National American University Holdings, Inc.

A Delaware Corporation

5301 Mt. Rushmore Road
Rapid City, SD 57701
(605)721-5200
www.national.edu

SIC Code:
822101

Annual Report

For Fiscal Year Ending May 31, 2020

The number of shares outstanding of our Common Stock is 24,593,475 as of May 31, 2020

OTCQB: NAUH

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ___ No: _√_

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ___ No: _√_

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: ___ No: _√_

National American University Holdings, Inc.
Annual Information and Disclosure Statement
For the Year Ended May 31, 2020

All information contained in this Annual Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of OTC Markets Group, Inc. and Rule 15c2-11 under the Securities Exchange Act of 1934. The captions contained herein correspond to the sequential format as set forth in the applicable disclosure guidelines of OTC Markets Group, Inc. All dollar amounts are presented in thousands, except dividend and other per share data. Quantitative share data, among other non-dollar figures, are not presented in thousands.

Forward-Looking Statements

This Annual Information and Disclosure Statement contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. All statements except historical statements contained herein constitute "forward-looking statements." Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially. Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting operations, customers, markets, services, products and prices of National American University Holdings, Inc. ("NAUH"); (ii) risk factors affecting the private for-profit higher education industry; and (iii) other factors discussed in NAUH's annual reports, quarterly reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website (available at www.otcmarkets.com), including without limitation, the description of the nature of NAUH's business and its management discussion and analysis of financial condition and results of operations for reported periods. Except as required by law or the OTC Markets Group, Inc., NAUH undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this document beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in NAUH's expectations, or otherwise or for changes made to this document by wire services or Internet services.

National American University Holdings, Inc.
Table of Contents

Part A General Company Information

Item 1 The exact name of the issuer and its predecessor (if any)

National American University Holdings, Inc.

Item 2 The address of the issuer's principal executive offices

Principal Executive Offices:	National American University Holdings, Inc. 5301 Mt Rushmore Road Rapid City, SD 57701 (605) 721-5200 www.national.edu
Investor Relations:	The Equity Group, Inc. 800 Third Avenue, Between 49th & 50th Streets, 36th Floor New York, NY 10022 Telephone: (415) 568-2255 Contact: Carolyne Y Sohn Email: csohn@equityny.com

Item 3 The jurisdiction(s) and date of the issuer's incorporation or organization

National American University Holdings, Inc. was incorporated in the State of Delaware in 2007.

Part B Share Structure

Item 4 The exact title and class of securities outstanding

Class:	Common Stock
CUSIP:	132863127
Trading Symbol:	NAUH

Item 5 Par or stated value and description of the security

A. *Par or Stated Value*
The Company's outstanding securities consist solely of common stock, par value $0.0001 per share.

B. *Common Stock*
For common equity, dividends, voting and preemption rights are determined by the Board of Directors.

There are no other material rights of common or preferred stockholders.

There are no provisions that would delay, defer, or prevent a change in control of the issuer. The bylaws are included in Item 19 B of this report.

Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized

Common Stock

	May 31, 2020
Number of Shares Authorized	50,000,000
Number of Shares Outstanding	24,593,475
Total Number of Shareholders of Record	39

The Company has 483 beneficial shareholders of record owning at least 100 shares.

Preferred Stock

	May 31, 2020
Number of Shares Authorized	1,000,000
Number of Shares Outstanding	0
Total Number of Shareholders of Record	0

Class A Common Stock

	May 31, 2020
Number of Shares Authorized	100,000
Number of Shares Outstanding	0
Total Number of Shareholders of Record	0

Please refer to Financial Statements Footnote #10 for Stockholders' Equity notes.

Item 7 The name and address of the transfer agent

Equiniti Trust Company
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120
Telephone: (855) 217- 6361
Contact: Lindsey Fischer
Email: Lindsey.fischer@EQ-US.com

Equiniti Trust Company is currently registered under the Securities Exchange Act of 1934, and is an authorized transfer agent subject to regulation by the U.S. Securities and Exchange Commission.

Part C Business Information

Item 8 The nature of the issuer's business

Unless the context otherwise requires, the terms "we", "us", "our" and the "Company" used throughout this document refer to National American University Holdings, Inc., its wholly owned subsidiary, Dlorah, Inc., and National American University, sometimes referred to as "NAU" or the "University", which is owned and operated by Dlorah, Inc.

A. Business Development

Business Overview

National American University Holdings, Inc. is a provider of professional and technical postsecondary education primarily designed for working adults and other non-traditional students. We own and operate National American University, a regionally accredited, proprietary institution of higher learning founded in 1941.

In addition to the University operations, the Company had owned and operated a real estate business unit, known as Fairway Hills Developments, or Fairway Hills. These properties were liquidated during this fiscal year and subsequent months in fiscal year 2021.

The University has been executing a strategic shift to online instruction and classes only. As a result, on-ground campus locations have been phased out over the past two years. As a result, the student enrollment and revenue has declined considerably year over year. See the "University History" section below for more information on the shift to online only and the impact on enrollment.

For the fiscal year ended May 31, 2020, NAUH realized net income of $1 million. See the Financial Statements Summary in Item 12 for more detailed financial results.

University History

Founded in 1941, NAU, then operating under the name National School of Business, offered specialized business training designed for women in western South Dakota wanting to work outside the home. During the late 1960s and early 1970s, the University progressed from a two-year business school to a four-year college of business and embarked on a recruitment of qualified graduates of one- and two-year programs from accredited business schools in the eastern United States. Such programs allowed students to continue their education and receive appropriate transfer credits for their previous academic achievements. In 1974, the University, then known as National College, added its first branch campus in Sioux Falls, SD, followed later

that year by branch campuses in Denver and Colorado Springs, CO, and Minneapolis and St. Paul, MN. The University offered conveniently scheduled courses that would lead to a degree appealing to working adults and other non-traditional students.
In 1998, the University began offering online degree programs. Through campus-based, blended, and fully online instruction, the University offers diploma, associate, baccalaureate, master's, and doctoral degrees in business-related disciplines, such as accounting, management, business administration, and information technology; in healthcare-related disciplines, such as occupational therapy, medical assisting, nursing, surgical technology, and healthcare information and management; in legal-related disciplines, such as paralegal, criminal justice, and professional legal studies; and in higher education. The mission is to prepare students of diverse interests, cultures, and abilities for careers in our core fields in a caring and supportive environment.

In 2009, the Higher Learning Commission ("HLC") approved the change of control request in which Dlorah, Inc. ("Dlorah"), a South Dakota corporation doing business as National American University, became a wholly owned subsidiary of NAUH, a publicly traded Delaware corporation. Following this transaction, NAU added 23 educational locations in growing communities with expanding workforce development needs, reaching approximately 35 locations at its peak. The largest expansion occurred from 2010 to 2012.

The University also developed 24 new undergraduate academic programs in health care, information technology, business, and management, as well as a certificate and Doctor of Education in Community College Leadership. In order to support this growth, the number of University faculty and staff more than doubled from 855 in 2007 to 1,766 by fall 2013. The financial data from this time-period reflected that the University had experienced an 86% growth in total assets from FY2010 to FY2013. At the time of the re-accreditation site visit in September 2014, National American University's development was characterized by consistent, planned growth in enrollment through the timely addition of educational locations; an enhanced distance delivery operation; new programming offerings; a strong and stable financial position; an action-oriented assessment program; the adoption and implementation of performance-based curricula; and the overall maturation and development of faculty, staff, administration, and governing board.

In the ensuing five years, a variety of external factors disrupted higher education in the United States, including declining enrollments across higher education, significant numbers of new regulations, increased scrutiny and regulation targeting for-profit institutions, and a steady shift of working adult students from ground to online learning. At NAU, student enrollments declined from a high of 11,683 students in fall quarter 2012 to 4,797 students in fall quarter 2018. During the same time-period, the percentage of students registered in fully online courses increased from 59% to 78% and surpassed 83% in the winter quarter 2018-19. By summer 2019, only 15% of the student body was enrolled in location-based nursing and allied health programs while 75% of the budget was being spent to support these programs. As of May 31, 2019, in addition to its central administration location in Rapid City, South Dakota, NAU operated five instructional locations across the states of Colorado, Indiana, Kansas, and Texas. NAU also continued to conduct educational programs at Ellsworth Air Force Base, South Dakota, and Kings Bay Naval Base, Georgia. As of May 31, 2020, locations remained in the states of Indiana and Texas, as well as the presence at the military bases.

The University responded to the shift in demand from ground to online learning by preparing a strategic shift to an online university, although it intends to continue on-ground instruction at military installations. To support its strategic shift to an online university, the board and senior leaders identified, and continue to execute, on three carefully planned and coordinated strategies, which also address declining enrollments and escalating costs at NAU's ground locations:

1. The creation of a consolidated student services support structure in July 2018;
2. Investment in distinctive and mission-brand online graduate and undergraduate programs with an orderly exit of ground-based programs and locations launched November 1, 2018; and
3. Reorganization of the academic structure to better align the educational enterprise and governance structures, while protecting students through the teach-out.

The consolidation of student services effectively integrates all marketing, admissions, student advising and mentoring, academic support, and instructional quality services into a single working group responsible for enrollment, retention, and student success. We believe that centralizing these functions promotes a student-focused entry into the University and a sustained focus on and collective commitment to retention and student success. Further, the strategy allows NAU to reduce duplicative admissions and financial services staff at different locations and respond to increasing student expectations for online services.

In October of 2018, the Board of Governors approved the decision to teach out all remaining ground programs and phase-out classes at physical locations, focusing the future on the distinctive online strategic security offerings and on long-standing online “mission brand” offerings in business, accounting, and health management in which enrollment has remained strong. On November 1, 2018, NAU announced the suspension of new enrollments in 34 of its 128 programs, including seven allied health, nursing, and other ground programs across the system. The suspension of the new enrollments was a result of phasing out the on-ground classes at physical locations.

To ensure that NAU could focus simultaneously on investing and growing the distinctive and mission-brand programs while also effectively teaching out ground locations, the University created a separate division and operational plan focused on teach-out programs and discontinued operations. With goals for sustained quality and academic support, this division serves students through the completion of the suspended programs or through transfer to other institutions if transfer proves to provide a superior teaching and learning environment than what NAU can provide. In many cases, the students remaining in programs numbered five or fewer. Larger institutions providing more peer-to-peer learning and degree flexibility, particularly for students recently enrolled, have had the potential to serve the students more effectively.

The strategies detailed above required organizational restructuring. Thus, NAU began the academic reorganization and staffing changes in October 2018. These changes (a) aligned the ongoing educational strategies and (b) established a separate division dedicated to overseeing and supporting the teaching out of suspended programs and the phasing out of discontinued ground operations. NAU also continues to conduct educational programs at Ellsworth Air Force Base, South Dakota, at Joint Base Charleston, South Carolina, and at Kings Bay Naval Base, Georgia.

The financial plan supporting the strategies included (a) financial and personnel investment in core business and new strategic security programs; (b) consolidation of admissions, marketing, and student success staff (all student-facing services, retention, and support); (c) reduction or realignment of central and location operations personnel; and (d) process and other expenditure reductions as a result of the elimination of duplication at locations.

The decision to complete a strategic shift while also maintaining marginal student enrollments in suspended programs at closing locations had a negative effect on NAU’s financial position during fiscal years 2018, 2019 and 2020. The decision to maintain locations with limited enrollments was specifically intended to ensure minimal impact on students in the suspended programs, while NAU also worked proactively to arrange suitable and seamless transfer or teach-out opportunities for students. NAU leadership chose this approach, which stands in stark contrast to the abrupt campus closures and displaced students that have occurred too often in the postsecondary sector in recent years (an approach NAU does not endorse because of the impact on displaced students). NAU anticipates closing the two remaining locations and program teach-outs in fiscal year 2021. The complex plan addresses each program, location, and student individually. While this strategic shift has had some negative financial impacts in the short-term, it is expected to have substantial positive benefits to the University’s future financial position.

Corporate Information

National American University Holdings, Inc., formerly known as Camden Learning Corporation, was organized under the laws of the State of Delaware on April 10, 2007, as a blank check company to acquire one or more domestic or international assets in the education industry. On November 23, 2009, as a result of the merger transaction with Dlorah, which owns and operates NAU, Dlorah became our wholly owned subsidiary. For accounting purposes, Dlorah was the acquirer and accounted for the transaction as a recapitalization. Accordingly, the consolidated financial statements included in this annual report reflect the results of Dlorah. We conduct substantially all of our business and generate substantially all of our revenue through Dlorah. Our primary business is the operation of National American University. We have also had Fairway Hills, a multi-family residential real estate operation in Rapid City, South Dakota, which generated approximately 5% of our revenue in fiscal year 2020.

The Company's common stock was listed as NAUH on Nasdaq Global Market. In January 2019, the Company voluntarily delisted and transferred its listing to the Over the Counter Quotation Bureau ("OTCQB") Market. The delisting and transfer was the result of the Company's market value of publicly held shares no longer meeting the requirement to maintain a minimum Market Value of Publicly Held Shares of $5,000, as set forth in Nasdaq Listing Rule 5450(b)(1)(C), as well as consideration of the probability of regaining compliance, the common stock's current trading volume and price, and the costs of maintaining eligibility to list the Company's common stock on Nasdaq Global Market. As of June 5, 2019, the Company is no longer a reporting company under the Securities and Exchange Act of 1934, as amended.

Our Core Values

NAU is guided by a set of core values, which we believe have contributed to our success in educating students. With the strategic shift to online from on-ground locations, NAU updated its mission and core values in fiscal year 2020. These core values are:

- Integrity
- Accountability
- Pursuit of excellence
- Courage to act
- Innovation

We promote understanding and support of our mission and core values through participation of students, faculty, staff administrators and the Board of Governors in the governance and administrative structures of the University. We have adopted and implemented policies and procedures to ensure adherence to our core values and to operate with integrity as we fulfill our mission. Our commitment to these core values is evidenced in the daily interactions among our students, faculty, staff, and administrators.

Approach to Academic Quality

We have identified several academic initiatives to promote a high level of academic quality, including:

- ***Student engagement, learning, academic achievement, persistence to credential, and career success.*** The urgency of now is to assist working adults in getting the credit they deserve at NAU; to teach, assess, mentor, and support until every student acquires the skills, knowledge, and abilities they need; and to create policies, processes, programs, and learning experiences that exceed expectations.

- ***Comprehensive overhaul of all NAU course curricula, student educational experience, and learning management system.*** We are reconceiving the entire student experience online and updating all assignments, assessments, and competency clusters across learning outcomes in ways that allow them to be unbundled into micro-credentials or integrated into new course and program combinations. We design our curricula to address specific career-oriented objectives we believe working adult and other non-traditional students are seeking. We have invested significant human and financial resources in the implementation of this curricula development to support faculty and students in achieving prescribed student learning outcomes. The newly launched programs in strategic security offer a potential point of distinction, particularly in graduate programming. The performance-based curricula are designed and delivered by faculty members who are committed to delivering a high quality, current and relevant education to prepare students for their professions.

