holders. Following the completion of the Class A Common Stock distributions noted above, if assets or surplus funds remain, Class B Common Stock will be entitled to receive, prior and in preference to any distribution to the holders of Class C Stock in the same manner as per Class A Common Stock liquidation preference mentioned above. Following the completion of the Class A and B Common Stock distributions noted above, if assets or surplus funds remain, the holders of Class A and B Common stock shall share ratably in the Liquidating Dividends in proportion to their holdings, prior to any distribution to the holders of Class C Stock. Following the completion of all the above distributions, if assets or surplus funds remain, the holders of all classes of Common Stock will share ratably in all remaining assets and surplus funds based on the number of shares of common stock outstanding.

10. Stock Based Compensation

The Company's 2016 Stock Option Plan has reserved 555,556 shares of Common Stock for issuance under this plan. Options granted under this plan, upon vesting and exercise, allow the holder to purchase the same number of non-voting shares of Class C Common Stock. All options granted under the plan are composed 50% of time-based options which vest over a specified period of time and 50% of performance-based options which vest only upon a change in control, as defined.

The Company has elected to use the Black-Scholes option-pricing model for valuing stock-based compensation awards. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's statements of operations or upon change of control of the entity.

The following table summarizes stock option activity:

	Number of Stock Options	Exercise Price
Outstanding at January 1, 2017	—	\$—
Granted	217,500	6.85 - 7.06
Exercised	—	—
Forfeited/expired	—	—
Outstanding at December 31, 2017	<u>217,500</u>	<u>6.85 - 7.06</u>
Exercisable at December 31, 2017	<u>10,065</u>	<u>\$6.85 - \$7.06</u>

Total stock-based compensation expense incurred during 2017 was \$32,060. The remaining expense to be incurred for the unvested portion of options outstanding at December 31, 2017 was \$314,229. The weighted average grant date fair value for grants during 2017 was \$6.86. The weighted average remaining term is 4.5 years.

Non-vested options consist of the following:

	Number of Stock Options	Weighted- Average Grant- Date Fair Value
Non-vested at January 1, 2017	—	\$ —
Granted	217,500	6.86
Vested	(10,065)	6.86
Forfeited/expired	—	—
Outstanding at December 31, 2017	<u>207,435</u>	<u>\$ 6.86</u>

The specific assumptions used to determine the fair value of the stock options granted during the year ended December 31, 2017 were as follows:

Expected volatility	52%
Dividend yield	0%
Expected option life	5
Risk-free rate	1.77% - 1.78%

11. Income Taxes

The provision for income taxes charged to operation for the year ended December 31, 2017:

Current	
Federal	\$ 28,887
State	9,972
	<u>\$ 38,859</u>
Deferred	
Federal	\$ 3,596,291
Adjustment to deferred taxes due to the Tax Act	(2,045,874)
State	15,661
	<u>\$ 1,566,078</u>
Total Provision for income taxes	<u>\$ 1,604,937</u>

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into legislation. The Tax Act makes broad and complex changes to the U.S. tax code, including reducing the U.S. federal corporate tax rate from 35 percent to 21 percent. For the year ended December 31, 2017, the Company has recorded an adjustment of \$2,045,874 due to the remeasurement of deferred tax assets and liabilities.

Deferred income tax assets and liabilities represent the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes.

The components of deferred income taxes consist of the following:

Deferred tax assets	
Net Operating Loss	\$ 328,000
Other	13,000
Deferred tax liabilities	
Amortization and depreciation	(2,511,000)
Net deferred tax liabilities	<u>\$(2,170,000)</u>

12. Retirement Plan

The Company sponsors a simple IRA retirement plan with a third-party through which employees are eligible to participate upon commencement of employment. The plan provides for a 3% Company match of employee contributions. Employer contributions to the Plan for the year ended December 31, 2017 totaled approximately \$112,000.

13. Commitments - Operating Leases

In January 2016, the Company signed an operating lease for its office space in Florida that expires in January 2019. Future minimum annual lease payments under this lease agreement as of December 31, 2017 totaled approximately \$137,000 for the year ended December 31, 2018.

Total rental expense for the year ended December 31, 2017 totaled approximately \$133,000.

14. Related Party Transactions

In 2017, the Company incurred management fees of \$200,000 to a related party which is included in operating expenses in the statement of operations. The Company also has a note payable due to this same related party at December 31, 2017 (Note 7). Interest expense on this loan totaled \$1 million for the year ended December 31, 2017.

In 2017, the Company paid directors' fees and reimbursed directors for expenses totaling approximately \$22,000 and \$8,000 respectively.

15. Subsequent Events

The Company has evaluated subsequent events through March 27, 2018, the date the financial statements were available for issuance.

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