

National American University Holdings, Inc.

A Delaware Corporation

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www.national.edu

SIC Code:
822101

Annual Report **For the Fiscal Year Ending May 31, 2019**

The number of shares outstanding of our Common Stock is 24,650,083 as of May 31, 2019
The number of shares outstanding of our Common Stock was 24,344,122 as of May 31, 2018

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 FISCAL YEAR ENDED MAY 31, 2019

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 either www.otcm Markets.com or at www.otcqx.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.

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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
(415) 568-2255 Contact: Carolyn Y Sohn
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

	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Number of Shares Authorized	50,000,000	50,000,000
Number of Shares Outstanding	24,650,083	24,344,122
Total Number of Shareholders of Record	41	37

The Company has 41 beneficial shareholders of record owning at least 100 shares.

Preferred Stock

	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Number of Shares Authorized	1,000,000	1,000,000
Number of Shares Outstanding	0	0
Total Number of Shareholders of Record	0	0

Class A Common Stock

	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Number of Shares Authorized	100,000	100,000
Number of Shares Outstanding	0	0
Total Number of Shareholders of Record	0	0

Item 7 The name and address of the transfer agent*.

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

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.

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 operates 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 Residential Development area of Rapid City, South Dakota. Fairway Hills completed the sale of all condominium units during fiscal year ended May 31, 2019.

The university's enrollment declined from 5,648 students as of May 31, 2018 to 3,313 students as of May 31, 2019, representing a decrease of 41.3% from 2018 to 2019. We believe the decline in student enrollment and revenue is partially the result of the regulatory scrutiny of the industry and the current environment in higher education. Similar to our peers, many working adults have chosen not to attend school. The decline is also partially the result of the 2019 strategic shift that was implemented during fiscal year 2019. See the “University History” section below for more information.

During the same periods, total revenue declined from \$77.2 million for fiscal year ended May 31, 2018 to \$53.1 million for the fiscal year ended May 31, 2019, representing an annual decrease of 31.2%. Income before income taxes for the fiscal year ended May 31, 2018 was a loss of \$12.3 million, compared to a loss of \$25.1 million for the fiscal year ended May 31, 2019.

Revenue for the NAU segment declined from \$74.8 million in fiscal year 2018 to \$50.9 million in fiscal year 2019, representing a decrease of 32% from 2018 to 2019. Loss before income taxes for the NAU segment was \$12.1 million in fiscal year 2018, increasing to a loss of \$22.2 million in fiscal year 2019. Total assets for the NAU segment decreased from \$35.4 million in fiscal year 2018 to \$26.6 million in fiscal year 2019.

Revenue for the Other segment (primarily Fairway Hills), decreased from \$2.4 million in fiscal year 2018 to \$2.2 million in fiscal year 2019, representing a decrease of 7.4% from 2018 to 2019. Income before taxes for this segment went from a loss of \$0.2 million in fiscal year 2018 to a loss of \$1.1 million in fiscal year 2019. Total assets for the Other segment decreased from \$13.4 million in fiscal year 2018 to \$11.4 million in fiscal year 2019.

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.

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 continues 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 the One Stop student service center 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 One Stop 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. Kansas City is the hub for the One Stop as the city has scalability of resources for the future, whereas these resources and scalability are limited in Rapid City, SD, the main campus and administrative hub for NAU. Rapid City remains the location of the main campus and location of central and online administration. Two additional locations exist on military bases in South Dakota and Georgia. On-base locations continue in the current strategic plan and comprise the only locations with ground courses and programs.

In October of 2018, the board approved the decision to teach out all remaining ground programs and exit 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.

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 enterprise with the One Stop and (b) established the 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, 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 and 2019. 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 completing the location closures and program teach-outs in 2019. 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 benefits to the university's financial position as early as fall 2019.

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 on Form 10-K 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, which generated 95.8% of our revenue in fiscal year 2019. We also have Fairway Hills, a multi-family residential real estate operation in Rapid City, South Dakota, which generated 4.2% of our revenue in fiscal year 2019. The NAU website is www.national.edu. The information on the website is not incorporated by reference in this Annual Report on Form 10-K. We upload the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act on the website as soon as reasonably practicable after we electronically file such material with, or furnish to, the Securities and Exchange Commission (SEC).

The Company's common stock was listed as NAUH on Nasdaq Global Market through January 17, 2019, at which time the Company voluntarily delisted and transferred its listing to the Over the Counter Quotation Bureau ("OTCQB") Market, effective January 22, 2019. 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

Since inception, the following core values have guided the university, which we believe have contributed to our success in obtaining and retaining students and faculty:

- offer high quality instructional programs and services;
- provide a caring and supportive learning environment; and
- offer technical and professional career programs.

These core values have remained our foundation as we have transitioned from a ground to an online university. 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. By the end of 2019, all programs and courses should have the ability to be unbundled and offered on a pure competency-based or ladder credential model.

Effective student services. Through the establishment of the One Stop, 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. In conjunction with the One Stop, 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 occupational therapy. 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 public and private 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.

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 the One Stop, 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. The university has also implemented a new process to ensure that faculty and student advisors respond to at-risk student alerts within 24 hours and post a resolution within 48 if possible.

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 BrightSpace, 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 with strong operating history. NAU's executive management team possesses extensive experience in the management and operation of postsecondary education institutions. The president and chief executive officer, 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. Dr. Lynn Priddy, provost and chief academic officer of the university, joined NAU in 2013. She began her career in education in 1986, serving as English faculty, director, dean, and vice president of several institutions. In 1999, she joined the largest regional accreditor, the Higher Learning Commission, where she served fourteen years, the last five as vice president. Mr. Thomas Bickart joined the university in February of 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. Michael Buckingham was appointed president of the real estate operations in November 2009. Mr. Buckingham oversees the maintenance of all the facilities in the NAU system, as well as properties being developed by the real estate operations. Mr. Buckingham served as corporate vice president of Dlorah from 1992, and the president of Dlorah's real estate operations from 1988, until the closing of the Dlorah merger in 2009.

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, launching the One Stop, and integrating new mobile and online IT systems.

NAU has integrated the operations of the Rapid City, SD and Kansas City, MO online operations into the One Stop. 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, including strategic security, 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 infrastructure, and the One Stop student service center. 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 approximately 2,500 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.

National American University Holdings Inc.'s primary SIC code is 822101.

National American University Holdings, Inc is not currently a shell company.

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. A trial date has not yet been set. 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.

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. A trial date has not yet been set. 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. The amount or range of reasonably possible losses cannot be reasonably estimated and, accordingly, no liability has been accrued for these matters.

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. For a list of our institutional and specialized or professional accreditation see “Regulatory Matters — Accreditation.”