- ***Qualified faculty.*** NAU seeks to hire and retain highly qualified faculty members with relevant practical experience and the necessary skills to provide a high-quality education for our students. More than 90% of our faculty members hold graduate degrees, as well as the key professional positions to support the distinctive offerings in strategic security. We seek faculty members who can integrate relevant, practical experiences from their professional careers into the courses they teach. We also invest in the professional development of our faculty members by providing training in online teaching techniques, hosting events and discussion forums that foster sharing of best practices and continually assessing teaching effectiveness through administrative reviews and student evaluations.

- ***Standardized course design.*** We employ a standardized curriculum development process to promote consistent, authentic learning experiences in our online courses. We also regularly review student survey data to identify opportunities for course modifications and enhancements. NAU has completed implementation and upgrade of Bright Space by D2L. Upgrades include live chat, texting, live tutoring, full mobile integration, and other new tools for faculty-student engagement. In addition, the D2L/Bright Space course room prototype for all 450+ undergraduate and graduate courses has been developed by NAU staff, faculty, and students. We have defined a curricular model that evaluates the competencies, learning outcomes, and related assignments and assessments across an academic program.

- ***Effective student services.*** NAU has established teams of academic and administrative personnel who act as the primary support for our students, beginning at the application stage and continuing through graduation. In recent years, we have also concentrated on improving the technology used to support student learning, including enhancing our online learning platform and student services. As a result, all support services, including academic, administrative, library and career services are accessible online, allowing users to access these services at a time and in a manner convenient to them.

- ***Continual academic oversight.*** The Provost's office, in conjunction with other academic offices, conducts academic oversight and assessment functions for all programs, and evaluates the content, delivery method, faculty performance and desired student learning outcomes. We continually assess outcomes data to determine whether students graduate with the knowledge and skills necessary to succeed in the workplace. The provost also initiates and manages periodic examinations of the curricula to evaluate and verify academic program quality and workplace applicability. The University seeks ongoing student, faculty, and external feedback to determine whether to create new programs, modify current programs, or discontinue those that do not meet our standards or market needs.

- ***Board of Governors.*** We maintain a separate Board of Governors to oversee the academic mission of the University. Among other things, the Board of Governors is responsible for determining the mission and purposes of the University, approving educational programs and ensuring the well-being of students, faculty and staff. A majority of the Board of Governors' members are independent, experienced in education, administration, business, international business, government, law, communications, and medicine. Board membership has remained stable for many years. The oversight and guidance of the board of governors has been critical to the development and the maintenance of academic standards.

Industry and Outlook

NAU operates in the same market as for-profit and non-profit educational institutions, public and private institutions, professional and technical institutions, and community colleges. Competition is generally based on program offerings, modality, the quality of instruction, placement rates, selectivity of admissions, recruiting, transfer credit and credit for prior learning, and tuition rates. We compete for enrollments by offering more frequent start dates, more flexible hours, better instructional resources, shorter program length and maximum transfer credit. We also compete with other institutions by focusing on offering high demand, career-oriented programs, providing individual attention to students and focusing on flexible degrees for working adults and other non-traditional students. We believe we can compete effectively because of the diversity of our program offerings, quality of instruction, strength of our brand, distinctive programs in strategic security, and success in awarding transfer credit and credit for prior learning. NAU has approved a reduction in its tuition beginning in fiscal year 2021. We believe this reduction will assist in attracting students and allow us to be more competitive in the higher education landscape.

Certain institutions have competitive advantages over us. Non-profit and public institutions receive substantial government subsidies, government and foundation grants and tax-deductible contributions and have other financial resources generally not available to for-profit schools. In addition, some of our for-profit competitors have a more extended or dense network of schools and campuses, which may enable them to recruit students more efficiently from a wider geographic area. Furthermore, some of our competitors, including both traditional colleges and universities and other for-profit schools, have substantially greater financial resources and name recognition, which may enable them to compete more effectively for potential students. We expect to face continued competition because of new entrants to the online education market with similar programmatic offerings.

Competitive Strengths

We believe the following strengths enable us to compete effectively in the postsecondary education market:

- ***Our diversified, technical, and professional program mix.*** Programs target in-demand associate, baccalaureate, and master’s programs in professional and technical areas, including business, accounting, education, strategic security, and information technology. Program evaluation and development processes allow the University to continually update academic offerings relevant to the field, as well as design new programs to meet current industry needs.

- ***Our multiple accreditations and regulatory approvals.*** NAU is regionally accredited through the Higher Learning Commission. In addition, many of our programs maintain specialized or professional accreditation and approvals.

- ***Our affiliations with other educational institutions.*** NAU began offering online academic programs in 1998, and has continually developed expertise in curricula and technology related to online education. We have established a number of affiliations with other educational institutions to provide curriculum development services and technology support services. We also believe NAU provides an appealing opportunity for students with transfer credit and training, as well as displaced students of closed schools who seek to continue their education through transfer- and teach-out options.

- ***Our commitment to high demand professional and technical programs.*** We are committed to offering quality, performance-based educational programs to meet the needs of employers. Our programs are designed to help our students achieve their career objectives in a competitive job market. The entire student experience online is being re-conceived and all assignments, assessments, and competency clusters across learning outcomes are being updated in ways that allow them to be unbundled into micro-credentials or integrated into new course and program combinations. Qualified faculty members, who often have practical experience in their respective fields, teach our programs and offer students “real-world experience” perspectives. We periodically review and assess our programs to ensure that our programs are current and meet the changing demands of employers. In addition, our faculty are continually evaluated on nine specific behaviors focused on student engagement and instructional quality.

- ***Our focus on individual attention to students.*** We believe in providing individual attention to our students to ensure an excellent educational experience. We provide student support services, including administrative, financial aid, library, career, and technology support, to help maximize their success. We also provide personal guidance to our students during the admissions process, academic advising, financial services, learner support and career services.

- ***Our focus on flexible scheduling.*** We have designed our program offerings and our online delivery platform with flexible scheduling to meet the needs of working adults and other non-traditional students. We believe working adults and other non-traditional students are attracted to the convenience and flexibility of our programs because they can study and interact with faculty and classmates during times and at places that suit their needs.

- ***Our focus on improving processes.*** In collaboration with student support services, academic and other leaders have developed and launched cloud-based comprehensive service points for math, writing, career, and library support, as well as 24/7 student support. The results from previous quarters indicate that the successful completion rate in math and English have risen. Use of the math and writing support systems and tutoring have doubled in the past year. TEAMS 3, a cloud-based version of NAU's signature data analytics system to improve persistence and completion allows faculty, advisors, campus directors, and college and associate deans to track student progress, attendance, grades, posted assignments, etc., to intervene proactively if a student becomes in any way at risk.

- ***Our focus on improving faculty-student engagement.*** All new and continuing faculty complete an orientation on new expectations for weekly synchronous and asynchronous faculty-student engagement in discussion boards, assignments, labs, and other support within every course. The Faculty Quality Review system (FQR) now evaluates all faculty on nine behaviors and expectations for quality instruction and substantive and iterative engagement with students. The upgrade to Bright Space, now completed, includes course designs that require enhanced faculty-student engagement and synchronous interaction.

- ***Our focus on faculty development and scholarship.*** Both graduate and undergraduate faculty are required to participate in scholarship and development, whether through offerings provided by NAU, other institutions for which they teach, or documented attendance at professional conferences and trainings. Each year, NAU sponsors quarterly trainings, mentoring, and professional development webinars focused on quality teaching and learning for working adults. In addition, NAU hosts a January faculty development conference with requirements for attendance by all adjunct and full-time faculty.

- ***Our focus on the military.*** With the asset purchase of Henley-Putnam University in 2018, the University expanded its options for quality education and premier student service to the needs and demands of service members, their dependents, and veterans. The Henley-Putnam School of Strategic Security, along with the continued focus on serving the military on base, has provided new programs and opportunities for serving active military, veterans, and their dependents.

- ***Our experienced executive management team.*** NAU's executive management team possesses extensive experience in the management and operation of postsecondary education institutions.
  - The President, Dr. Ronald Shape, began his career in higher education with us in 1991. He began teaching courses in accounting, auditing and finance in 1995, became the Chief Fiscal Officer in 2002, and the Chief Executive Officer in April 2009.
  - Mr. Thomas Bickart joined the University in February 2019. Mr. Bickart has over twenty years of financial and operational experience, the majority at dynamic educational organizations. Most recently, he assisted Edison Learning, Inc. restructure its operations and position the organization for new market growth. Mr. Bickart previously served as the Chief Financial Officer ("CFO") at TCI College of Technology from 2013 to 2016, where he executed a turnaround strategy. From 2008 through 2013, he was CFO at Neumont University where he was integral in assisting the school to become a highly recognized institution.

- Mr. Mark Mendoza joined NAU in July 2019 and has over fifteen years in education leadership experience. In his previous roles, he served as the Vice President, Enrollment Services / Healthcare (2018-2019) and Director of Enrollment Services/Healthcare (2016-2018) for Academic Partnerships, an online program management organization. Mr. Mendoza also served as Vice President, Enrollment Services IS&T (2013-2016), among other campus-based operational leadership roles within University of Phoenix (2004-2013).
- Dr. Cynthia Mathena joined NAU in December 2019. She previously served as the Dean of the College of Health Sciences (2009-2019) and Vice President of Academic Affairs (2011-2016) for the University of St. Augustine for Health Sciences. While there, she facilitated teams across five campuses and launched more than a dozen new programs. She has experience in accreditation, outcomes assessment, curriculum design, product strategy, and has consulted with many schools and organizations in assisting them to develop programs and seek/maintain accreditation.
- Mr. Paul Sedlacek is the General Counsel for NAU. He has been with NAU for over twenty years and has been integral in overseeing corporate matters. Mr. Sedlacek also serves as the Corporate Secretary for NAUH.

Business Development and Expansion

There has been a fundamental shift in how our student population chooses to engage in their educational pursuits and in response, the University has executed a strategy to become a predominantly online institution, reserving ground-based locations for military bases. There are several approaches to building the online operations of the University, including integrating online operations in one location, acquiring certain assets of Henley-Putnam University and integrating new mobile and online IT systems.

NAU has integrated its operations into “One University” headquartered in Rapid City, SD. This integrated operation is fully functional and is providing stability to the overall online enrollment of the University. We expect this integrated operation will add the necessary capacity to scale and grow our online enrollment population for the foreseeable future.

The asset purchase transaction with Henley-Putnam University closed on March 21, 2018, and the University has completed the integration of programs, students, faculty, and staff into NAU. The acquisition of these assets has provided eight new degree areas and more than 40 undergraduate and graduate certificates in high demand areas of strategic security, protection management, terrorism and counterterrorism, nuclear enterprise studies, cybersecurity, and intelligence management. We continue to use traditional marketing and relationship networks to provide greater exposure to these programs. These programs are offered entirely online.

NAU began offering academic degree and diploma programs online in 1998, through what we refer to as our online campus. We were one of the first regionally accredited universities to be approved by the HLC to offer full degree programs under an Internet-based delivery methodology. We have invested heavily in the creation and evolution of a sophisticated and reliable online delivery system. The online campus has grown as an organizational structure, providing a scope of service consistent with the University’s other campuses. Careful consideration was afforded to preserving the student-centered philosophy of the University while capitalizing on the technological advancements in online delivery. Since 2016, students have been able to access all support services, tutoring, library, career services, courses, and program information via their smart phones. NAU conducts virtual graduation that allows for live streaming of graduates, faculty, and testimonials. The organization of the online campus continues to evolve in response to increasing enrollment and the expanding sphere of quality services available to our students.

Growth Strategies

- ***Increase enrollment in existing academic programs.*** We focus on increasing enrollment in our core academic programs, by refining our marketing and recruiting efforts to identify, and enroll students seeking degrees or diplomas in the academic programs we offer. We also focus on retaining students so they may achieve their educational goals. We believe that the depth and quality of our existing core programs will provide opportunity for additional growth. The business-related master's programs continue to increase in enrollment, benefitting from the dual credit at the bachelor's level and other solid changes and improvements made at the graduate school.

- ***Expand relationships with private sector and government employers.*** We seek additional relationships with security agencies, businesses, and other employers, including governmental and military employers, through which we can market our program offerings to their employees. These relationships provide enrollment opportunities for the University's programs, build recognition among employers in our core disciplines, and enable us to identify new degree and diploma programs that are in demand by students and employers.

- ***Leverage infrastructure.*** We intend to continue investing in our people, processes, technology and infrastructure. Through the overhaul of the learning management, data analytics, and student support systems, NAU has developed an experience that refreshes and engages working adult learners, solidifying NAU as the place for our students to achieve a better life and more fulfilling work. We intend to leverage these investments as we seek to grow enrollment, which we believe will allow us to increase our operating margins over time.

- ***Continue to explore affiliations with other educational institutions.*** NAU provides online course hosting and technical assistance to students through affiliated institutions. We will continue to seek to expand the number of affiliations with other educational institutions to provide online program services. These services can meet the needs of other institutions while providing us with additional sources of revenue.

Legal Proceedings

In April 2017, a former NAU employee filed a qui tam suit against NAU, NAUH, and Dlorah, Inc., alleging certain violations of the Higher Education Act and Title IV program requirements, including alleged misrepresentations to a programmatic accrediting agency, alleged miscalculating its percentage of revenues derived from Title IV program funds under the 90/10 Rule, and alleged noncompliance with the incentive compensation prohibition. The U.S. government decided to not intervene in the lawsuit at that time, and the complaint was then unsealed by the court in January 2018, with an amended complaint being filed on April 24, 2018. The U.S. government reserved the right to intervene at a later time. The case is styled U.S. ex rel. Brian Gravely v. National American University, et al., No. 5:17-cv-05032-JLV, and remains pending in the U.S. District Court for the District of South Dakota. NAU, NAUH, and Dlorah, Inc., have filed an answer to the amended complaint, deny any legal wrongdoing or liability. In July 2020, the parties agreed in principle to an amicable conditional settlement, which when completed, is anticipated to vacate the case activity.

In December 2018, NAU was served with a lawsuit (Summons and Petition) commenced by two former students of NAU, Shayanne Bowman and Jackquelynn Mortenson, in Missouri state court, alleging claims of fraud and misrepresentations as to the quality and value of the educational degrees that were being pursued by the two Plaintiffs, and also a claim under the Missouri Merchandising Practices Act. The Petition (complaint) does not specify the damages being sought by Plaintiffs in the lawsuit. The case is styled Shayanne Bowman and Jackquelynn Mortenson v. Dlorah, Inc., d/b/a National American University, et al., Case No. 1816-cv30104, and is pending in Jackson County Circuit Court (MO). Three individual defendants are also included in the lawsuit, all former employees of NAU: Stacy J. Wilton, Tyree Smith, and Robin D. Cook. The Plaintiffs served an Amended Petition on August 8, 2019, adding six additional Plaintiffs to the lawsuit: Heather Morris, Jessica Smith, Melissa Hopper, Zaimah Muhammad, Melissa Stewart, and Gabrielle Nelson. Additional plaintiffs were subsequently added to the lawsuit. In April 2020, after the deadline for adding additional parties to the above-referenced lawsuit had passed, a separate lawsuit alleging similar claims was commenced by twelve other former students against NAU and former NAU employees. That case, styled as Donelson, et al. v. Dlorah, Inc., d/b/a National American University, et al., Case No. 016-cv10526, was filed in the same court and was subsequently consolidated with the Bowman/Mortenson lawsuit. The case is scheduled to be tried in three sub-groups of plaintiffs beginning the week of March 7, 2022. We cannot predict the outcome of this litigation, nor its ability to harm our reputation, impose litigation costs, or materially adversely affect our business, financial condition, and results of operations. The amount or range of reasonably possible losses cannot be reasonably estimated and, accordingly, no liability has been accrued for this matter.

The University leases building facilities for branch operations under operating leases with various terms and conditions. As it implements the strategic and operational shift from ground locations to online programs, it has discontinued operations at several of these leased facilities. While the University is communicating with the lessors of these facilities, certain lessors have commenced litigation related to the lease agreements. We cannot predict the outcome of this litigation, nor whether these actions will materially adversely affect our business or financial condition. However, the rental expense and related liabilities for the locations vacated, have been recognized in NAUH's Statement of Operations and Balance Sheet, respectively.

B. Business of Issuer

1. The issuer's primary SIC Code.
   National American University Holdings Inc.'s primary SIC code is 822101.

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.
   National American University Holdings Inc. is currently conducting operations.

3. Whether the issuer has at any time been a "shell company."
   National American University Holdings, Inc. is not a shell company.

4. The names and contact information of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement.
   National American University and Fairway Hills are divisions of Dlorah and are both included in the attached financial statements.

5. The effect of existing or probable governmental regulations on the business.
   There is no known pending or probable regulatory action that could have a negative impact to the operations of the Company.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities were borne directly by customers.
   Not applicable

7. Costs and effects of compliance with environmental laws (federal, state and local); and
   Not applicable

8. The number of total employees and number of full-time employees.
   There were 396 total employees and 117 full-time employees at May 31, 2020.

Item 9 The nature of products or services offered

The quality of our academic programs is evidenced by institutional and program-specific accreditations and approvals. We received initial accreditation from the HLC in 1985. Since then, we have continued to grow and expand, and have obtained HLC approval for new geographic sites and graduate degree programs. In addition to institution-wide accreditation, numerous specialized commissions accredit or approve specific programs or schools, particularly in healthcare and professional fields. Accreditation or approval of specific programs by one of these specialized commissions signifies that those programs have met the additional standards of those agencies.

We are approved for veterans training and for administering various educational programs sponsored by federal and state agencies, such as the Bureau of Indian Affairs, the Social Security Administration and various state rehabilitation services.

Programs and Areas of Study

NAU offers areas of study in Doctoral, Graduate, Undergraduate and Certificate levels of study. NAU's existing programs and detail on its areas of study can be found on the NAU website at www.national.edu.

Item 10 The nature and extent of the issuer's facilities

We lease all of our educational sites and administrative facilities located in Indiana, South Dakota, and Texas. Our corporate headquarters are located in Rapid City, South Dakota. As of August 31, 2020, the presence at the military bases and the corporate headquarters are the remaining locations. The military bases do not charge NAU for facilities utilized.

Part D Management Structure and Financial Information

Item 11 The name of the chief executive officer, members of the board of directors, as well as control persons

A. Officers and Directors

Dr. Edward Buckingham, 52**,** joined our Board in October 2016 and was elected as Chairman of the Board in August 2018. Mr. Buckingham is a medical doctor, and the founder, director and owner of the Buckingham Center for Facial Plastic Surgery in Austin, Texas. Dr. Buckingham started his professional career as an auditor with Coopers and Lybrand. He founded the Buckingham Center for Facial Plastic Surgery in July 2003 after completing his residency at the University of Texas, and fellowship at New England Laser and Cosmetic Surgery Center in June 2003. Dr. Buckingham is a current board member for the American Board of Facial Plastic and Reconstructive surgery, and is a frequent publisher and lecturer on facial plastic surgery. Dr. Buckingham is the son of Mr. Robert Buckingham, former chairman of the Company's Board, and the grandson of Mr. Harold Buckingham, the founder of NAU. Dr. Buckingham grew up in Rapid City, South Dakota following the growth and developments of his family business. Dr. Buckingham earned his accounting degree from Southern Methodist University, and his doctor of medicine degree from University of Texas Medical Branch at Galveston with highest honors. Dr. Buckingham's life-long involvement with NAU, his audit experience with Coopers and Lybrand, and management of his own medical practice brings in-depth knowledge and experience with respect to finance, management and NAU's business to the Board.

Dr. Ronald L. Shape**, 53**, joined our Board in April 2013. Dr. Shape is also our President. Dr. Shape served as Chief Executive Officer since the closing of our transaction with Dlorah on November 2009, and received the added role of President during fiscal year 2016. Dr. Shape also served as our Chief Financial Officer from November 2009 until October 2011. He has been the Chief Executive Officer of NAU since April 2009, and was the Chief Operating Officer of NAU from 2006 until 2009. Dr. Shape also served as the Chief Fiscal Officer of NAU from 2002 until the closing of our transaction with Dlorah. In 2001, Dr. Shape was selected as the assistant to the NAU President and served as Regional President for the Minnesota region with NAU in 2000. Dr. Shape worked in a number of different positions at NAU from 1991 to 2000, including System Controller, Assistant Director of Financial Aid and Student Account Specialist. Since 2013, Dr. Shape has been serving on the Board of Directors of the Education Consolidation Corp., an investment vehicle that consolidates quality post-secondary education institutions throughout Canada, and of Sodak Development, Inc. Dr. Shape has a

B.A. from Dakota Wesleyan University and an MBA and Ed.D. from the University of South Dakota. Dr. Shape's particular qualifications for service on our Board include his substantial experience and understanding of the Company's business, and industry knowledge.

Dr. Michael J. Hillyard, 50, joined the Board in March 2019. Dr. Hillyard brings over 20 years of experience in higher education strategy, governance, quality assurance, curriculum, accreditation, and regulation. He had previously served as President of the University of St. Augustine, a health science institution that annually produces the U.S.'s largest and third-largest classes of physical and occupational therapists. Prior to that, Dr. Hillyard served as President of Rockwell University, a university in Washington D.C., and before that, as an Executive Vice President at the American Public University System. Dr. Hillyard has served on numerous governing and higher education boards, such as the Commonwealth of Virginia's Career College Advisory Board in addition to providing consulting services to Hong Kong government's accreditation council, Saudi Arabia's national accreditation commission, the Sultanate of Oman's academic quality assurance body, Jamaica's higher education university council, Barbados's accreditation council, and Egypt's national accreditation authority.

***Richard L. Halbert*, 78**, joined our Board in June 2012. Mr. Halbert has served as a member of NAU's Board of Governors for the past 16 years and is a former chair of the National American University Foundation, which was originally established as the NCB Foundation in 1967 for the purpose of making loans and providing scholarships, fellowships, grants, and other financial assistance to or for the benefit of students and faculty of NAU. From 2001 to 2007, Mr. Halbert also served as a member of the board of trustees for the Nebraska State College Board, which oversees the three Nebraska state colleges. Mr. Halbert possesses over 27 years of operational and business advisory experience. In 1991, he co-founded Arck Foods, Inc., a ham processing company, for which he currently serves as secretary and corporate counsel. Since 1991, he has also served as president and secretary of Ol' Farmers Brand, Inc., a subsidiary of Arck Foods, Inc. that sells hams to Walmart. Since 1982, Mr. Halbert has served as a member of the board of directors of Southeast Nebraska Communications, Inc., for whom he is also corporate counsel. As an attorney at law whose firm Halbert, Dunn & Halbert, L.L.C. provides estate planning and business counseling, Mr. Halbert brings over 44 years of extensive legal experience to the Board. He is a Fellow in The American College of Trust and Estate Counsel. Mr. Halbert's past contributions to our Company and extensive experience in higher education, corporate development, and legal advisory provides valuable knowledge and experience to our Board.

Executive Officers

The following sets forth information about our executive officers as of the date of this filing.

The executive officers are:

- Dr. Ronald Shape, President
- Mr. Thomas Bickart, Chief Financial Officer
- Mr. Mark Mendoza, Chief Operating Officer
- Dr. Cynthia Mathena, Provost and Chief Academic Officer
- Mr. Paul Sedlacek, General Counsel and Corporate Secretary

The directors and executive officers' business address is 5301 Mt. Rushmore Road, Rapid City, SD 57701.

Our compensation program is designed to attract and retain highly qualified, ethical personnel and to encourage and reward superior company performance, with the best interests of our students in mind. Compensation of our officers and directors is designed to be consistent with the U.S. Department of Education regulations.

Compensation Philosophy

Our executive compensation philosophy is to maintain a compensation program that is both fair and competitive and which rewards performance of our senior management. To that end, we seek to set base salaries of our executive officers at levels that are comparable with that of executive officers at comparable companies, who have similar job descriptions, responsibilities and qualifications, such as experience and education level. We also compare the base salaries of our executive officers to those individuals at the Company with similar job titles, responsibilities, performance expectations, years of service at the Company, experience and education level. We may also adjust an executive officer's base salary from year-to-year based on his or her achievement of subjective performance factors, such as providing effective day-to-day leadership and management of the University's operations, developing strategic business plans, motivating and coordinating a high performance management team, supervising quality control systems of the University's academic programs, and overseeing the ethical conduct of University personnel. We also consider whether such executive consistently met or exceeded his or her key operational targets, such as profit margins and net income. In considering these factors, we do not weigh any one factor over another in setting base salary, but rather takes the various factors and performance reviews into consideration as a whole. Through this process, we seek to set base salaries for our executive officers that are both competitive and fair.

We also incorporate certain components into our executive compensation to incentivize our executives to achieve certain financial performance targets for the Company on a quarterly and annual basis, such as profit margins and net income. The financial performance targets contained in such formulas are configured to reward achievement of financial goals that reflect successful growth in revenue, increase in profitability, and efficient management of our costs. In setting these goals, the compensation committee may offer greater reward for achieving one metric over another depending on the level of importance it attaches to one factor over another. For example, we may provide additional reward for achieving profitability and growth over cost goals, if it determines that such factors are more central to our strategic plan. Review of such metrics and weighing of each factors are conducted on an annual basis. Such a compensation system, we believe, not only encourages hard work, but also simplifies and makes more transparent our pay structure.

We believe that our compensation programs are designed with an appropriate balance of risk and reward in relation to our overall objectives, and do not create risks that are reasonably likely to have a material adverse effect on the Company's business. In this regard, we believe that our mix of short- and long-term compensation elements encourages our management to produce consistent, short-term financial results for the Company, but also encourages our management to increase long-term stockholder value. In particular, our quarterly and annual achievement awards reward our executive officers for achieving our short-term financial goals. Our long-term compensation, on the other hand, has an equity-based component that is intended to ensure that our executive officers' focus on increasing long-term stockholder value. Through vesting and other performance measure provisions, our long-term compensation program is also designed to emphasize the performance measures that our executive officers need to achieve in order to deliver stockholder value.

Consistent with our compensation philosophy, the executive compensation program has been specifically designed to achieve the following objectives:

- *Meet the demands of the market*. Provide an attractive combination of salary and quarterly, annual and long-term compensation at competitive levels among our peers who provide similar educational services in the markets we serve, to enable the recruitment and retention of highly qualified executives. We believe that the supply of qualified executive talent is limited and have designed our compensation programs to help us attract and retain qualified candidates by providing compensation that is competitive within the for-profit education industry and the broader market for executive talent. Our executive compensation policies are designed to assist us in attracting and retaining qualified executives by providing competitive levels of compensation that are consistent with the executives' alternatives.

- *Align with Stockholders*. Align the interests of executives with those of our stockholders through grants of equity-based compensation that also provide opportunities for ongoing executive ownership. Our compensation program uses equity-based awards, the value of which is contingent on our longer-term performance, in order to provide our executive officers with a direct incentive to seek increased stockholder returns. Our stockholders receive value when our stock price increases and by using equity-based awards, our executive officers also receive increased value when our stock price increases and decreased value when it decreases. We believe that equity-based awards exemplify our philosophy of having a straightforward structure by reminding executive officers that one measure of long-term corporate success is increased stockholder value over time. Because our equity awards are granted with time-based vesting, we believe these awards also aid in the retention of our executive officers.

- *Drive Performance*. Structure executive compensation around the attainment of both company-wide and individual targets that further the Company's long-range goals with the best interests of our students in mind and consistent with the U.S. Department of Education regulations. Link executive pay to attainment of both company-wide and individual targets to further and reward achievement of Company's long-range goals.

Role of Management in Determining Compensation

Dr. Ronald L. Shape, our President, on an annual basis makes recommendations to our Board regarding the base salaries of our executive officers, other than for himself. The Board also consults with Dr. Shape in identifying key operational targets of the Company and determining appropriate individual performance metrics for the executive officers for the following fiscal year.

Compensation Elements

The compensation program for our executive officers is comprised primarily of three elements: base salary, quarterly and annual incentives, and long-term equity awards. The amount of each compensation element that is paid in proportion to the total compensation for each named executive officer depends on overall market conditions and the financial performance achieved by the Company.

❖ ***Base Salary***. Base salary is an integral part of compensation for our executive officers. Unless determined pursuant to an employment agreement, the President generally recommends, and the Board approves, base salary levels for our named executive officers after completion of our annual employee performance review program and during the time when any salary changes are to take effect. In general, consideration is given to the following factors: (1) the individual's performance and contribution to the long-range goals of the Company's recent operating results, and (2) review of salaries in the market survey data and for similar positions for comparable companies.

❖ ***Quarterly and Annual Incentives***. We have placed an emphasis on performance-based quarterly and annual achievement awards that are designed to reward our executive management team based on the achievement of specific performance measures and goals. We believe quarterly and annual performance-based pay furthers our compensation philosophy and objectives by focusing our executive officers on corporate goals, encouraging continuous quality improvement and providing straightforward awards. The target for quarterly and annual achievement awards pay for our executive officers is expressed as a percentage of base salary.