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 a Doctorate of Education, Community College Leadership, a Doctorate in Strategic Security, the Master of Business Administration, Master of Management, Master of Science, Bachelor of Science, Associate of Applied Science and Associate of Science degrees, with a variety of program options leading to each of these degrees. Many of the degree programs offer multiple specialties, concentrations, or certifications. As of May 31, 2019, we offered the following degree, diploma and certificate programs:

NAU Academic Programs

Undergraduate

Accounting AAS

Accounting BS

Aviation Management BS

Business Administration AAS

Business Administration BS

Business Administration BS, Emphasis in Accounting

Business Administration BS, Emphasis in Entrepreneurship

Business Administration BS, Emphasis in Financial Management
 Business Administration BS, Emphasis in Human Resource Management
 Business Administration BS, Emphasis in Management
 Business Administration BS, Emphasis in Management Information Systems
 Business Administration BS, Emphasis in Marketing
 Business Administration BS, Emphasis Supply Chain Management
 Business Administration BS, Emphasis in Tourism and Hospitality Management
 Business Logistics AAS
 Construction Management BS
 Health and Beauty Management AAS
 Healthcare Coding Diploma
 Healthcare Management BS
 Health Information Technology AAS
 Health Information Management BS
 Human Resource Management
 Information Technology AAS
 Information Technology BS
 Information Technology BS, Emphasis in Cybersecurity and Forensics
 Management AAS
 Management BS
 Medical Administrative Assistant AAS
 Medical Billing and Coding Diploma
 Medical Office Management - Clinical Specialist AAS
 Medical Staff Services Management AAS
 Small Business Management AAS
 Criminal Justice AAS
 Criminal Justice BS
 Intelligence Management BS
 Nuclear Enterprise Security/Studies BS
 Strategic Security and Protection Management BS
 Terrorism and Counterterrorism Studies BS

CERTIFICATES

Applied Radiologic Response Techniques Certificate
 Consequence Modeling Certificate
 Consequence Assessment-GEOINT Certificate
 Consequence Assessment-WMD Certificate
 Counterterrorism Entry-Level Certificate
 Executive Protection Entry-Level Certificate
 Hazard Prediction and Assessment Certificate Capability (HPAC)-CBR
 Hazard Prediction and Assessment Certificate Capability (HPAC)-Nuclear
 Intelligence Analysis Entry-Level Certificate
 Intelligence Collection Certificate
 Intelligence Collection and Analysis Certificate
 Integrated Munitions Effects Assessment-Conventional Certificate
 Integrated Munitions Effects Assessment-Nuclear Certificate
 Nuclear Emergency Team Operations Certificate
 Nuclear Weapons Operations and Policy Certificate
 Physical Security and Risk Assessment Certificate
 Security Certificate
 Security Management Certificate

FOREIGN LANGUAGE CERTIFICATES

Arabic Certificate
Dari Certificate
Farsi Certificate
French Certificate
Hindi Certificate
Mandarin Chinese Certificate
Portuguese Certificate
Russian Certificate
Spanish Certificate
Urdu Certificate

Master's Degrees

Master of Business Administration emphasis in Accounting
Master of Business Administration emphasis in E-Marketing
Master of Business Administration emphasis in Health Care Administration
Master of Business Administration emphasis in Human Resource Management
Master of Business Administration emphasis in Information Technology Management
Master of Business Administration emphasis in International Business
Master of Business Administration emphasis in Management
Master of Business Administration emphasis in Operations and Configuration Management
Master of Business Administration emphasis in Project and Process Management
Master of Management
Master of Management emphasis in Criminal Justice Management
Master of Management emphasis in E-Marketing
Master of Management emphasis in Health Care Administration
Master of Management emphasis in Higher Education
Master of Management emphasis in Human Resource Management
Master of Management emphasis in Information Technology Management
Master of Management emphasis in Operations and Configuration Management
Master of Management emphasis in Project and Process Management
Master of Science in Intelligence Management
Master of Science in Strategic Security and Protection Management
Master of Science in Terrorism and Counterterrorism

Graduate Certificates

Certificate in Accounting
Certificate in E-Marketing
Certificate in Global Supply Chain Management
Certificate in Human Resources Management
Mid-Level Certificate in Counterterrorism
Senior-Level Certificate in Counterterrorism
Mid-Level Certificate in Intelligence Analysis
Senior-Level Certificate in Intelligence Analysis
Certificate in Advanced Intelligence Collection and Analysis
Certificate in Intelligence and Terrorism Profiling
Certificate in Strategic Intelligence
Certificate in Cybersecurity
Mid-Level Certificate in Executive Protection
Senior-Level Certificate in Executive Protection
Certificate in Advanced Physical Security and Risk Assessment
Certificate in Homeland Security
Certificate in Advanced Security Management

Certificate in Strategic Security Management
Certificate in Community College Leadership

Doctoral Degrees

Doctor of Education, Community College Leadership
Doctorate in Strategic Security

Doctoral Certificates

Certificate in Community College Leadership

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

We lease all of our educational sites and administrative facilities located in Colorado, Indiana, Kansas, South Dakota, and Texas. Our corporate headquarters are located in Rapid City, South Dakota. As of July 31, 2019, we operate in five educational sites, distance learning service centers, and administrative facilities.

We continue to lease facilities at which we no longer teach classes or offer degree programs. As mentioned above, all ground location students are transitioning to online programs. We continue to teach students in five locations, and we will close these locations in fiscal year 2020, once students complete courses required at those locations.

Our real estate business, Fairway Hills, rents apartment units and develops and sells condominium units in Rapid City, South Dakota.

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

Robert D. Buckingham, 83, became vice-chairman of our Board as of the date of the election of his son, Dr. Edward Buckingham as Chairman, in August 2018. Mr. Buckingham had served as Chairman since the closing of our transaction with Dlorah in November 2009 and served in his capacity as chairman until August 2018. Mr. Buckingham has served as president of Dlorah since 1986 and as chairman of the board of directors of Dlorah. Mr. Buckingham has served as chairman of the board of governors of National American University (“NAU”) since 1991. He is a member of the board of directors of the Rapid City Defense Housing Corporation, which owns and leases the Dakota Ridge housing. From 1960 to 1981 he worked in various executive and management positions in transportation and real estate development organizations. Mr. Buckingham has a B.S. in Business Management from the University of Colorado. Mr. Buckingham is the father of Michael Buckingham, who is the president of our real estate operations, and of Deborah Buckingham, who is a business manager in our real estate operations. Mr. Buckingham’s prior substantial experience as president and chairman of the board of directors of Dlorah enables him to bring significant experience to the Board relating to industry experience, depth of knowledge and familiarity with the Company with unique insights into the Company’s challenges, opportunities and operations.

Dr. Michael J. Hillyard, 49, 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 and 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.