❖ ***Long-Term Equity Awards***. We believe that executive officers should have a significant potential to benefit from increases in our equity value in order to align the interests of the executive officers and our stockholders. The Company provides long-term equity awards under the National American University Holdings, Inc. 2009 Stock Option and Compensation Plan, or the "2009 Plan," and the 2018 Stock Option and Compensation Plan, or the "2018 Plan". The 2009 Plan and the 2018 Plan give the Board the latitude of awarding stock options, non-qualified stock options, restricted stock and other types of long-term equity awards. Our equity awards may be split among stock options, restricted stock and restricted stock units so that the executive officers are incentivized to preserve as well as grow stockholder value. Our stock options, restricted stock and restricted stock unit awards generally use one- to three-year vesting with ten-year terms. The Company's prior 2013 Stock Option and Compensation Plan, or the "2013 Plan" and restricted stock units were not used for compensation purposes in fiscal year 2019. The "2009 Plan" expired on 12/1/2019 but remains in effect for any previously issued awards for as long as they remain outstanding.

Summary Compensation Table

The following table and accompanying narrative disclosure explains compensation for the last two fiscal years for the individual who served as our President and Chief Executive Officer during fiscal 2020, and for each of the two other most highly-compensated executive officers, other than our President and Chief Executive Officer (collectively, the "named executive officers"). Prior year highly paid executive officers, Dr. David Heflin and Dr. Lynn Priddy, were not full-time employees at the end of fiscal year 2020. Dr. Heflin resigned from his position in February 2019 and remained as a consultant to the Company until June 2019, while Dr. Priddy became a part-time employee in January 2020.

Fiscal Year 2020 Compensation of Executive Officers

Name and Title	Fiscal Year	Salary ($)	Stock Awards ($)	Option Awards ($) (1)	All Other Compensation ($)	Total ($)
Dr. Ronald L. Shape	2020	281,417	94	83	-	281,594
President/Chief Executive Officer	2019	358,433	51,369	1,348	7,642	418,792
Mr. Thomas Bickart	2020	180,063	63	55	-	180,181
Chief Financial Officer	2019	49,615		1,350	-	50,965
Mr. Mark Mendoza	2020	219,957	-	880	-	220,837
Chief Operating Officer	2019	-	-	-	-	-

(1) Amount represents the aggregate grant date fair value of stock options as computed in accordance with FASB ASC Topic 718 utilizing the assumptions discussed in Note 10 to our Notes to the Annual Consolidated Financial Statements for the fiscal year ended May 31, 2020.

Discussion of Executive Compensation Decisions

Base Salaries

Our named executive officers' compensation was determined, in part, by arrangements in effect between Dlorah and such named executive officer. The base salary of Dr. Shape was determined pursuant to his employment agreement that is described below under the heading "Employment Agreements." In setting the annual base salary of our other senior executive officers, the Board considered base salaries of other officers of similar ranks at the Company and at companies that provide similar educational services in the markets we serve and compared responsibilities of the position, performance expectations, years of service, experience and education level. The Board also considered individual's performance and contribution to the long-range goals of the Company's recent operating results. Our Board does not have a predetermined formula or metric in comparing these factors, but generally sets a base salary it believes to be competitive but fair for each of our executive officers, based on the recommendations made by our President and Chief Executive Officer. The amount of base salaries paid to each named executive officer for the fiscal year ended May 31, 2020, are reported in the column captioned "Salary" of the "Summary Compensation Table" above.

Equity Awards

The Board believes that it is in the best interest of our stockholders to have a substantial component of total compensation “at-risk” and dependent upon our financial performance.

Fiscal Year 2020
Each of Dr. Shape Dr. Priddy, Mr. Bickart and Mr. Sedlacek were granted 1,825, 3,125, 1,250, and 3,125 shares of common stock, respectively, as restricted stock awards.

Annual and Quarterly Incentives

Dr. Ronald L. Shape. For the fiscal year ended May 31, 2020, pursuant to the terms of his employment agreement, Dr. Shape was eligible to receive annual incentive pay. Annual incentive pay was determined in accordance with the following guidelines and other terms and exclusions as set forth in his employment agreement and was paid 75% in cash and 25% in Company stock under the 2009 Plan. Operating ratio was calculated by dividing total operating expenses by total revenue, except that the operating expenses and gross profit do not include: provisions for state and federal income taxes; interest income; interest expense; contribution to the Company’s 401(k) retirement program; gains and losses from securities; extraordinary items shown on the financial statement and gains or losses from the sale of major corporate properties outside the normal course of business; business expansion and development expenses and income from the inception through a period of two years from the date of enrollment of the first student at any new campus, location or program; accrued annual bonus calculations for the President and Chief Executive Officer; and compensation expense of and for the Board.

Performance Guidelines	Payout
Company achieves an operating ratio (total operating expenses over total revenue) of less than 90%	No annual incentive pay
Company achieves an operating ratio (total operating expenses over total revenue) of equal to or less than 80%	Annual incentive pay of 1% of the Company’s total revenue (less Dr. Shape’s base salary)
Company achieves an operating ratio (total operating expenses over total revenue) between 80% and 90%	Prorated annual incentive pay

Fiscal Year 2020 resulted in no annual incentive pay to any named executive officer.

Outstanding Equity Awards at Fiscal Year-End
There were no restricted stock awards granted to our named executive officers in fiscal year 2020.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable		Option Exercise Price ($)	Option Expiration Date
Dr. Ronald L. Shape	3,750	(1)	$3.11	10/20/2024
	53,954	(2)	$3.06	10/20/2025
	3,750	(3)	$1.96	10/20/2026
	3,750	(4)	$1.72	10/20/2027
	4,375	(5)	$0.56	10/20/2028
	1,875	(7)	$0.05	10/21/2029
Mr. Thomas Bickart	30,000	(6)	$0.06	04/20/2029
	1,250	(7)	$0.05	10/21/2029
Mr. Mark Mendoza	20,000	(8)	$0.05	10/21/2029

(1) These stock options w ere immediately exercisable upon the grant date of October 20, 2014.

(2) These stock options w ere granted on October 20, 2015, and vested in full as of June 1, 2016.

(3) These stock options w ere granted on October 20, 2016, and vested in full as of June 1, 2017.

(4) These stock options w ere granted on October 20, 2017, and vested in full as of June 1, 2018.

(5) These stock options w ere granted on October 20, 2018, and vested in full as of June 1, 2019.

(6) These stock options w ere granted on April 20, 2019, and vested in full as of February 11, 2021.

(7) These stock options w ere granted on October 21, 2019, and vested in full as of June 1, 2021.

(8) These stock options w ere granted on October 21, 2019, and vested in full as of July 1, 2021.

Employment Agreements

National American University, a division of Dlorah, our wholly-owned subsidiary, currently has an employment agreement with Dr. Shape. There are no employment agreements or arrangements, whether written or unwritten, for the other executive management team, other than the compensation plan, which is described above under Quarterly and Annual Achievement Awards.

Dr. Ronald L. Shape

On February 1, 2020, NAU entered into an executive employment agreement, dated effective as of January 31, 2020, with Dr. Shape (the “Employment Agreement”). The Employment Agreement replaced and superseded Dr. Shape’s prior employment agreement with the Company dated effective as of June 1, 2012 (the “Prior Agreement”). The term of Dr. Shape’s Employment Agreement continues through December 31, 2022, or until terminated by either party, upon mutual written agreement of both parties or upon resignation by the CEO upon six (6) calendar months’ written notice. The Employment Agreement provides for an annual base compensation of $210,000. The Employment Agreement also provides that Dr. Shape is entitled to participate in NAU’s benefit programs for its employees, to take up to five weeks paid time-off and to be reimbursed for his business expenses.

In the event that Dr. Shape’s employment is terminated for “cause,” Dr. Shape will be entitled to (1) his base salary then in effect, prorated to the date of termination, (2) all fringe benefits through the date of termination, and (3) the remaining installments due, if any, for any Annual Incentive Pay earned for a NAU fiscal year prior to the final year that includes Dr. Shape’s date of termination. In the event that Dr. Shape’s employment is terminated without “cause,” Dr. Shape will be entitled to receive, as liquidated damages, (1) his then current base salary, payable monthly, for six months after termination, and (2) COBRA and continuation premiums for monthly health and dental insurance to continue the coverage in effect at termination for Dr. Shape and his dependents for a period of twelve months following termination. Dr. Shape will be entitled to receive the liquidated damages only if he signs and does not rescind a severance agreement at the time of termination.

The Employment Agreement includes an agreement by Dr. Shape that he will not disclose any confidential information of NAU at any time during or after employment.

Director Compensation and Benefits

Our Board periodically reviews the total compensation paid to non-management directors. The purpose of the review is to ensure that the level of compensation is appropriate to attract and retain a diverse group of directors with the breadth of experience necessary to perform the Board's duties, and to fairly compensate directors for their service. The Board considers the time and effort required for service on the Board, a Board committee and as a committee chair, and to the extent available reviews Board compensation survey information for comparably sized public companies.

The directors receive a quarterly stipend as compensation for their services and participation on the NAUH Board. Following are the rates for fiscal year ending May 31, 2020 for the directors: Dr. Edward Buckingham $5,000 per quarter; Dr. Michael Hillyard $2,500 per quarter; Mr. Richard Halbert $2,500 per quarter.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance as of May 31, 2020, which includes our 2009 Stock Option and Compensation Plan, and our 2018 Stock Option and Compensation Plan.

Plan category:	**(a)**	**(b)**	
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders (c)	195,954	2.01	1,497,014
Total	195,954	2.01	1,497,014

a) See Part II, Item 8, "Financial Statements and Supplementary Data" National American University Holdings, Inc. "Notes to Consolidated Financial Statements—Note 10—Stockholders' Equity" for further description of our equity compensation plans.

b) Includes grants of stock options, time-based restricted stock awards, and performance based restricted stock units. For purposes of the table above, the number of shares to be issued under performance based restricted stock units reflects the maximum number of shares that may be issued; the actual number of shares to be issued will depend on the results of operations during the fiscal year ending May 31, 2020, and beyond.

c) Includes weighted average exercise price of stock options only.

B. Legal/Disciplinary History

In the past five years, none of our officers, directors, or control persons have been subject of any of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationships

Robert Buckingham, the former Chairman of the Board, is a beneficial owner, with approximately 55% of outstanding common stock.

D. Disclosure of Related Party Transactions

On August 9, 2019, the Independent Directors authorized the sale of the Park West property to Park West, LLC, a South Dakota limited liability company, owned by the majority shareholder, the Chairman of the Board, and the CEO of the Company. The board approved a purchase price of $3 million, which was the fair market value of the property.

During the year, the Company established a $500,000 line of credit from Buckingham Interests LLC, whose members include the Chairman of the Board.

As of May 31, 2020, the Company had a $75,000 note payable and $110,000 receivable with Park West, LLC.

E. Disclosure of Conflicts of Interest

National American University Holdings, Inc. does not currently have any known conflicts of interest to report.

Tanner LLC
Key Bank Tower at City Creek
36 South State Street, Suite 600
Salt Lake City, Utah 84111-1400
Telephone 801.532.7444
www.tannerco.com

TANNER
BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

Member of Allinial GLOBAL

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National American University Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of National American University Holdings, Inc. and subsidiaries (collectively, the Company), which comprise the consolidated balance sheet as of May 31, 2020, the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to consolidated 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 financial statements that are free from material misstatement, whether due to error or fraud.

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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National American University Holdings, Inc. and subsidiaries as of May 31, 2020, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Tanner LLC

August 31, 2020

National American University Holdings, Inc. and Subsidiaries
Consolidated Balance Sheet as of May 31, 2020

(In thousands)

Assets		
Current Assets:		
Cash and Cash Equivalents	$	1,206
Student Receivables -- net of allowance of $114		1,142
Other Receivables		4,807
Prepaid and Other Current Assets		704
Total Current Assets		7,859
Total Property and Equipment -- Net		12,684
Other Assets:		
Restricted Certificates of Deposit		4,916
Land held for future development		414
Course Development -- net of accumulated amortization of $2,640		937
Goodwill		363
Other Intangibles -- net of accumulated amortization of $118		111
Other		354
Total Other Assets		7,095
Total Assets	**$**	**27,638**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of Capital Lease Payable	$	490
Current portion of Long-term Debt		5,249
Current portion of Lease Acceleration Payable		1,492
Short-term Related Party Note Payable		411
Accounts Payable		9,981
Deferred Revenue		1,801
Accrued and Other Liabilities		1,563
Total Current Liabilities		20,987
Other Long-Term Liabilities		2,488
Capital Lease Payable, Net of Current Portion		9,935
Long-Term Debt, Net of Current Portion		-
Lease Acceleration Payable, Net of Current Portion		1,856
Total Liabilities		35,266
Stockholders' Equity:		
Common Stock, $0.0001 par value (50,000,000 authorized; 29,119,106 issued and 24,593,475 outstanding)		3
Additional Paid-in Capital		59,508
Accumulated Deficit		(44,623)
Treasury Stock, at cost (4,525,631 shares at May 31, 2020)		(22,516)
Total Stockholders' Deficit		(7,628)
Total Liabilities and Stockholders' Deficit	**$**	**27,638**

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

National American University Holdings, Inc. and Subsidiaries
Consolidated Statement of Operations
For the Year Ended May 31, 2020

(In thousands)

Revenue:		
Academic Revenue, net	$	22,222
Auxiliary Revenue, net		947
Rental Income -- Apartments		1,055
Other Real Estate Income		218
Total Revenue		24,442
Operating Expenses:		
Cost of Educational Services		10,561
Selling, General, and Administrative		20,368
Auxiliary Expense		562
Total Operating Expenses		31,491
Operating Income (Loss)		(7,049)
Other Income (Expense):		
Gain on Lease Termination and Accelerations		2,730
Gain on Disposition of Property and Equipment		2,130
Interest Income		138
Interest Expense		(1,558)
Other Expense -- net		(41)
Total Other Income		3,399
Loss before Income Taxes		(3,650)
Income Tax Benefit		4,705
Net Income		1,055
Net Income Attributable to Non-Controlling Interest		(5)
Net Income Attributable to National American University Holdings, Inc. and Subsidiaries	$	1,050

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

National American University Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flow
For the Year Ended May 31, 2020
(In thousands)