Dr. Ronald L. Shape, 52, joined our Board in April 2013. Dr. Shape is also our president and chief executive officer. 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 university president of NAU 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. Therese K. Crane, 69, joined our Board in January 2010. Since August 2003, she has operated Crane Associates, an educational technology consulting practice, advising educational technology companies in business strategy, marketing and sales. She currently serves in various leadership capacities within the education industry, including as a trustee for the Western Governors University, and as a board member of

Curriki Foundation, a non-profit providing open source curriculum to teachers and parents worldwide. In 2016, Dr. Crane joined the board of directors of Alma Technologies and n2y, both software companies for K-12 schools. From 2012 to April 2014, Dr. Crane served on the board of Renaissance Learning, an educational assessment and learning analytics company. From 2003 to June 2011, she served as a consultant for e-Luminate Group, an education consulting firm. From 2006 to 2012, she was a board member of Tutor.com. Between 2004 and 2011, Dr. Crane served as Chairman of the Board of Noble Learning Communities, Inc., a publicly traded school management company. Formerly, Dr. Crane was a senior executive at Apple and AOL and the President of Josten's Learning. Dr. Crane started her career as an elementary school classroom teacher. Dr. Crane has a B.S. in elementary education from the University of Texas at Austin, a M.Ed. in early childhood education and an Ed. D. in administrative leadership from the University of North Texas. Dr. Crane's prior experience on our Board and her extensive consulting work in the educational technology industry brings considerable expertise, leadership and sound guidance to the Board. Further, Dr. Crane's experience as a board member of other public companies adds expertise to our compensation and audit committees.

Dr. Thomas D. Saban, 67, joined our Board as of the closing of our transaction with Dlorah in November 2009. He currently serves as vice president of finance and administration at Prairie State College in Chicago Heights, Illinois. He served as the vice president of administration and finance and chief financial officer of Rocky Vista University, College of Osteopathic Medicine from November 2008 to October 2011. Dr. Saban has over 27 years of experience in the education industry. He served as the vice president for finance and administration/chief financial officer at Texas A&M University from September 2007 to November 2008, associate vice president for planning, budgets and research at St. Petersburg College in Florida from October 2002 to September 2007 and as the vice president for administration and finance/chief financial officer at Worcester State College in Massachusetts from September 1996 to October 2002. He also served as the vice president for finance and administration/chief financial officer of Chadron State College in Nebraska from July 1990 to September 1996. Dr. Saban held a number of other educational and leadership roles from 1982 to 1990, including as controller, director of finance and system coordinator/project leader. Dr. Saban has a B.S. from the University of Wyoming, an MBA from the University of Miami and a Ph.D. from Barry University. Dr. Saban is a licensed CPA and his financial expertise in the education industry provides valuable specialized knowledge and financial and analytical skill to the Board.

Richard L. Halbert, 77, 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.

Jeffrey B. Berzina, 47, joined our Board in September 2012. Mr. Berzina served as the Vice President – Strategic Planning and Corporate Development of Black Hills Corporation, a diversified energy company publicly traded on the New York Stock Exchange, from March 2013 through June 2018. Mr. Berzina also held various other positions at Black Hills Corporation, including Vice President – Corporate Controller from May 2009 to March 2013, Vice President – Finance from November 2008 to May 2009, Assistant Corporate Controller from May 2004 to November 2008, and Director of Financial Reporting/Manager of Financial Reporting from July 2000 to May 2004. In addition, Mr. Berzina has served on the Financial Advisory Counsel and Investment

Committee of Rapid City Catholic Diocese since August 2013. Mr. Berzina is a University of South Dakota graduate and has practiced as a Certified Public Accountant. Mr. Berzina's considerable experience overseeing strategic planning, mergers and acquisitions, and the accounting/finance function of a publicly traded company and his extensive knowledge of the SEC rules and regulations and accounting rules along with his strong understanding of the design and management of internal controls over financial reporting brings an in-depth and wide range of experience, particularly with respect to financial and regulatory matters, to our Board.

Dr. Edward Buckingham, 51, 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, vice 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.

EXECUTIVE OFFICERS

The following sets forth information about our non-director executive officers as of the date of this filing. For information regarding Dr. Ronald L. Shape, our chief executive officer, see above under "Directors."

Name	Position
Dr. Ronald L. Shape	President and Chief Executive Officer
Mr. Thomas Bickart	Chief Financial Officer
Dr. Lynn Priddy	Provost and Chief Academic Officer

Mr. Thomas Bickart, 55, is the Chief Financial Officer. 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 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 become a highly recognized institution.

Dr. Lynn Priddy, 59, serves as Provost and Chief Academic Officer of National American University. She joined National American University in 2013 after serving 14 years with the Higher Learning Commission of NCA, the largest United States regional accreditor. Dr. Priddy served as the Vice President for Accreditation Services during her last seven years with the Commission. At the Commission, she was responsible for the accreditation processes, including the decision process, the peer corps and peer review, education and training, and the Academy for Assessment of Student Learning, for which she was the founding director. In her 14-year tenure at the Commission, Dr. Priddy played a pivotal leadership role in the conceptualization of the Commission's new accrediting process, Pathways, the development of the 1600+ member Peer Review Corps, the establishment of AQIP, the alternative accrediting process based on continuous quality improvement principles, and the founding of the Academy for Persistence and Completion. Dr. Priddy began her higher education career at Nicolet College. She is a summa cum laude graduate of the State University of New York at Geneseo with a B.A. in English, a summa cum laude graduate of the University of Minnesota-Twin Cities with an M.A. in English; and a summa cum laude graduate of Capella University with a Ph.D. in Higher Education, research and evaluation.

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

The compensation committee sets the compensation principles that guide the design of our compensation plans and programs for executive management. The compensation committee is charged with establishing, implementing and continually monitoring the executive compensation program, and in doing so endeavors to achieve and maintain a comprehensive package that is both fair and competitive, in furtherance of our overall objectives.

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. Our compensation committee also considers whether such executive consistently met or exceeded his or her key operational targets, such as profit margins and net income. In considering these factors, our compensation committee does 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, the compensation committee 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.

The compensation committee believes 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, the compensation committee believes 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.
- *Aligning 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.
- *Driving 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 and chief executive officer, on an annual basis makes recommendations to the compensation committee of our Board regarding the base salaries of our executive officers, other than for himself. The compensation committee 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 compensation committee 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, the compensation committee considers the following factors: (i) the individual's performance and contribution to the long-range goals of the Company's recent operating results, and (ii) 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 compensation committee 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.

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 chief executive officer during fiscal 2019, and for each of the two other most highly-compensated executive officers, other than our chief executive officer (collectively, the “named executive officers”). Dr. David Heflin resigned effective February 1, 2019, and was not employed at the end of fiscal year 2019. Dr. Heflin and Dr. Lynn Priddy were the two highest compensated executives other than the Chief Executive Officer. Mr. Paul Sedlacek was the next highest paid executive for fiscal year 2019 and is included in the following Summary Compensation Table.

Fiscal Year 2019 Compensation of Executive Officers

Name and Title	Fiscal Year	Salary (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Dr. Ronald L. Shape	2019	358,433	51,369	1,348	0	7,642	418,792
President/Chief Executive Officer	2018	354,595	216,162 ⁽²⁾	6,431	0	0	577,188
Dr. David K. Heflin ⁽⁴⁾	2019	152,980	700	193	9,250	0	163,123
Chief Financial Officer	2018	170,769	2,144	1,028	0	0	173,941
Mr. Paul Sedlacek	2019	143,163	700	385	6,875	0	151,123
General Counsel	2018	127,256	2,144	1,028	20,625	0	151,053
Dr. Lynn Priddy	2019	192,515	700	385	9,250	0	202,850
Provost/Chief Academic Officer	2018	182,583	65,984 ⁽³⁾	900	18,500	0	267,967

⁽¹⁾ Amounts represent the aggregate grant date fair value of stock options as computed in accordance with FASB ASC Topic 718 utilizing the assumptions discussed in Note 11 to our Notes to the Annual Consolidated Financial Statements for the fiscal year ended May 31, 2019.