Cash Flows from Operating Activities:		
Net Income	$	1,050
Adjustments to reconcile net income to net cash flows used in operating activities:		
Depreciation and Amortization		2,008
Gain on Lease Termination		(2,730)
Gain on Disposition of Property		(2,130)
Provision for Uncollectable Tuition		141
Noncash Compensation Expense		32
Changes in Assets and Liabilities:		
Student and Other Receivables		(500)
Prepaid and Other Current Assets		142
Other Assets		819
Income Taxes Receivable/Payable		(4,704)
Accounts Payable		5,095
Deferred Revenue		(1,488)
Accrued and Other Liabilities		(300)
Other Long-Term Liabilities		(2,412)
Net Cash used in Operating Activities		(4,977)
Cash Flows from Investing Activities:		
Purchases of Restricted Certificates of Deposit		(54)
Proceeds from Release of Restricted Certificates of Deposit		10,763
Purchases of Property and Equipment		(79)
Proceeds from Sale of Property and Equipment		3,750
Redemption of Minority Interest		(551)
Net Cash provided by Investing Activities		13,829
Cash Flows from Financing Activities:		
Repayments of Capital Lease Payable		(432)
Repayments of Long-Term Debt		(11,185)
Borrowings of Long-Term Debt		2,567
Borrowings of Short-Term Debt		75
Purchase of Treasury Stock		(6)
Net Cash used in Financing Activities		(8,981)
Net Increase (Decrease) in Cash and Cash Equivalents		(129)
Cash and Cash Equivalents - Beginning of Year		1,335
Cash and Cash Equivalents - End of Year	$	1,206
Supplemental Disclosure of Cash Flow/Non-Cash Information		
Cash paid for income taxes	$	2
Cash paid for interest	$	1,574

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

National American University Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

For the Year Ended May 31, 2020

(In thousands, except share and per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
Balance - June 1, 2019	$ 3	$ 59,476	$ (45,209)	$ (22,510)	$ 82	$ (8,158)
Purchase of 93,471 shares common stock for the treasury	-	-		(6)	-	(6)
Share based compensation expense		32				32
Redemption of minority interest	-		(464)	-	(87)	(551)
Net Income	-	-	1,050	-	5	1,055
Balance - May 31, 2020	$ 3	$ 59,508	$ (44,623)	$ (22,516)	$ -	$ (7,628)

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

National American University Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
As of and for the Year Ended May 31, 2020

1. Statement Presentation and Basis of Consolidation

The accompanying financial statements are presented on a consolidated basis and include the accounts of National American University Holdings, Inc., its wholly-owned subsidiary, Dlorah, Inc. ("Dlorah") and its divisions, National American University ("NAU" or the "University"), Fairway Hills, the Fairway Hills Park and Recreational Association, the Vista Park Owners' Association ("Fairway Hills"), and the Company's interest in Fairway Hills Section III Partnership (the "Partnership"), collectively the "Company." The Company's ownership interest in the Partnership was sold in its entirety on September 12, 2019, and no assets or operations of the Partnership are included in the accompanying consolidated financial statements after that date.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Throughout the notes to the consolidated financial statements, amounts in tables are in thousands of dollars, except for share and per share data or as otherwise designated. The Company's fiscal year end is May 31. These financial statements include consideration of subsequent events through the date the financial statements were available for issuance. All intercompany transactions and balances have been eliminated in consolidation.

Unless the context otherwise requires, the terms "we", "us", "our" and the "Company" used throughout this document refer to National American University Holdings, Inc. and its wholly-owned subsidiary, Dlorah, which operates National American University and Fairway Hills.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. On an ongoing basis, the Company evaluates the estimates and assumptions, including those related to bad debts, income taxes and certain accruals. Actual results could differ from those estimates.

Financial Condition and Liquidity

For the year ended May 31, 2020, cash used in operating activities was approximately $5.0 million and unrestricted cash and cash equivalents decreased by approximately $0.13 million from May 31, 2019. As of May 31, 2020, the Company had approximately $1.2 million of unrestricted cash and cash equivalents, a working capital deficiency of approximately $13.1 million, and a deficit in stockholders' equity of approximately $7.6 million.

During the year ended May 31, 2020, the Company continued to implement an operational plan that focuses on online academic programs and expanding its programs related to strategic security, counter-terrorism, and intelligence for the public and private sectors, as well as growing the undergraduate enrollment as a result of reducing tuition. Company management has also continued its efforts to reduce expenses, as possible, and to sell certain assets, with the intention of reducing the working capital deficit and improving cash flows from operations.

In April 2020, the Company was eligible for a Paycheck Protection Program loan through the Small Business Administration, as part of the CARES Act funding approved by congress to assist businesses impacted by COVID-19. The amount approved and initially received by the Company was $3.0 million, of which the Company returned $0.5 million.

2. Nature of Operations

National American University Holdings, Inc., formerly known as Camden Learning Corporation, was incorporated in the State of Delaware on April 10, 2007. On November 23, 2009, Dlorah became a wholly-owned subsidiary of the Company pursuant to an Agreement and Plan of Reorganization between the Company and Dlorah.

The Company's common stock was listed as NAUH on Nasdaq Global Market through January 17, 2019, at which time it voluntarily delisted and transferred its listing to the Over the Counter Quotation Bureau ("OTCQB") Market. The delisting and transfer was the result of the Company's market value of publicly held shares no longer meeting the requirement to maintain a minimum Market Value of Publicly Held Shares of $5,000, as set forth in Nasdaq Listing Rule 5450(b)(1)(C), as well as consideration of the probability of regaining compliance, the common stock's current trading volume and price, and the costs of maintaining eligibility to list the Company's common stock on the Nasdaq Global Market. As of June 5, 2019, the Company ceased being a reporting company under the Securities and Exchange Act of 1934, as amended, and now reports under the OTCQB Market's Alternative Reporting Standards.

NAU is a regionally accredited, proprietary institution of higher learning, offering associate, bachelors, masters, and doctoral degree programs in many disciplines of study. Since June 2019, courses are offered through online instruction only, with the exception of the two remaining ground campuses. NAU consists of a group of educators dedicated to serving its students to achieve success in attaining their educational goals to advance their career opportunities. A substantial portion of NAU's academic income is dependent upon federal student financial aid programs, employer tuition assistance, and contracts to provide online course development, hosting and technical assistance to other educational institutions. To maintain eligibility for financial aid programs, NAU must comply with U.S. Department of Education requirements, including the maintenance of certain financial ratios.

In addition to the University operations, the Company has owned and operated a real estate business known as Fairway Hills Developments, or Fairway Hills. The real estate business rents apartment units, and develops and sells condominium units in the Fairway Hills Planned Development area of Rapid City, South Dakota.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash is held in bank accounts that periodically exceed insured limits; however, no losses have occurred, and the Company does not believe the risk of loss is significant.

Student Receivables - Student receivables are recorded at estimated net realizable value and are revised periodically based on estimated future collections. Interest and service charges are applied to all past due student receivables; however, collections are first applied to principal balances until such time that the entire principal balance has been received. Student accounts are charged off and sent to collections after being outstanding for 90 days. Bad debt expense is included in selling, general and administrative expenses on the consolidated statement of operations.

Other Receivables - Other receivables consist primarily of financial aid amounts due from the federal government, and the current portion of institutional receivables, which are amounts due from students and are stated at net realizable value. Long-term portion of these institutional receivables are included in other assets. The Company also recorded in other receivables, a refund receivable from the Internal Revenue Service for approximately $4.4 million at May 31, 2020. This anticipated refund is a result of the CARES Act extending loss carrybacks two additional years, which benefits the Company and qualifies it for a tax refund.

Property and Equipment - Property and equipment are stated at cost. Renewals and improvements exceeding five thousand dollars with an expected life of greater than one year are capitalized, while repairs and maintenance are expensed when incurred. Upon the retirement, sale or disposition of assets, costs and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in the consolidated statement of operations. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and Building Improvements	19 - 40
Land Improvements	10 - 20
Furniture, Vehicles, and Equipment	5 - 15

For tax purposes, depreciation is computed using the straight-line and accelerated methods.

Property and equipment – net consists of the following:

		May 31, 2020
Land	$	138
Land improvements		1,018
Building under capital lease		10,600
Buildings and building improvements		6,132
Furniture, vehicles, and equipment		11,106
Total gross property and equipment	$	28,994
Less capital lease accumulated depreciation		(4,549)
Less other accumulated depreciation		(11,761)
Total net property and equipment	$	12,684

Capitalized Course Development Costs - The University internally develops curriculum and electronic instructional materials for certain courses. The curriculum is primarily developed by employees and contractors. The curriculum is integral to the learning system. Customers do not acquire the curriculum or future rights to it.

The Company capitalizes course development costs. Costs that qualify for capitalization are external direct costs, payroll, and payroll-related costs. Costs related to general and administrative functions are not capitalized and are expensed as incurred. Capitalization ends at such time that the course and/or material is available for general use by faculty and students. After becoming available for general use, the costs are amortized on a course-by-course basis over a period of three to five years. After the amortization period commences, the cost of maintenance and support is expensed as incurred, because it does not provide future benefit. If it is determined that the curriculum will not be used, the capitalized curriculum costs are written off and expensed in the period of this determination.

Goodwill and Intangible Assets - Goodwill represents the excess of the acquisition cost over the fair value of the net assets acquired and is not subject to amortization. Other identified intangible assets are amortized over their estimated useful lives of four to five years. Goodwill and other intangible assets are evaluated annually for impairment or when events or circumstances indicate potential impairment.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, impairment exists when the estimated undiscounted cash flows associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable.

Deferred Income Taxes - Deferred income taxes are provided using the asset and liability method whereby deferred tax assets and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recognizes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized.

Leases - Leases are evaluated and classified as either operating or capital leases. Leased property and equipment meeting certain criteria would be capitalized, and the present value of the related lease payments is recognized as a liability on the consolidated balance sheet. Amortization of capitalized leased assets is computed on the straight-line method over the term of the lease or the life of the related assets, whichever is shorter. Leasehold improvements are depreciated over the depreciable lives of the corresponding fixed asset or the related lease term, whichever is shorter.

Rental Expense - The University accounts for rent expense under its long-term operating leases using the straight-line method. Certain of the University's operating leases contain rent escalator provisions.

Advertising - The University follows the policy of expensing the cost of advertising as incurred. Advertising costs of approximately $2.4 million are included in selling, general, and administrative expenses on the consolidated statements of operations and comprehensive loss.

4. Revenues

Revenue Recognition

The following table presents the Company's revenues from contracts with customers, from continuing operations, disaggregated by material revenue category:

	Year ended May 31, 2020
Academic Revenue	22,222
Auxiliary Revenue	947
Real Estate Revenue	1,273
Consolidated Revenue	$ 24,442

Revenues are recognized when control of the promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods and services. The Company applies the five-step revenue model under *ASC Topic 606* to determine when revenue is earned and recognized. The Company had no capitalizable costs associated with obtaining and fulfilling a revenue contract.

Academic Revenue

Academic revenue consists of tuition revenue, other fee revenue and the revenue generated through NAU's teaching relationships with other non-related party institutions. The Company's academic programs are typically offered on a three-month term basis that, starting in November 2017, commence on a monthly basis.

Tuition revenue represents amounts charged for course instruction. For tuition revenue, the Company performs an assessment at the beginning of each student contract and, subsequently thereafter, if new information indicates there has been a significant change in facts and circumstances. Each student contract contains a single performance obligation that is the Company's promise to the student to provide knowledge and skills through course instruction, which may include any combination of classroom instruction, on-demand tutoring or on-line instruction.

Tuition revenue is reported net of adjustments for discounts, refunds and scholarships. Tuition rates per student vary by educational site, the number of credit hours the student is enrolled in for the term, the program, and the degree level of the program. The portion of tuition and registration fees received but not earned, less estimated student withdrawals, is recorded as deferred revenue and reflected as a current liability in the Company's consolidated balance sheet, as such amount represents revenue the Company expects to earn from terms that are not complete as of the date of the financial statements.

Tuition revenue is deferred and recognized as revenue ratably over the term of instruction (typically three months). Tuition revenue is recognized over time as the students obtain control of the educational services provided by the Company subsequent to enrollment and on a ratable basis over the term of the course beginning on the course start date through the last day of classes.

If a student withdraws prior to the completion of the academic term, the respective portion of tuition and registration fees the Company already received and is not entitled to retain are refunded back to the students and the Department of Education. Students are no longer entitled to a refund once 60% of the term has been completed. For students that have withdrawn from all classes during an academic term, the Company estimates the expected receivable balance due from such students and records a provision to reduce academic revenue for that amount, less estimated collections calculated based on historical collection trends and adjusted for known current factors.

Auxiliary Revenue
Auxiliary revenue primarily consists of revenues from the Company's bookstore operations for the sale of books and other class materials. Revenue is recognized when control of the books or class materials are transferred to the student. Auxiliary revenue is recorded net of any applicable sales tax.

Real Estate Revenue
Real estate revenue includes monthly rental income, fees paid by members of owners' associations managed by the Company and condominium sales. Rental income and owners' association fees are received from tenants or members. Significant amounts paid in advance are included in deferred revenue on the Company's consolidated balance sheet. Revenue related to the sales of the condominiums is recognized at the closing of the transaction at the negotiated contract price.

The following presents the Company's net revenue disaggregated based on the timing of revenue recognition:

	Year ended May 31, 2020
Services transferred over time:	
Academic revenue (transferred over academic term)	22,222
Rental income (transferred over rental period)	1,055
	$ 23,277
Services transferred at a point in time:	
Auxiliary revenue	947
Other real estate income	218
	$ 1,165
Total revenue	$ 24,442

The Company does not have any unsatisfied performance obligations for contracts with customers that have an expected duration of more than one year.

5. **New Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively financed or purchased by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard will be effective for the Company's fiscal year 2022.

The strategic and operational shift from ground locations to online programs affects management's estimate of the impact of the implementation of ASU 842 on the Company's financial statements. As of May 31, 2020, one campus location continues to be operational, and the lease associated with that location expires in March 2022. As such, we do not expect the asset and liability will exist for the year ending May 31, 2022. The only remaining operational lease is a lease for business equipment, copiers, and printers, and the impact of the implementation of ASU 842 on this lease on the financial statements is immaterial.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company will be evaluating the impact this standard will have on the Company's consolidated financial statements.

6. **Student Receivables, Net**

Student accounts receivable are composed primarily of amounts due related to tuition and educational services. Student receivables, net, from operations, consist of the following as of:

	May 31, 2020
Student accounts receivable	1,256
Less allowance for doubtful accounts	(114)
Student receivables, net	$ 1,142

7. **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, impairment exists when the estimated undiscounted cash flows associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable.