⁽²⁾ Amount represents \$83,352 in stock portion of annual base salary, and the aggregate grant date fair value of 58,250 restricted stock units which did not vest (an additional \$132,810).

⁽³⁾ Amount represents the aggregate grant date fair value of 28,000 restricted stock units which did not vest and merit award of 1,250 shares of common stock.

⁽⁴⁾ Dr. Heflin resigned from the Company effective as of February 1, 2019.

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 compensation committee of our 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 committee also considered individual's performance and contribution to the long-range goals of the Company's recent operating results. Our compensation committee 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 chief executive officer. The amount of base salaries paid to each named executive officer for the fiscal years ended May 31, 2019 and 2018, are reported in the column captioned "Salary" of the "Summary Compensation Table" above.

Equity Awards

The compensation committee 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 2019

During fiscal year 2019, the long-term equity award plan under the 2013 Plan was not continued.

Each of Dr. Shape Dr. Priddy, Dr. Heflin, and Mr. Sedlacek was granted 4,375, 1,250, 1,250, and 1,250 shares of common stock, respectively, as merit awards.

Each of Dr. Shape Dr. Priddy, Dr. Heflin, and Mr. Sedlacek was also granted stock options to purchase 4,375, 1,250, 1,250 and 1,250 shares of common stock, respectively. Half of the options were immediately exercisable upon the grant date of October 20, 2018, and the other half on June 1, 2019.

In addition to the stock option grant, in accordance with the terms of the employment agreement between National American University and Dr. Ronald Shape, for fiscal year 2018 Dr. Shape received \$41,667 in common stock as part of his annual base pay.

Fiscal Year 2018

During fiscal year 2018, Dr. Shape, Dr. Priddy, Dr. Heflin, and Mr. Sedlacek received Restricted Stock Units of 58,250, 28,000, 28,000, and 24,000, respectively under the 2013 Restricted Stock Unit Plan with the following performance-based vesting schedule.

Audited Operating Income/Loss EBIT Metric as of May 31, 2018	Percentage of Restricted Stock	
	Units that will vest	
Equal to or greater than \$4,900,000	[100]	%
Equal to or greater than \$3,750,000 and less than \$4,900,000	[67]	%
Equal to or greater than \$3,000,000 and \$ less than \$3,750,000	[25]	%
Less than \$3,000,000	[0]	%

None of the restricted stock units vested as audited operating loss as of May 31, 2018 was less than \$3,000,000.

Each of Dr. Shape Dr. Priddy, Dr. Heflin, and Mr. Sedlacek was granted 3,750, 1,250, 1,250, and 1,250 shares of common stock, respectively, as merit awards.

Each of Dr. Shape Dr. Priddy, Dr. Heflin, and Mr. Sedlacek was also granted stock options to purchase 3,750, 1,250, 1,250 and 1,250 shares of common stock, respectively. Half of the options were immediately exercisable upon the grant date of October 20, 2017, and the other half on June 1, 2018.

In addition to the stock option grant, in accordance with the terms of the employment agreement between National American University and Dr. Ronald Shape, for fiscal year 2018 Dr. Shape received \$83,352 in common stock as part of his annual base pay.

Annual and Quarterly Incentives

Dr. Ronald L. Shape. For fiscal years ended May 31, 2019 and 2018, 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 chief executive officer; and compensation expense of and for the Board.

<i>Performance Guidelines</i>	<i>Payout</i>
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

In accordance with the above annual incentive pay guidelines, no additional annual incentive pay was awarded to Dr. Shape in fiscal years 2019 and 2018.

Dr. Lynn Priddy, Dr. David Heflin, and Mr. Paul Sedlacek

Fiscal Year 2019

For fiscal year 2019, Dr. Priddy, Dr. Heflin, and Mr. Sedlacek were eligible for quarterly and annual achievement awards based on achieving predetermined performance objectives and targets for the Company. Dr. Priddy, Dr. Heflin, and Mr. Sedlacek were eligible for quarterly achievement awards based on meeting the Company's budgeted quarterly pre-tax profit margins and Performance Index objectives related to institutional effectiveness goals. The amount of the quarterly achievement awards was calculated quarterly by taking the appropriate percentage multiplied by their current annual base salaries. They would receive a percentage of their annual base salaries each quarter based on achieving the objectives listed below. The maximum amount of quarterly

achievement award that each of Dr. Priddy, Dr. Heflin, and Mr. Sedlacek was entitled to receive in fiscal 2019 was 80% of her or his annual base salary. We are not disclosing the quarterly profit margin targets because we believe such disclosure would cause us competitive harm in that it would reveal confidential future business plans and objectives. We set our quarterly profit margin targets based on our confidential strategic business plan and budget. Because our revenue and expenditure projections are based on our internal forecasts and confidential information about our business and developed primarily as a tool to facilitate strategic planning, disclosure of the profit targets would cause us significant competitive harm. Based on our prior years' quarterly profit figures and our strategic business plans and objectives, we believe these profit targets were set sufficiently high to provide incentive to achieve a high level of performance. We believed it was difficult, although not unattainable, for the targets to be reached and, therefore, no more likely than unlikely that the targets will be reached.

<u>Quarterly Objectives</u>	<u>Percentage of Annual Base Salary</u>	<u>Description</u>
1	10% per quarter	For achieving the approved budgeted NAUH pre-tax profit margin for the quarter.
	5% per quarter	For achieving less than 100% but greater than 90% of the approved budgeted NAUH pre-tax profit margin.
2	10% per quarter	For achieving a performance index of 90% or better for overall performance for the quarter.
	5% per quarter	For achieving a performance index of greater than 80% and less than 90% for overall performance for the quarter.

As a result of performance objectives and targets achieved, Dr. Priddy, Dr. Heflin, and Mr. Sedlacek earned \$9,250, \$9,250, and \$6,875 in quarterly achievements awards, respectively.

For fiscal year 2019, annual achievement award component was based on the Company's actual EBIT for fiscal year 2019. To the extent that the actual EBITs for the fiscal year exceeded the budgeted EBITs for the fiscal year, as determined by the Board, each of Dr. Priddy, Dr. Heflin and Mr. Sedlacek was eligible to receive 5% of the excess up to a maximum of 75% of her or his annual base salary. The Company's actual EBIT for the fiscal year 2019 did not exceed the budgeted EBIT, so no additional annual achievement award was paid for the fiscal year 2019.

Fiscal Year 2018

For fiscal year 2018, Dr. Priddy, Dr. Heflin, and Mr. Sedlacek were eligible for quarterly and annual achievement awards based on achieving predetermined performance objectives and targets for the Company. Dr. Priddy and Mr. Sedlacek were eligible for quarterly achievement awards based on meeting the Company's budgeted quarterly pre-tax profit margins and certain quarterly organizational objectives related to institutional effectiveness goals. The amount of the quarterly achievement awards were calculated quarterly by taking the appropriate percentage multiplied by their current annual base salaries. They would receive a percentage of their annual base salaries each quarter based on achieving the objectives listed below. The maximum amount of quarterly achievement award that each of Dr. Priddy and Dr. Sedlacek was entitled to receive in fiscal 2018 was 80% of her or his annual base salary. We are not disclosing the quarterly profit margin targets because we believe such disclosure would cause us competitive harm in that it would reveal confidential future business plans and objectives. We set our quarterly profit margin targets based on our confidential strategic business plan and budget. Because our revenue and expenditure projections are based on our internal forecasts and confidential information about our business and developed primarily as a tool to facilitate strategic planning, disclosure of the profit targets would cause us significant competitive harm. Based on our prior years' quarterly

profit figures and our strategic business plans and objectives, we believe these profit targets were set sufficiently high to provide incentive to achieve a high level of performance. We believed it was difficult, although not unattainable, for the targets to be reached and, therefore, no more likely than unlikely that the targets will be reached.

<u>Quarterly Objectives</u>	<u>Percentage of Annual Base Salary</u>	<u>Description</u>
1	10% per quarter	For achieving the approved budgeted NAUH pre-tax profit margin for the quarter.
	5% per quarter	For achieving less than 100% but greater than 90% of the approved budgeted NAUH pre-tax profit margin.
2	10% per quarter	For achieving a performance index of 90% or better for overall performance for the quarter.
	5% per quarter	For achieving a performance index of greater than 80% and less than 90% for overall performance for the quarter.

As a result of performance objectives and targets achieved, Dr. Priddy, Dr. Heflin, and Mr. Sedlacek earned \$18,500, \$0, and \$20,625 in quarterly achievements awards, respectively.

For fiscal year 2018, annual achievement award component was based on the Company's actual earnings before interest and taxes, or EBIT, for fiscal year 2018. To the extent that the actual EBITs for the fiscal year exceeded the budgeted EBITs for the fiscal year, as determined by the Board, each of Dr. Priddy and Mr. Sedlacek was eligible to receive 5% of the excess up to a maximum of 75% of her or his annual base salary. The Company's actual EBIT for the fiscal year 2018 did not exceed the budgeted EBIT, so no additional annual achievement award was paid for fiscal year 2018.

Outstanding Equity Awards at Fiscal Year-End

As of fiscal year ended May 31, 2019, there were no restricted stock awards granted to our named executive officers in fiscal year 2019.

Name	Option Awards		Option exercise price \$	Option expiration date
	Number of securities underlying unexercised options (#)	exercisable		
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 ⁽⁵⁾		\$1.72	10/20/2027
	4,375 ⁽⁷⁾		\$0.56	10/20/2028
Dr. David Heflin ⁽⁶⁾	0		0	
Mr. Paul Sedlacek	9,521 ⁽²⁾		\$3.06	10/20/2025
	1,500 ⁽³⁾		\$1.96	10/20/2026
	1,250 ⁽⁵⁾		\$1.72	10/20/2027
	1,250 ⁽⁷⁾		\$0.56	10/20/2028
Dr. Lynn Priddy	15,000 ⁽⁴⁾		\$3.67	1/22/2024
	10,000 ⁽²⁾		\$3.06	10/20/2025
	1,500 ⁽³⁾		\$1.96	10/20/2026
	1,250 ⁽⁵⁾		\$1.72	10/20/2027
	1,250 ⁽⁷⁾		\$0.56	10/20/2028

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

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

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

⁽⁴⁾ These stock options were granted on January 21, 2015, and vested in full as of June 1, 2015.

⁽⁵⁾ These stock options were granted on October 20, 2017, and vested in full as of June 1, 2018.

⁽⁶⁾ Dr. Heflin resigned effective February 1, 2019 and all options awards have expired.

⁽⁷⁾ These stock options were granted on October 20, 2018, and vested in full as of June 1, 2019.

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 Mr. Sedlacek or Dr. Priddy, other than the compensation plan which is described above under Quarterly and Annual Achievement Awards.

Dr. Ronald L. Shape

On August 30, 2012, NAU entered into an executive employment agreement, dated effective as of June 1, 2012, 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, 2011 (the "Prior Agreement"). The term of Dr. Shape's Employment Agreement continues until terminated by either party, upon mutual written agreement of both parties or upon resignation by the CEO upon twenty-four (24) calendar months' written notice. The Employment Agreement provides for an initial annual base compensation of \$427,500 to be paid as follows: \$327,500 in cash or current funds and \$100,000 in stock or other equity under the Company's 2009 Stock Option and Compensation Plan (the "2009 Plan"). Commencing with NAU's fiscal year beginning June 1, 2013 and for each of NAU's fiscal years thereafter during the term of the agreement, Dr. Shape's base annualized salary will be increased or decreased by the appropriate percentage increase or decrease in the Consumer Price Index – US City Average – All Urban Consumers. The Employment Agreement

provides that if Dr. Shape is continuously employed through the last day of a fiscal year, he is entitled to receive "Annual Incentive Pay" for such fiscal year, determined and paid according to the guidelines set forth in the agreement and to be paid 75% in cash and 25% in stock or other equity under the Company's 2009 Plan. 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 (i) his base salary then in effect, prorated to the date of termination, (ii) all fringe benefits through the date of termination, and (iii) 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, (i) his then current base salary, payable monthly, for two years after termination or until he is again employed by another employer, whichever occurs first, and (ii) 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 a claw back provision whereby Dr. Shape may be required, upon certain triggering events, to repay all or a portion of the payments and benefits provided under the Employment Agreement, pursuant to any claw back policy adopted by or applicable to the Company pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, any Securities and Exchange Commission rule, any applicable listing standard promulgated by any national securities exchange or national securities association, or any other legal requirement. 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. In addition, the covenant not to compete set forth in the Employment Agreement will terminate 24 months after termination of Dr. Shape's employment with NAU.

Director Compensation and Benefits

Our compensation committee 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 compensation committee 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.

For fiscal year ended May 31, 2019, non-employee directors of the Company received a retainer. This amount for fiscal year 2018 was \$30,000 per annum. Effective November 1, 2018, this amount was reduced to \$27,500 per annum. Payment for committee chair and committee membership assignments were also reduced effective November 1, 2018. Directors also received \$3,600 for each committee he or she served on, while the Audit Committee chair received \$13,500 and the Compensation Committee chair received \$9,000. In addition, each non-employee director received restricted stock in an amount equal to \$20,000 based on the closing price of our common stock on the date of grant. The Company's directors and their dependents received health insurance coverage under our health care plan or equivalent payment for premium costs if the director declines health insurance coverage. Effective November 1, 2018, Mr. Edward Buckingham receives an annual retainer of \$45,000 for serving as the chairman of our Board, and Dr. Jerry Gallentine received an annual retainer of \$117,000 for serving as vice-chairman of our Board. Dr. Gallentine retired from the Company effective January 25, 2019. Effective January 1, 2019, Mr. Robert Buckingham received an annual retainer of \$117,000 for serving as vice-chairman of our Board. The board suspended the monthly payments of the annual retainer beginning March 1, 2019.