8. **Letter of Credit and Long-Term Debt**

On May 10, 2019, Dlorah entered into a long-term loan agreement with Center for Excellence in Higher Education, Inc. for $8.5 million. The loan is secured by a mortgage granted by Dlorah on certain real property located in Pennington County, South Dakota, pursuant to a real estate mortgage entered into between the parties on the same date as the loan agreement, along with security agreements covering two aircraft and an assignment of leases and rents. The Company paid a non-refundable loan origination fee of $250,000 upon entering into the agreement. Monthly payments of accrued and unpaid interest are required beginning July 1, 2019, with a final payment of all outstanding principal and interest due on October 15, 2020. The outstanding balance of this loan, net of the loan origination fee, was approximately $5.249 million as of May 31, 2020. The primary purpose of the loan was to provide a source of cash collateral to secure a letter of credit issued by Black Hills Community Bank N.A. for the benefit of the United States Department of Education (USDOE) in the amount of $7.331 million. The letter of credit (LOC) was issued on May 10, 2019. It was secured by a restricted certificate of deposit totaling $7.375 million. An update to the letter of credit was received from the USDOE on April 9, 2020. The LOC requirement was reduced to approximately $4.8 million, thus allowing for a reduction in the certificate of deposit that is collateralizing the LOC. In addition, the Company established a $500,000 line of credit for working capital purposes bearing an interest rate of 9.0% per annum, maturing on January 15, 2021, collateralized by certain real estate holdings owned by the Company.

At May 31, 2020, the restricted certificates of deposit on the balance sheet include $150,000 held as a certificate of deposit by Great Western Bank to collateralize the Company's purchasing card; and $4.766 million held as a certificate of deposit for the Black Hills Community Bank N.A. letter of credit.

9. Leases

The University leases building facilities for branch operations and equipment for classroom operations under operating leases with various terms and conditions. The facility leases expense have been accelerated and recognized, except for the Georgetown, TX location, which has a future expense of $62,000 for fiscal year 2021.

Effective November 1, 2011, the Company entered into a 20-year capital lease arrangement for additional space that houses the corporate headquarters, distance learning operations, and the Rapid City campus operations. The Company is obligated to make future payments under the capital lease obligation, which totaled $15.6 million as of May 31, 2020 and had a net present value of $10.4 million as of May 31, 2020.

The following is a schedule of future minimum commitments under the capital lease obligation as of May 31, 2020:

FY 2021	$ 1,231
FY 2022	1,255
FY 2023	1,280
FY 2024	1,306
FY 2025	1,332
FY 2026	1,358
Thereafter *(through October 2031)*	7,840
Total future minimum lease obligation	$ 15,602
Less: Imputed interest on capital leases	(5,177)
Net present value of lease obligations	$ 10,425

10. Stockholders' Equity

The authorized capital stock for the Company is 51,100,000 shares, consisting of (a) 50,000,000 shares of common stock, par value $0.0001 (b) 1,000,000 shares of preferred stock, par value $0.0001, and (c) 100,000 shares of class A common stock, par value $0.0001. Of the authorized shares, 24,593,475 shares of common stock were outstanding as of May 31, 2020. No shares of preferred stock or Class A common stock were outstanding at May 31, 2020.

Stock-Based Compensation

At May 31, 2020, the Company had 1,497,014 shares available for future grants under its 2018 Stock Option and Compensation Plan (the "2018 Plan"). The Company may grant restricted stock awards, restricted stock units and stock options to aid in recruiting and retaining employees, officers, directors, and other consultants under the 2018 Plan.

Restricted stock

The Company had 45,454 restricted stock shares with a weighted average grant date fair value of $0.88 per share that vested October 9, 2019. There are no non-vested restricted stock awards outstanding at May 31, 2020. Stock compensation of approximately $31,000 was recorded during the year ended May 31, 2020.

A summary of restricted share awards activity as of May 31, 2020 and the changes during the year then ended is presented below:

Restricted Shares	Shares	Weighted Average Grant Date Fair Value
Non-vested shares at May 31, 2019	113,635	$ 0.88
Granted	-	
Vested	(45,454)	0.88
Forfeited	(68,181)	
Non-vested shares at May 31, 2020	-	$ -

Unrestricted stock

Unrestricted stock is issued to certain employees in settlement of a portion of their salaries and bonuses. For the year ended May 31, 2020, there was no compensation expense in the consolidated statement of operations associated with these unrestricted stock issuances.

Stock options

The Company accounts for stock option-based compensation by estimating the fair value of options granted using a Black-Scholes option valuation model. The Company recognizes the expense for grants of stock options on a straight-line basis in the consolidated statements of operations as operating expense based on their fair value over the requisite service period.

During the year ended May 31, 2020, 49,375 shares of stock options were issued, 15,625 shares were forfeited or cancelled, and no options were exercised.

For stock options issued during the year ended May 31, 2020, the following assumptions were used to determine fair value:

Assumptions used:	
Expected term (in years)	5.75
Weighted average expected volatility	134.15%
Expected volatility range	129.04% - 141.65%
Weighted average risk-free interest rate	1.65%
Risk-free interest rate range	1.64% - 1.67%
Weighted average expected divident	0.00%
Expected dividend range	0.00 - 0.00%
Weighted average fair value per share	$0.032

Expected volatilities are based on historic volatilities from the Company's traded shares. The expected term of options granted follows the plain vanilla method. The risk-free interest rate for periods matching the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend is based on the historic dividends of the Company.

A summary of option activity under the Plan as of May 31, 2020, and changes during the year then ended is presented below:

Stock Options	Shares	Weighted Average Exercise Price	Average Life (years)	Intrinsic Value (thousands)
Outstanding at June 1, 2019	162,204	$ 2.87	6.7	$ 0.60
Granted	49,375	$ 0.04		
Exercised	-	-		
Forfeited or Canceled	(15,625)	$ 4.72		
Outstanding at May 31, 2020	195,954	$ 2.01	6.8	$ 25.70
Exercisable at May 31, 2020	136,265	$ 2.87	5.6	$ 6.10

The Company recorded compensation expense for stock options of approximately $1,000 for the year ended May 31, 2020, in the consolidated statement of operations. Unamortized compensation associated with stock options at May 31, 2020 was $1,457 with a remaining amortization of 0.8 years.

Dividends

No dividends have been declared or paid since October 6, 2017.

11. Employee Compensation Plan

Employee Benefit Plan Payable - The Company sponsors a 401(k) plan for its University employees, which provides for a discretionary match, net of forfeitures, of up to 5%. The University uses certain consistently applied operating ratios to determine contributions. No matching contributions were paid or accrued by the University as of and for the year ended May 31, 2020.

Compensation Plans - The Company has entered into an employment agreement, as amended on February 1, 2020, with Dr. Ronald Shape, President. There were no incentive payments made for 2020. The amended employment agreement has no current provision for incentive-based or equity-based compensation. In addition, the Company has an approved Named Executive Officer Compensation Plan. The compensation plan has a base salary component, quarterly achievement award component and an annual achievement award component as defined in the agreements.

12. Self-Insured Health Insurance

The Company maintains a self-insured health insurance plan for employees. Under this plan, the Company pays a monthly fee to its administrator, as well as claims submitted by its participants. The Company has recorded a liability for outstanding claims of $228,000 at May 31, 2020, as there generally is a lag between the time a claim is incurred by a participant and the time the claim is submitted. Such liability is reported with accrued and other liabilities in the consolidated balance sheet.

13. Income Taxes

Components of the provision for income taxes for the year ended May 31, 2020, were as follows:

Current tax expense (benefit):		
Federal	$	(268)
State		11
Total current tax expense (benefit):		(257)
Deferred tax expense (benefit):		
Federal		(4,448)
State		-
Total deferred tax expense (benefit):		(4,448)
Total tax expense (benefit)	$	(4,705)

The effective tax rate varies from the statutory federal income tax rate for the following reasons:

Statutory	-21.0%
State income taxes - net of federal benefit	0.3%
Deferred tax valuation allowance	13.0%
Carryback of FY19 NOL & GBC	-124.4%
Permanent differences and other	0.5%
Effective income tax rate	-131.6%

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets (liabilities) as of May 31, 2020 were as follows:

Deferred Income Tax Assets:		
Account Receivable Allowances	$	58
Bad Debt Write-Offs		229
Other		172
Revenue Recognition		28
Accrued Salaries		243
Start-up Costs		85
Capital Lease Obligations		2,554
Net Operating Loss Carryforwards-expires 2021-2037		5,293
Business Interest Carryforwards		443
Deferred Rent		827
Total deferred income tax assets		9,932
Valuation allowance		(7,786)
Net deferred income tax assets		2,146
Deferred income tax liabilities:		
Fixed assets and course development		(2,014)
Prepaid expenses		(132)
Total deferred income tax liabilities		(2,146)
Net deferred income tax assets (liabilities)	$	-

As of May 31, 2020, the Company had net operating loss (“NOL”) carryforwards of approximately $19 million federal, and $20 million state. The federal NOL carryforwards have no expiration. As mentioned previously, the Company recorded an Other Receivable of approximately $4.4 million for anticipated tax refunds for two additional years of loss carrybacks, as allowed under the CARES Act.

The change in the valuation allowance for deferred tax assets for the year ended May 31, 2020 was approximately $1.9 million. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not, that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As a result, management determined it was more likely than not, that the net deferred tax asset would not be realized as of May 31, 2020 and recorded a full valuation allowance.

The Company follows the guidance of ASC Topic 740, *Income Taxes*, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,* which requires that income tax positions must be more likely than not to be sustained based solely on their technical merits in order to be recognized. The Company has recorded no liability for uncertain tax positions. In the event the Company had uncertain tax positions, the Company would elect to record interest and penalties from unrecognized tax benefits in the tax provision.

The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is generally no longer subject to U.S. federal income tax or state and local tax examinations for years before 2016.

14. Earnings (Losses) per Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to the Company by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur assuming vesting, conversion or exercise of all dilutive unexercised options and restricted stock.

The following is a reconciliation of the numerator and denominator for the basic and diluted EPS computations:

	Year ended May 31, 2020
Numerator:	
Net income attributable to National American University Holdings, Inc.	$ 1,050
	$ 1,050
Denominator:	
Weighted average shares outstanding used to compute basic net income per common share	24,648,150
Incremental shares issuable upon the assumed exercise of stock options	-
Incremental shares issuable upon the assumed vesting of restricted shares	-
Common shares used to compute diluted net income per share	24,648,150
Basic net income per common share	$ 0.04
Diluted net income per common share	$ 0.04

A total of 195,954 shares of common stock subject to issuance upon exercise of stock options for the year ended May 31, 2020 have been excluded from the calculation of diluted EPS, as the effect is immaterial.

15. Regulatory Matters

The University extends unsecured credit to a portion of the students for tuition and other educational costs. A substantial portion of credit extended to students is repaid through the students' participation in various federal financial aid programs authorized by Title IV Higher Education Act of 1965, as amended (the "Higher Education Act" or "HEA"). The University is required under 34 CFR 600.5(d) to maintain at least 10% of its revenues (calculated on a cash basis) from non-Title IV program funds, commonly referred to as the "90/10 Rule". An institution is subject to loss of eligibility to participate in Title IV programs if it fails to meet the 10% threshold for two consecutive fiscal years. If the University were to violate the 90/10 Rule, it would become ineligible to participate in Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which we exceeded the 90% Title IV program funds threshold and would be unable to regain eligibility for two fiscal years thereafter. The University believes it is in compliance with this requirement for the year ended May 31, 2020, as shown in the underlying calculation:

	Year Ended May 31, 2020	
Title IV HEA funds received	$ 16,603	= 75.33%
Academic revenue (cash basis)	$ 22,041	

To participate in Title IV Programs, a school must be authorized to offer its programs of instruction by relevant state education agencies, be accredited by an accrediting commission recognized by the U.S. Department of Education (the "Department"), and be certified as an eligible institution by the Department. For this reason, educational institutions are subject to extensive regulatory requirements imposed by all of these entities. After an educational institution receives the required certifications by the appropriate entities, the educational institution must demonstrate compliance with the Department's regulations pertaining to Title IV Programs on an ongoing basis. Included in these regulations is the requirement that the Company must satisfy specific standards of financial responsibility.

Financial Responsibility Composite Score

The Department of Education evaluates educational institutions for compliance with these standards each year, based upon an educational institution's annual audited financial statements, as well as following any changes in ownership. Department regulations specify that an eligible institution of higher education must satisfy specific measures of financial responsibility prescribed by the Department, or post a letter of credit in favor of the Department and accept other conditions on its participation in Title IV programs. Pursuant to the Title IV program regulations, each eligible institution must satisfy a measure of financial responsibility that is based on a weighted average of the following three annual ratios, which assess the financial condition of the institution:

- Primary Reserve Ratio – measure of an institution's financial viability and liquidity;
- Equity Ratio – measure of an institution's capital resources and its ability to borrow; and
- Net Income Ratio – measure of an institution's profitability.

These ratios provide three individual scores, which are converted into a single composite score. The maximum composite score is 3.0. If an institution's composite score is at least 1.5, it is considered financially responsible. If an institution's composite score is less than 1.5 but is 1.0 or higher, it is still considered financially responsible, and the institution may continue to participate as a financially responsible institution for up to three years under the Department's "zone" alternative. Under the zone alternative, the Department may require an institution to comply with various additional operating, monitoring or other requirements, agree to receive Title IV program funds under an arrangement other than the Department of Education's standard advance funding arrangement, such as the reimbursement method of payment or heightened cash monitoring, or comply with or accept other limitations on the institution's ability to increase the number of programs it offers or the number of students it enrolls.

If an institution does not achieve a composite score of at least 1.0, it is subject to additional requirements in order to continue its participation in the Title IV programs, including submitting to the Department a letter of credit in an amount equal to at least ten percent, and at the Department's discretion up to 50%, of the Title IV funds received by the institution during its most recently completed fiscal year, and being placed on provisional certification status, under which the institution must receive Department approval before implementing new locations or educational programs and comply with other restrictions, including reduced due process rights in subsequent proceedings before the Department.

In addition, under regulations that took effect on July 1, 2016, institutions placed on either the heightened cash monitoring payment method or the reimbursement payment method must pay Title IV credit balances to students or parents before requesting Title IV funds from the Department and may not hold Title IV credit balances on behalf of students or parents, even if such balances are expected to be applied to future tuition payments.