The following table summarizes the compensation earned by our non-management directors during fiscal 2019:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Michael J. Hillyard	0	0	1,360 ⁽³⁾	1,360
Robert Buckingham	20,143	0	25,778 ⁽¹⁾	45,921
Dr. Jerry L. Gallentine	96,294 ⁽²⁾	0	8,489 ⁽³⁾	104,784
Jeffrey B. Berzina	27,667	8,761	3,175 ⁽³⁾	39,602
Dr. Therese K. Crane	31,233 ⁽⁴⁾	8,761	3,135 ⁽³⁾	43,130
Richard L. Halbert	28,667	8,761	3,105 ⁽³⁾	40,533
Dr. Thomas D. Saban	30,617	8,761	3,105 ⁽³⁾	42,483
James Rowan ⁽⁵⁾	34,700 ⁽⁴⁾	8,761	3,175 ⁽³⁾	46,636
Dr. Edward Buckingham	27,500	0	0	27,500

- ✓ (1) Consists of \$16,285 in health insurance benefits and \$9,493 in use of company plane
- ✓ (2) Includes \$15,000 for service on our Board of Governors
- ✓ (3) Represents health insurance benefits
- ✓ (4) Consists of \$4,000 and \$12,000 for service on the board special resource committee for Therese Crane and James Rowan, respectively
- ✓ (5) James Rowan no longer serves as a director

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, 2019, which includes our 2009 Stock Option and Compensation Plan, and our 2018 Stock Option and Compensation Plan.

Plan category	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))
	(a)	(b)	
Equity compensation plans approved by stock holders(1)	162,204	2.87	1,558,889
Total	162,204	2.87	1,558,889

a) See Part II, Item 8, "Financial Statements and Supplementary Data" National American University Holdings, Inc. "Notes to Consolidated Financial Statements—Note 12—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, 2019, 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, board member, is a beneficial owner, with 55.9% 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. The Board's decision to sell the Park West property to the related party was made after May 31, 2019, and the Company received the cash payment before the financial statements were issued.

E. Disclosure of Conflicts of Interest

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

Item 12 Financial information for the issuer's most recent fiscal period.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
National American University Holdings, Inc. and subsidiaries:
Rapid City, South Dakota

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of National American University Holdings, Inc. and subsidiaries (the "Company") as of May 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Minneapolis, MN
September 18, 2019

We have served as the Company's auditor since 2009.

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2019 AND 2018

(In thousands, except share and per share amounts)

	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	\$ 38,045	\$ 48,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
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
STOCKHOLDERS' EQUITY:		
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, 2018)	(22,510)	(22,496)
Total National American University Holdings, Inc. stockholders' equity	(8,240)	16,939
Non-controlling interest	82	34
Total stockholders' equity	(8,158)	16,973
TOTAL	\$ 38,045	\$ 48,807

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED MAY 31, 2019 AND 2018

(In thousands, except share and per share amounts)

	2019 Amount	2018 Amount
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 -- 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 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 losses on investments, net of tax benefit	-	4
COMPREHENSIVE LOSS ATTRIBUTABLE TO		
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES	\$ (25,093)	\$ (12,157)
Basic net loss attributable to National American University Holdings, Inc.		
Continuing operations	\$ (0.33)	\$ (0.49)
Discontinued Operations	\$ (0.69)	\$ (0.01)
Net income per share -- basic	\$ (1.02)	\$ (0.50)
Diluted net loss attributable to National American University Holdings, Inc.		
Continuing Operations	\$ (0.33)	\$ (0.49)
Discontinued Operations	\$ (0.69)	\$ (0.01)
Income per share -- diluted	\$ (1.02)	\$ (0.50)
Basic weighted average shares outstanding	24,421,461	24,239,888
Diluted weighted average shares outstanding	24,421,461	24,239,888

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 YEARS ENDED MAY 31, 2019 AND 2018

(In thousands, except share and per share amounts)

	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 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 uncollectible tuition	494	592
Noncash compensation expense	171	245
Deferred income taxes	-	(194)
Change in assets and liabilities:		
Student and other receivables	438	(1,716)
Prepaid and other current assets	484	(490)
Condominium inventory	512	713
Other assets	(554)	451
Income taxes receivable/payable	60	2,153
Accounts payable	1,267	502
Deferred revenue	529	783
Accrued and other liabilities	(876)	518
Other long-term liabilities	(374)	(190)
Discontinued Adjustments used in operating activities	13,849	1,597
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 the 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 FLOW FROM FINANCING ACTIVITIES:		
Repayments of capital lease payable	(380)	(331)
Borrowings of long-term debt	8,500	8,000
Purchase of treasury stock	(14)	(15)
Dividends Paid	-	(2,184)
Net cash flows used in financing activities	8,106	5,470
NET 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

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT 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 comprehen- sive 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 (\$0.045 per share)	-	-	(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)

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 YEARS ENDED MAY 31, 2019 AND 2018

(In thousands, except share and per share amounts)

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 subsidiary, Dlorah, Inc. ("Dlorah") and its divisions, National American University ("NAU" or the "University"), Fairway Hills, the Fairway Hills Park and Recreational Association, the Park West Owners' 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 Partnership is 50% owned by Dlorah and 50% owned by individual family members, most of whom are either direct or indirect stockholders of the Company.

The Partnership is deemed to be a variable interest entity ("VIE") under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810-10, *Consolidation*. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the purpose and design of the VIE, the risks that the VIE was designed to create and pass along to other entities, the activities of the VIE that most significantly impact the VIE's economic performance and which entity could direct those activities. The Company assesses its VIE determination with respect to an entity on an ongoing basis and has not identified any additional VIEs in which it holds a significant interest.

The Company has determined that the Partnership qualifies as a VIE and that the Company is the primary beneficiary of the Partnership. Accordingly, the Company consolidated assets, liabilities, and net income of the Partnership within its consolidated balance sheets and statements of operations and comprehensive loss and appropriately presented the balances as non-controlling interest within the consolidated balance sheets and statements of operations and comprehensive loss. As of May 31, 2019 and 2018, the consolidated balance sheets include Partnership assets of \$403 and \$472, respectively, and Partnership liabilities of \$92 and \$88, respectively. The consolidated statements of operations and comprehensive loss include Partnership net income of \$96 and \$99, for the years ended May 31, 2019 and 2018, respectively.

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 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 owns and 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, 2019, cash used in operating activities was \$5.5 million and unrestricted cash and cash equivalents decreased by \$4.0 million from May 31, 2018. As of May 31, 2019, the Company had \$1.3 million of unrestricted cash and cash equivalents, working capital deficiency of \$11.0 million, and a negative total stockholder's equity of \$8.2 million. Considering the Company's current financial position, there is concern that NAU will not have sufficient cash resources to fund forecasted

operating requirements, without additional financing or other actions by management. The planned actions by management that occurred after May 31, 2019, the results of which management believes are probable of occurring and will be sufficient to meet its forecasted liquidity needs for the next twelve months from the issuance of the Company's financial statements are as follows:

- The Company sold its real estate holdings in the Park West holdings to a related party for proceed, net of taxes and fees, of \$2.1 million.
- The Company estimated a decrease of approximately \$5.2 million in annual payroll and operating expenses by eliminating contracts or renegotiating contract rate reductions with third-party vendors, by eliminating positions throughout the organization, reducing its payroll rate, and implementing mandatory employee furlough.
- The Company decided to divest one aircraft, a non-revenue producing asset, to support its liquidity needs. The estimated proceeds from the aircraft sale is approximately \$750 thousand.

During the year ended May 31, 2019, the Company continued to implement an operational plan that focuses on online academic programs and expanding its programming and services related to strategic security, counter-terrorism, and intelligence for the public and private sectors. In alignment with this new operational change, NAU had suspended new student enrollment in 34 of its 128 programs effective November 2018, and as previously mentioned, is in the process of closing its remaining physical ground-based locations. As of May 31, 2019, five ground campuses remained that were being used to instruct students. The Company expects a significant decrease in expenses with a lesser impact on revenue in the long run.

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 and master's degree programs in many disciplines of study. Beginning June 2019, courses will be offered through online instruction only. 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 owns and operates 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.

Approximately 92% of the Company's total revenues for each of the years ended May 31, 2019 and 2018 were derived from NAU's academic revenue.

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.

Investments - The Company's investments consist of certificates of deposit, certain of which are brokered and classified as "available-for-sale." Available-for-sale securities represent securities carried at fair value in the consolidated balance sheets. Certain of the Company's investments have maturity dates greater than one year. However, these certificates of deposit can be accessed at any time and are convertible to cash on demand. Unrealized gains and losses deemed to be temporary are reported net of taxes and included in other comprehensive income within stockholders' equity. Realized gains and losses and declines in value deemed to be other-than-temporary on available-for-sale securities are included in other expense— net in the consolidated statements of operations and comprehensive loss. Fair value of the securities is based upon quoted market prices in active markets or estimated fair value when quoted market prices are not available. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis. Proceeds from available for sale investments totaled \$0 and \$4,668 for the years ended May 31, 2019 and 2018, respectively.

The Company's investments were comprised of the following at May 31:

	2019				2018			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Restricted certificates of deposit	<u>\$ 15,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,625</u>	<u>\$ 9,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,250</u>

Declines in the fair value of individual securities classified as available-for-sale below their amortized cost that are determined to be other than temporary result in write-downs of the individual securities to their fair value, with the resulting write-downs included in current earnings as realized losses. Unrealized losses that may occur are generally due to changes in interest rates and, as such, are considered by the Company to be temporary. Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The Company had no impairments during the years ended May 31, 2019 and 2018.

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 only when reasonable collection means are exhausted. Bad debt expense is included in selling, general and administrative cost on the consolidated statements of operations and comprehensive loss.

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.

Property and Equipment -- Property and equipment are stated at cost. Renewals and improvements exceeding five hundred 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 loss on impairment and disposition of property. For financial statement purposes, depreciation includes the depreciation of the capital lease asset in the amount of \$530 for each of the fiscal years 2019 and 2018. The depreciation expense for property and equipment was \$2,789 and \$4,309 for the fiscal years 2019 and 2018, respectively. 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 as of May 31:

	2019	2018
Land	\$ 211	\$ 211
Land improvements	\$ 1,018	\$ 691
Construction in progress	\$ -	\$ 945
Building under capital lease	\$ 10,600	\$ 10,600
Buildings and building improvements	\$ 10,257	\$ 23,871
Furniture, vehicles, and equipment	\$ 13,429	\$ 27,435
Total gross property and equipment	\$ 35,515	\$ 63,753
Less capital lease accumulated depreciation	\$ (4,019)	\$ (3,489)
Less other accumulated depreciation	\$ (15,620)	\$ (35,036)
Total net property and equipment	\$ 15,876	\$ 25,228

Condominium Inventory - Condominium inventory is stated at cost (including capitalized interest). Condominium construction costs are accumulated on a specific identification basis. Under the specific identification basis, cost of revenues includes all applicable land acquisition, land development and specific construction costs (including direct and indirect costs) of each condominium paid to third parties. Land acquisition, land development and condominium construction costs do not include employee related benefit costs. The specific construction and allocated land costs of each condominium, including models, are included in direct construction. Allocated land acquisition and development costs are estimated based on the total costs expected in a project. Direct construction also includes amounts paid through the closing date of the condominium for construction materials and contractor costs. Should any condominium be leased while awaiting sale, the accumulated depreciation is a reduction of the carrying value. Condominium inventory is recorded as a long term asset due to the normal operating cycle being greater than one year.

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 capitalizable 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. The amortization of capitalized course development costs was \$455 and \$311 for the fiscal years 2019 and 2018, respectively.

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. 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.

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. 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.

Non-Controlling Interest - The non-controlling interest presented on the consolidated statements of operations and comprehensive loss represents the individual owners' share of the Partnership's income or loss. The consolidated balance sheet amount "Non-controlling interest" represents the individual owners' share of the Partnership obligations in excess of Partnership assets or vice versa. The Company has determined the non-controlling owners have a legal obligation to fund such deficits and believes it is fully collectable at May 31, 2019.

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 sheets. 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. Accordingly, a current deferred rent and tenant improvement liability of \$92 and \$850 at May 31, 2019 and 2018, respectively, a long term accrued rent liability of \$189 and \$1,020 at May 31, 2019 and 2018, respectively, and a long term accrued tenant improvement liability of \$206 and \$1,668 at May 31, 2019 and 2018, respectively, are recorded in accrued and other liabilities, other long-term liabilities, and long-term liabilities of discontinued operations on the consolidated balance sheets.

Advertising - The University follows the policy of expensing the cost of advertising as incurred. Advertising costs of approximately \$3,586 and \$8,707 for 2019 and 2018, respectively, are included in selling, general, and administrative expenses on the consolidated statements of operations and comprehensive loss.

4. RECENTLY ADOPTED AND NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to

users of the consolidated financial statements through improved disclosure requirements, and simplifies the preparation of the consolidated financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. This standard is effective for the Company's fiscal year 2019, and was implemented in the first quarter ended August 31, 2018, using the modified retrospective method of adoption. The adoption of this guidance did not have a material impact on the Company's financial statements for the year ended May 31, 2019. The primary impact of adopting the new standard has been modifications to the timing of revenue recognition for certain revenue streams. A net cumulative increase to accumulated deficit and a corresponding increase to deferred revenue in the amount of \$0.2 million as of June 1, 2018 was recorded as a result of the adoption of this guidance. The Company has provided expanded disclosures pertaining to revenue recognition in Note 5 below.