Additionally, as part of the 2016 Borrower Defense Final Rule, the Department of Education revised its general standards of financial responsibility to include various actions and events that would require institutions to provide the Department of Education with irrevocable letters of credit. On March 8, 2019, NAU received a letter from the Department of Education which noted several financial matters described in the notes to the Company's audited financial statements for the fiscal year ended May 31, 2018 and its Form 10-Q filed with the Securities and Exchange Commission on January 22, 2019, and the Company's delisting from Nasdaq Global Market and transfer of shares to the OTCQB Market, and determined that NAU did not meet its financial responsibility standards for institutions that participate in Title IV programs. As a result, the Department of Education's letter of March 8, 2019 imposed additional reporting requirements on NAU with respect to its financial condition including bi-weekly cash balance submissions and monthly submissions of actual and projected cash flow statements, and notification requirements regarding certain enumerated events should they occur in the future; required NAU to process Title IV program funds under the Heightened Cash Monitoring Type 111 method of payment; and informed NAU that it could continue to participate in Title IV programs by either (1) posting a letter of credit to the Department of Education in the amount of $36.6 million representing 50% of the Title IV program funds awarded during the Company's fiscal year ended May 31, 2018, or (2) posting a letter of credit to the Department of Education in the amount of $10.9 million, representing 15% of the Title IV program funds awarded during the Company's fiscal year ended May 31, 2018, accompanied by the provisional form of certification to participate in the Title IV programs. On March 22, 2019, the Company submitted a request to the Department of Education for reconsideration of its imposition of the letter of credit, as well as the amount and timing for any required letter of credit. In response to the request, the Department of Education provided two additional options for a letter of credit accompanied by provisional certification: (1) posting of an irrevocable letter of credit in the amount of $7.3 million, representing 10% of Title IV program funds for its fiscal year ended May 31, 2018, or (2) placement on the Heightened Cash Monitoring Type 2 payment method, with a percentage of each payment withheld until an account equal to the required letter of credit amount can be funded. On April 30, 2019, the Company responded to the Department's letter and selected the posting of an irrevocable letter of credit in the amount of $7.3 million for the benefit of the Department. The letter of credit was issued on May 10, 2019 and in May 2020 subsequently reduced to approximately $4.8 million.

The audited financial statements for the fiscal year ended May 31, 2020 indicate the most recent composite score to be (1.0). For the fiscal year ended May 31, 2019, the Company received notification from the U.S. Department of Education (USDOE) that they calculated the score as (1.0). Upon review of the FY19 financial statements by the U.S. Department of Education, they have concluded the Losses from Discontinued Operations incurred by the Company during fiscal year 2019, cannot be excluded from the calculation.

Finally, to remain eligible to participate in Title IV programs, an educational institution's student loan cohort default rates must remain below certain specified levels. An educational institution loses eligibility to participate in Title IV programs if its cohort default rate equals or exceeds 40% for any given year or 30% for three consecutive years. The official cohort default rates for federal fiscal years 2015 and 2014 are 23.7% and 24.1%, respectively. The official cohort rate for federal fiscal year 2016 is 20.1%. The draft cohort rate for fiscal year 2017 is 19.3%.

NC-SARA (National Council of State Authorization Reciprocity Agreements)

The Company is a former participant of NC-SARA, commonly known as SARA, which allows NAU to enroll online students from participating states. With the USDOE's determination of a May 31, 2019 composite score of (1.0), the Company was notified in April 2020 that it will become ineligible in July 2020 to participate in SARA. As a result, NAU has sought individual state authorization and approval to operate in each individual state. NAU is approved to accept students to enroll in all but ten states.

16. Commitments and Contingencies

From time to time, the Company is a party to various claims, lawsuits or other proceedings relating to the conduct of its business. Although the outcome of litigation cannot be predicted with certainty and some claims, lawsuits or other proceedings may be disposed of unfavorably, management believes, based on facts presently known, that the outcome of such legal proceedings and claims, lawsuits or other proceedings will not have a material effect on the Company's consolidated financial position, cash flows or future results of operations.

In April 2017, a former NAU employee filed a qui tam suit against NAU, NAUH, and Dlorah, Inc., alleging certain violations of the Higher Education Act and Title IV program requirements, including alleged misrepresentations to a programmatic accrediting agency, alleged miscalculating its percentage of revenues derived from Title IV program funds under the 90/10 Rule, and alleged noncompliance with the incentive compensation prohibition. The U.S. government decided to not intervene in the lawsuit at that time, and the complaint was then unsealed by the court in January 2018, with an amended complaint being filed on April 24, 2018. The U.S. government reserved the right to intervene at a later time. The case is styled U.S. ex rel. Brian Gravely v. National American University, et al., No. 5:17-cv-05032-JLV, and remains pending in the U.S. District Court for the District of South Dakota. NAU, NAUH, and Dlorah, Inc., have filed an answer to the amended complaint, denying any legal wrongdoing or liability. In July 2020, the parties agreed in principle to an amicable conditional settlement, which when completed, is anticipated to vacate the case activity.

In December 2018, two former students commenced a lawsuit in Missouri state court, alleging claims of fraud and misrepresentations as to the quality and value of the educational degrees that were being pursued by the two students, and also a claim under the Missouri Merchandising Practices Act. The petition does not specify the damages being sought in the lawsuit. The case is styled Shayanne Bowman and Jackquelynn Mortenson v. Dlorah, Inc., d/b/a National American University, et al., Case No. 1816-cv30104, and is pending in Jackson County Circuit Court (MO). Three individual defendants are also included in the lawsuit, all former employees of NAU: Stacy J. Wilton, Tyree Smith, and Robin D. Cook. Additional plaintiffs have been added to the lawsuit. The Company has responded to the complaint, denying any legal wrongdoing or liability. The Company cannot predict the outcome of this litigation, nor its ability to harm its reputation, impose litigation costs, or materially adversely affect the business, financial condition, and results of operations. In April 2020, after the deadline for adding additional parties to the above-referenced lawsuit had passed, a separate lawsuit alleging similar claims was commenced by twelve other former students against NAU and former NAU employees. That case, styled as Donelson, et al. v. Dlorah, Inc., d/b/a National American University, et al., Case No. 016-cv10526, was filed in the same court and was subsequently consolidated with the Bowman/Mortenson lawsuit. The case is scheduled to be tried in three sub-groups of plaintiffs beginning the week of March 7, 2022. The amount or range of reasonably possible losses cannot be reasonably estimated and, accordingly, no liability has been accrued for this matter.

The University leases building facilities for branch operations under operating leases with various terms and conditions. As it implements the strategic and operational shift from ground locations to online programs, it has ceased operations at several of these leased facilities. While the University is communicating with the lessors of these facilities, certain lessors have commenced litigation related to the lease agreements. The University cannot predict the outcome of this litigation, nor whether these actions will materially adversely affect the business or financial condition. However, the rental expense for the locations vacated, has already been recognized in NAUH's Statement of Operations.

In 2019, a former office equipment vendor to NAU, commenced a lawsuit to collect damages for proposed breach of contract and past due amounts. NAU cannot predict the outcome of this legislation; however, NAU has accrued a liability that is believed to satisfy a potential future award to this vendor.

In April 2020, the Company received a Paycheck Protection Program loan from the SBA, as an eligible business under the CARES Act. The amount received in funding was $3.0 million. The Company repaid $526,149 of the amount on May 15, 2020. NAU believes the majority of the remaining SBA Loan will qualify for forgiveness of the debt. However, the amount will be recorded as a liability until the forgiveness of this amount is finalized.

17. Business Acquisition and Intangible Assets

On March 21, 2018, the Company acquired substantially all of the assets of Henley-Putnam University ("HPU"), a for profit postsecondary educational institution that offers 100% online programs focused in the field of strategic security, for a cash payment of $1.933 million. Excluded from the transaction were real estate leases, server and certain other technology and equipment, and related items. The results of HPU's operations have been included in the consolidated statement of operations since March 21, 2018. HPU's service areas complement the Company's current educational offerings and locations. Within the last five years, HPU has invested in the expansion of its curriculum, programs, and student services, as well as cultivating its relationship with parts of the armed forces. Because the institution elected not to pursue Title IV eligibility, its ability to recruit students and support is efforts was limited. Upon review of HPU's programs and operations, the Company found that acquiring HPU was in alignment with its strategic initiative to expand academic offerings and support services to the Company's armed forces student population; approximately 25% of the University's student population are active-duty service members, veterans, or dependents of active-duty service members or veterans.

The purchased intangible assets included of student relationships and the Henley-Putnam brand name. These assets are being amortized on a straight-line basis over four and five years, respectively.

Net intangible assets consist of the following at May 31, 2020:

	Cost	Accumulated Amortization	Net Carrying Amount
Student relationships	$ 157	$ (86)	$ 71
Brand name	72	$ (32)	$ 40
	$ 229	$ (118)	$ 111

Future amortization expense is as follows as of May 31, 2020:

FY 2021	$	54
FY 2022		34
FY 2023		23
Total future amortization	$	111

18. Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Following is a description of each category in the fair value hierarchy and the financial assets and liabilities of the Company that are included in each category at May 31, 2020:

Level 1 – Quoted prices in active markets for identical assets or liabilities. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted market prices.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The type of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using observable inputs. Level 2 assets consist of certificates of deposit that are valued at cost, which approximates fair value. Level 2 instruments require more management judgment and subjectivity as compared to Level 1 instruments. For instance:

- Determining which instruments are most similar to the instrument being priced requires management to identify a sample of similar securities based on the coupon rates, maturity, issuer, credit rating and instrument type, and subjectively selecting an individual security or multiple securities that are deemed most similar to the security being priced; and
- Determining whether a market is considered active requires management judgment.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The type of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation. The Company does not have any Level 3 assets or liabilities.

The following table summarizes certain information for assets and liabilities measured at fair value on a recurring basis at May 31, 2020:

	Quoted prices in active markets (level 1)	Other observable inputs (level 2)	Unobservable inputs (level 3)	Fair value
Investments:				
Restricted certificates of deposit	$ -	$ 4,916	$ -	$ 4,916
Total assets at fair value	$ -	$ 4,916	$ -	$ 4,916

Following is a summary of the valuation techniques for assets and liabilities recorded in the consolidated balance sheet at fair value on a recurring basis:

Certificates of deposit ("CDs"): Market prices for certain CDs are obtained from quoted prices for similar assets. The Company classifies these investments as level 2. The certificates of deposit at May 31, 2020 are restricted by borrowing arrangements. See further information in Note 8 to these consolidated financial statements.

Fair value of financial instruments: The Company's financial instruments include cash and cash equivalents, CDs, receivables and payables. The carrying values approximated fair values for cash and cash equivalents, receivables, and payables because of the short-term nature of these instruments. CDs are recorded at fair values as indicated in the preceding disclosures.

19. Related Parties

On August 9, 2019, the Independent Directors authorized the sale of the Park West property to Park West, LLC, a South Dakota limited liability company, owned by the majority shareholder, the Chairman of the Board, and the CEO of the Company. The board approved a purchase price of $3 million, which was the fair market value of the property.

During the year, the Company established a $500,000 line of credit from Buckingham Interests LLC, whose members include the Chairman of the Board.

As of May 31, 2020, the Company had a $75,000 note payable and $110,000 receivable with Park West, LLC.

20. Subsequent Events

In August 2020, the Company sold its real estate holdings to pay off the outstanding loan liability to the Center for Excellence in Higher Education (CEHE). The total loan repayment was for approximately $5.4 million. This sale was to Park West, LLC, which is a related party as described previously. The Company also sold its one remaining aircraft in August 2020, to the majority shareholder for fair market value.

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence

National American University Holdings, Inc. and Subsidiaries

Unaudited Consolidated Balance Sheets as of May 31, 2019 and May 31, 2018

(In thousands)

	May 31, 2019	May 31, 2018
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 1,335	$ 5,324
Student Receivables -- net of allowance		
of $251 and $301 at May 31, 2019 and May 31, 2018, respectively	615	1,402
Other Receivables	132	563
Income Taxes Receivable	6	105
Prepaid and Other Current Assets	750	1,234
Current Assets of Discontinued Operations	254	1,809
Total Current Assets	3,092	10,437
Total Property and Equipment -- Net	15,876	18,813
Total Property and Equipment -- Net of Discontinued Operations	-	6,415
Other Assets:		
Restricted Certificates of Deposit	15,625	9,250
Condominium Inventory	-	512
Land held for future development	414	414
Course Development -- net of accumulated amortization		
of $2,338 and $2,227 at May 31, 2019 and May 31, 2018, respectively	1,332	1,715
Goodwill	363	363
Other Intangibles -- net of accumulated amortization		
of $64 and $22 at May 31, 2019 and May 31, 2018, respectively	165	207
Other	1,109	375
Other Assets of Discontinued Operations	69	306
Total Other Assets	19,077	13,142
Total Assets	**$ 38,045**	**$ 48,807**
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Current portion of Capital Lease Payable	$ 432	$ 380
Current portion of Long-term Debt	800	800
Accounts Payable	2,763	1,496
Income Taxes Payable	31	70
Deferred Revenue	2,798	2,026
Accrued and Other Liabilities	1,876	2,522
Current Liabilities of Discontinued Operations	5,386	3,795
Total Current Liabilities	14,086	11,089
Other Long-Term Liabilities	131	505
Capital Lease Payable, Net of Current Portion	10,425	10,857
Long-Term Debt, Net of Current Portion	15,700	7,200
Long-Term Liabilities of Discontinued Operations	5,861	2,183
Total Liabilities	46,203	31,834
Stockholders' Equity (Deficit):		
Common Stock, $0.0001 par value (50,000,000 authorized; 29,053,894		
issued and 24,650,083 outstanding as of May 31, 2019;		
28,685,195 issued and 24,344,122 outstanding as of May 31, 2018)	3	3
Additional Paid-in Capital	59,476	59,305
Accumulated Deficit	(45,209)	(19,873)
Treasury Stock, at cost (4,432,160 shares at May 31, 2019 and		
4,341,073 shares at May 31, 2019)	(22,510)	(22,496)
Total National American University Holdings, Inc. Stockholders' Equity	(8,240)	16,939
Non-Controlling Interest	82	34
Total Stockholders' Equity (Deficit)	(8,158)	16,973
Total Liabilities and Stockholders' Equity (Deficit)	**$ 38,045**	**$ 48,807**

National American University Holdings, Inc. and Subsidiaries
Unaudited Consolidated Statements of Operations
For the Years Ended May 31, 2019 and May 31, 2018

(In thousands)

	Years Ended May 31, 2019	Years Ended May 31, 2018
Revenue:		
Academic Revenue	$ 33,232	$ 26,692
Auxiliary Revenue	1,798	1,858
Rental Income -- Apartments	1,386	1,404
Condominium Sales	646	817
Other Real Estate Income	203	193
Total Revenue	37,265	30,964
Operating Expenses:		
Cost of Educational Services	11,208	9,105
Selling, General, and Administrative	30,258	30,530
Auxiliary Expense	1,169	1,238
Cost of Condominium Sales	507	709
Loss on Course Development Impairment	-	286
Loss on Impairment and Disposition of Property and Equipment	1,014	378
Total Operating Expenses	44,156	42,246
Operating Loss	(6,891)	(11,282)
Other Income (Expense):		
Interest Income	136	76
Interest Expense	(1,291)	(846)
Other (Expense) Income — net	(17)	(72)
Total Other Expense	(1,172)	(842)
Loss from Continuing Operations before Income Taxes	(8,063)	(12,124)
Income Tax (Expense) Benefit	(31)	271
Net Loss from Continuing Operations	(8,094)	(11,853)
Loss from Discontinued Operations before Income Tax	(16,951)	(219)
Income Tax (Expense) Benefit from Discontinued Operations	-	(39)
Net Loss from Discontinued Operations	(16,951)	(258)
Net Loss	(25,045)	(12,111)
Net Income (Loss) Attributable to Non-Controlling Interest	(48)	(50)
Net Loss Attributable to National American University Holdings, Inc. and Subsidiaries	$ (25,093)	$ (12,161)
Other Comprehensive Gain, Net of Tax		
Unrealized gains on investments, net of tax benefit	-	4
Comprehensive Income (Loss) Attributable to National American University Holdings, Inc. and Subsidiaries	$ (25,093)	$ (12,157)

National American University Holdings, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flow
For the Years Ended May 31, 2019 and May 31, 2018
(In thousands)

	2019	2018
Cash Flows from Operating Activities:		
Net Loss from Continuing Operations	$ (8,094)	$ (11,853)
Net Loss from Discontinued Operations	$ (16,951)	$ (258)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and Amortization	2,580	2,671
Loss on Course Development Impairment	-	286
Loss on Impairment and Disposition of Property	1,014	378
Realized loss on sale of available for sale investments	-	16
Provision for Uncollectable Tuition	494	592
Noncash Compensation Expense	171	245
Deferred Income Taxes	-	(194)
Changes in assets and liabilities:		
Student and Other Receivables	504	(1,430)
Prepaid and Other Current Assets	484	(490)
Condominium Inventory	512	713
Other Assets	(554)	271
Income Taxes Receivable/Payable	60	2,153
Accounts Payable	1,267	502
Deferred Income	529	783
Accrued and Other Liabilities	(801)	1,958
Other Long-Term Liabilities	(374)	26
Discontinued Adjustments used in Operating Activities	13,708	(165)
Net cash flows used in operating activities	(5,451)	(3,796)
Cash Flows from Investing Activities:		
Purchases of Available for Sale Investments	-	(1,747)
Proceeds from Sale of Available for Sale Investments	-	4,668
Net Cash paid for Acquisition	-	(1,269)
Purchases of Restricted Certificates of Deposit	(7,475)	(8,000)
Proceeds from Release of Restricted Certificates of Deposit	1,100	-
Purchases of Property and Equipment	(795)	-
Proceeds from Sale of Property and Equipment	524	570
Other	(40)	(237)
Discontinued Adjustments used in Investing Activities	42	(2,309)
Net cash flows used in investing activities	(6,644)	(8,324)
Cash Flows from Financing Activities:		
Repayments of Capital Lease Payable	(380)	(331)
Proceeds from Long-Term Debt	8,500	8,000
Purchase of Treasury Stock	(14)	(15)
Dividends Paid	-	(2,184)
Net cash flows provided by financing activities	8,106	5,470
Net Increase (Decrease) in Cash and Cash Equivalents	(3,989)	(6,650)
Cash and Cash Equivalents - Beginning of Year	5,324	11,974
Cash and Cash Equivalents - End of Year	$ 1,335	$ 5,324
Balance Sheet Reconciliation		
Cash and Cash Equivalents	$ 1,335	$ 5,324
Restricted Cash	$ 15,625	$ 9,250
Total Cash, Cash Equivalents, and Restricted Cash	$ 16,960	$ 14,574
Supplemental Disclosure of Cash Flow/Non-Cash Information		
Cash paid for income taxes	$ (29)	$ (2,192)
Cash paid for interest	$ 1,293	$ 835

National American University Holdings, Inc. and Subsidiaries

Unaudited Consolidated Statements of Stockholders' Equity

For the Years Ended May 31, 2019 and 2018

(In thousands, except share and per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders' Equity
Balance - May 31, 2017	$ 3	$ 59,060	$ (6,622)	$ (22,481)	$ (4)	$ (16)	$ 29,940
Purchase of 8,029 shares common stock for the treasury	-	-	-	(15)	-	-	(15)
Share based compensation expense	-	245	-	-	-	-	245
Dividends declared	-	-	(1,090)	-	-	-	(1,090)
Net (loss) income	-	-	(12,161)	-	-	50	(12,111)
Other Comprehensive Income, net of tax	-	-	-	-	4	-	4
Balance - May 31, 2018	$ 3	$ 59,305	$ (19,873)	$ (22,496)	$ -	$ 34	$ 16,973
Impact of adoption of new accounting standard	-	-	(243)	-	-	-	(243)
Purchase of 91,087 shares common							-
stock for the treasury		-	-	(14)	-	-	(14)
Share based compensation expense	-	171	-	-	-	-	171
Net (loss) income	-	-	(25,093)	-	-	48	(25,045)
Balance - May 31, 2019	$ 3	$ 59,476	$ (45,209)	$ (22,510)	$ -	$ 82	$ (8,158)

Item 14 Beneficial Owners

The table presented below shows information regarding the beneficial ownership of our common stock as of May 31, 2020 by each person or entity known by us to own beneficially more than 5% of our outstanding common stock:

Name of Beneficial Owner with 5% or greater Ownership	Amount and Nature of Beneficial Ownership	Percent of Class
CEDE & Co. (Public Float)	9,929,846	40.4%
Mr. Robert D. Buckingham		
H & E Buckingham Limited Partnership	10,156,897	41.3%
Robert D. Buckingham Living Trust	3,457,864	14.1%

Item 15 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:

Accountant/Auditor
Firm Name: Tanner LLC
Address: 36 South State Street, Suite 600, Salt Lake City, UT 84111
Email: djhansen@tannerco.com
Phone Number: (801) 924-5165
Contact Name: Douglas Hansen

Investor Relations/Public Relations Firm
Firm Name: The Equity Group, Inc.
Address: 800 Third Avenue, between 49th & 50th Streets, 36th Floor, New York, NY 10022
Email: csohn@equityny.com
Phone Number: (415) 568-2255
Contact Name: Carolyn Y Sohn

Transfer Agent
Firm Name: Equiniti Trust Company
Address: 1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120
Email: Andrea.Severson@equiniti.com
Phone Number: (651) 450-4121
Contact Name: Andrea Severson

Item 16 Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our audited financial statements and related notes included elsewhere in this Annual Report, which have been prepared in accordance with U.S. GAAP. The following discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" or in other sections of this Annual Report.

Background
National American University, or NAU, is a regionally accredited, for-profit institution of higher learning offering diploma, associates, bachelor's, master's, and doctoral degree programs in business-related disciplines, such as accounting, applied management, business administration and information technology; legal-related disciplines, such as paralegal, criminal justice; and in healthcare-related disciplines, such as nursing, medical assisting, and healthcare management; and higher education. Courses are offered online via the internet. As of May 31, 2020, NAU operated two instructional locations in the states of Indiana and Texas, in addition to its central administration location in Rapid City, South Dakota. NAU also continued to conduct educational programs at Ellsworth Air Force Base, South Dakota, Joint Base Charleston, South Carolina, and Kings Bay Naval Base, Georgia.

Key Financial Results Metrics *Revenue.*
Revenue is derived mostly from NAU's operations. For the fiscal year ended May 31, 2020, approximately 96% of our revenue was generated from NAU's academic revenue, which consists of tuition and fees. The remainder of our revenue comes from NAU's auxiliary revenue from sources such as NAU's book sales and the real estate operations' rental income. Tuition revenue is reported net of adjustments for refunds and scholarships and is recognized on a daily basis over the length of the term. During the second quarter of fiscal year 2018, we began allowing students to take classes in the 2nd or 3rd month within a term rather than waiting to enroll the following term. Upon withdrawal, students generally are refunded tuition based on the uncompleted portion of the term, unless they have already finished 60% or more of the term. Auxiliary revenue is recognized as items are sold and services are performed and is net of any applicable sales tax.

Factors affecting revenue include:

- the number of students who are enrolled and who remain enrolled in courses throughout the term:
- the number of credit hours per student;
- the student's degree and program mix;
- changes in tuition rates;
- the affiliates with which NAU is working as well as the number of students at the affiliates; and
- the amount of scholarships for which students qualify.

We record unearned tuition for academic services to be provided in future periods. Similarly, we record a tuition receivable for the portion of the tuition that has not been paid. Tuition receivable at the end of any calendar quarter largely represents student tuition due for the prior academic quarter. Based upon past experience and judgment, we establish an allowance for doubtful accounts to recognize those receivables we anticipate will not be paid. Any uncollected account more than six months past due on students who have left NAU is charged against the allowance. Bad debt expense as a percentage of academic revenue for the fiscal year ended May 31, 2020 was 0.6%.

We define enrollments for a particular reporting period as the number of students registered in a course on the last day of the reporting period. Enrollments are a function of the number of continuing students registered and the number of new enrollments registered during the specified period. Enrollment numbers are offset by inactive students, graduations and withdrawals occurring during the period. Inactive students for a particular period are students who are not registered in a class and, therefore, are not generating net revenue for that period.

We believe the principal factors affecting NAU's enrollments and net revenue are the number and breadth of the programs being offered; the effectiveness of our marketing, recruiting and retention efforts; the quality of our academic programs and student services; the convenience and flexibility of our online delivery platform; the availability and amount of federal and other funding sources for student financial assistance; and general economic conditions.

Our ability to maintain or increase enrollment will depend on how economic factors are perceived by our target student market in relation to the advantages of pursuing higher education. If current market conditions continue, we believe that the extent to which we are able to maintain or increase enrollment will be correlated with the effectiveness of the online student service platform and the delivery of online academic programming.

Expenses. Expenses consist of cost of educational services, selling, general and administrative, auxiliary expenses, loss on course development impairment, loss on lease termination and acceleration, and the loss on impairment and disposition of property and equipment. Cost of educational services expenses contain expenditures attributable to the educational activity of NAU. This expense category includes salaries and benefits of faculty and academic administrators, costs of educational supplies, faculty reference and support material and related academic costs, and facility costs. Selling, general and administrative expenses include the salaries of the learner services positions (and other expenses related to support of students), salaries and benefits of admissions staff, marketing expenditures, salaries of other support and leadership services (including finance, human resources, compliance and other corporate functions), as well as depreciation and amortization, bad debt expenses and other related costs associated with student support functions. Auxiliary expenses include expenses for the cost of goods sold, including costs associated with books. The gain or loss on disposition of property and equipment, loss on courseware impairment, and gain or loss on lease acceleration, represent the cost incurred or income received in the disposal of assets that are no longer used by us.

Factors affecting comparability

Set forth below are selected factors we believe have had, or which we expect to have, a significant effect on the comparability of our recent or future results of operations:

Seasonality. Our operations are generally subject to seasonal trends. While we enroll students throughout the year, summer and winter quarter new enrollments and revenue are generally lower than enrollments and revenue in other quarters due to the traditional custom of summer breaks and the holiday break in December and January. In addition, we generally experience an increase in enrollments in the fall of each year when most students seek to begin their postsecondary education. We cannot predict at this time the effect on seasonality due to the monthly start program that began in the second quarter of fiscal year 2018.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. Management evaluates its estimates and judgments, including those discussed below, on an ongoing basis. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to the consolidated financial statements. We believe the following critical accounting policies involve more significant judgments and estimates than others used in the preparation of our consolidated financial statements:

Allowance for doubtful accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of the students to make required payments. We determine the adequacy of the allowance for doubtful accounts based on an analysis of aging of the accounts receivable and with regard to historical bad debt experience. Accounts receivable balances are generally written off when deemed uncollectible at the time the account is returned by an outside collection agency. Bad debt expense is recorded as a selling, general and administrative expense.

Accounting for Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. We recognize a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized.

We evaluate and account for uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. De-recognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more-likely-than-not threshold of being sustained.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, impairment exists when the estimated undiscounted cash flows associated with the asset or group of assets is less than carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. All impairment charges are recorded within loss on impairment and disposition of property and equipment and as a component of net loss from discontinued operations, in the consolidated financial statements.

Regulation and Oversight

We are subject to extensive regulation by state education agencies, accrediting commissions and federal government agencies, particularly by the Department of Education under the Higher Education Act and the regulations promulgated thereunder by the Department of Education. The regulations, standards and policies of these agencies cover substantially all of our operations.

Any regulations that reduce or eliminate our students' access to Title IV program funds, that require us to change or eliminate programs or that increase our costs of compliance could have an adverse effect on our business.

External Factors

In March 2020, the World Health Organization categorized the novel coronavirus (COVID-19) as a pandemic, and it continues to spread throughout the United States with different geographical locations impacted more than others. The outbreak of COVID-19 and public and private sector measures to reduce its transmission, such as the imposition of social distancing, and orders to work-from-home, stay-at-home and shelter-in-place, have had a minimal impact on our day to day operations and to our employees. However, this could impact our efforts to work with other businesses and organizations as they have had to adjust their operations. COVID-19 may also have an impact on the lives or our students. The extent of the impact will vary depending on the duration and severity of the economic and operational impacts of COVID-19. The Company is unable to predict the ultimate impact at this time.

Part E Issuance History

Item 17 List of securities offerings and shares issued for services in the past two years

National American University Holdings, Inc. has not had any changes to their securities offerings or shares issued for services in the past two years.

Part F Exhibits

The following exhibits must be either described in or attached to the disclosure statement:

Item 18 Material Contracts

All of the material contracts that have been made by National American University Holdings, Inc. have been done in the ordinary course of business.

The Company has a Program Participation Agreement (PPA) with the United States Department of Education, which allows NAU to participate in federally funded Student Aid Programs.

Item 19 Articles of Incorporation and Bylaws

A. A complete copy of National American University Holdings, Inc. Articles of Incorporation were included with the initial disclosure.

B. A complete copy of the National American University Holdings, Inc. Bylaws were included with the initial disclosure

Item 20 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

Item 21 Issuer's Certifications

The issuer shall include certifications by the Chief Executive Officer and Chief Financial Officer of the issuer (or any other persons with different titles, but having the same responsibilities).

I, Ronald Shape, certify that:

1. I have reviewed this annual disclosure statement of National American University Holdings, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: August 31, 2020

/s/ Ronald L. Shape
Dr. Ronald Shape
President and Chief Executive Officer
National American University Holdings, Inc.

I, Thomas Bickart, certify that:

1. I have reviewed this annual disclosure statement of National American University Holdings, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: August 31, 2020

/s/ Thomas Bickart
Thomas Bickart
Chief Financial Officer
National American University Holdings, Inc.