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 2020 and will be implemented in the first quarter ending August 31, 2019.

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, 2019, five ground campus locations continue to be operational, and the Company expects the operating leases associated with four of these locations will be accelerated during fiscal year ending May 31, 2020, once these campus operations are discontinued. As such, although the asset and liability related to these locations will be recorded on the balance sheet after ASU 842 is implemented, we do not expect the asset and liability will exist for the year ending May 31, 2020. The fifth 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 expected to be immaterial.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify various aspects of share-based accounting. Specifically, the standard (1) requires all excess tax benefits and deficiencies to be recognized as income tax expense/benefit in the income statement as discrete items in the reporting period in which they occur, with no charges to additional paid-in capital; (2) requires excess tax benefits to be classified as operating cash flows; (3) allows an accounting election to account for forfeitures when they occur, instead of when they are expected to vest; (4) allows awards settled in cash to qualify for equity classification if withholding is up to the maximum statutory tax rates in the applicable jurisdictions; (5) clarifies that the cash paid by an employer to taxing authorities when directly withholding shares for tax-withholding purposes should be classified as a financing activity in the cash flow statement. This standard became effective in the first quarter ending August 31, 2017. The Company elected to account for forfeitures when they occur, instead of when they are expected to vest. The Company has determined that the impact of implementation on the Company's consolidated financial statements is minimal.

In May 2017, the FASB issued ASU 2017-09, *Scope of Modification Accounting*, which is intended to reduce diversity in practice and the complexity in applying existing guidance related to changing terms or conditions of share-based payment awards. The standard clarifies that modification accounting is required unless the fair value, vesting conditions, and classification as an equity or liability instrument of the modified award are the same as that of the original award immediately prior to the modification. The new standard is effective for annual periods beginning after December 15, 2017 and interim periods within those years. The Company adopted this standard for the fiscal year beginning June 1, 2018, and it did not have an effect on the consolidated financial statements. ASU 2017-09 will be applied prospectively to any awards modified on or after the adoption date.

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.

5. REVENUES

Impact of Adoption of ASC 606 – Revenue from Contracts with Customers

On June 1, 2018, the Company adopted Accounting Standards Codification ("ASC") *Topic 606, Revenue from Contracts with Customers* ("ASC Topic 606"), which supersedes the revenue recognition requirements in *ASC Topic 605, Revenue Recognition* ("ASC Topic 605"). The Company elected to follow the modified retrospective adoption method. The new guidance was applied to all contracts that were not completed as of the adoption date. Revenues and operating results for the reporting period beginning June 1, 2018 have been presented under the accounting guidance included within *ASC Topic 606*, while prior period amounts have not been restated to conform to the new guidance as permitted by the modified retrospective method of adoption.

As a result of the adoption of *ASC Topic 606*, the Company recorded a net cumulative increase to accumulated deficit of \$0.2 million and a corresponding increase to deferred income within the Consolidated Balance Sheet as of June 1, 2018. The impact of adoption was primarily related to the estimated adjustment for students who withdraw from classes for terms that were not complete at May 31, 2018. Prior to the adoption of *ASC Topic 606*, these revenue adjustments were recognized when the student actually withdrew from classes. Compared to the amounts under *ASC Topic 605*, for the year ended May 31, 2019, the net impact to revenues under *ASC*

Topic 606 was a reduction of revenues of \$0.2 million, with a corresponding increase to deferred income. The Company does not have any unsatisfied performance obligations for contracts with customers that have an expected duration of more than one year.

Revenue Recognition

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

	Year ended May 31, 2019	Year ended May 31, 2018
Academic revenue	33,232	26,692
Auxiliary revenue	1,798	1,858
Real Estate revenue	2,235	2,414
Consolidated revenue	<u>\$ 37,265</u>	<u>\$ 30,964</u>

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. As a result, each of the Company's financial reporting quarters include the revenue of three months of the first term, two months of the second term, and one month of the third term.

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 income and reflected as a current liability in the Company's consolidated balance sheets, 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. There are no identified changes to revenue recognition from ASC Topic 605 to ASC Topic 606.

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 income on the Company's consolidated balance sheets. Revenue related to the sales of the condominiums is recognized at the closing of the transaction at the negotiated contract price. There are no identified changes to revenue recognition from ASC Topic 605 to ASC Topic 606.

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

	Year ended May 31, 2019	Year ended May 31, 2018
Services transferred over time:		
Academic revenue (transferred over academic term)	33,232	26,692
Rental income (transferred over rental period)	1,386	1,404
	<u>\$ 34,618</u>	<u>\$ 28,096</u>
Services transferred at a point in time:		
Auxiliary revenue	1,798	1,858
Other real estate income	203	193
Condominium sales	646	817
	<u>\$ 2,647</u>	<u>\$ 2,868</u>
 Total revenue	 <u>\$ 37,265</u>	 <u>\$ 30,964</u>

6. STUDENT RECEIVABLES, NET

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

	May 31, 2019	May 31, 2018
Student accounts receivable	866	1,703
Less allowance for doubtful accounts	(251)	(301)
Student receivables, net	<u>\$ 615</u>	<u>\$ 1,402</u>

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. 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.

Upon management's review of assets for impairment, an impairment charge of \$2,235 was recorded for the year ended May 31, 2018.

As a result of the operational shift to online operations approved by the Company's Board of Directors, an impairment charge of \$6,793 was recorded for the year ended May 31, 2019. See Note 9 below for further details on our operational shift. Impairment charge is recorded within loss on impairment and disposition of property and equipment line item and as a component of Loss from discontinued operations.

8. DISCONTINUED OPERATIONS

On October 29, 2018, the Company's Board of Directors approved an operational plan that focuses NAU's growth strategies on online academic programs and expanding its programming and services related to strategic security, counter-terrorism, and intelligence for the public and private sectors. The Company remains committed to offering many of its current programs and maintaining its longstanding mission to assist students in achieving their educational goals and preparing them for employment in a rapidly evolving and increasingly competitive employment market.

In alignment with its new operational plan, the Company executed an orderly exit of ground-based programs and locations. As of May 31, 2019, NAU successfully exited all ground-based locations, except for five locations across the states of Colorado, Indiana, Kansas, and Texas. We expect the operations of these campuses to be discontinued during the year ending May 31, 2020. The Company will continue to work with students to provide for completion of their programs with NAU or another institution.

The Company's operational plan qualifies as a material strategic shift. The financial information related to all ground-based locations for which the operations were discontinued as of May 31, 2019 is presented as discontinued operations in the consolidated financial statements. As the result of this strategic shift, an impairment charge of \$6,793 and a loss related to lease acceleration of \$8,564 were recorded during the year ended May 31, 2019.

The following table presents the aggregate carrying amounts of the assets and liabilities of discontinued operations:

	May 31, 2019 (in thousands)	May 31, 2018 (in thousands)
Student receivables, net of allowance	185	1,491
Prepaid and other current assets	69	318
Total current assets of discontinued operations	<u>254</u>	<u>1,809</u>
Property and equipment - net	-	6,415
Course Development	-	126
Other	69	180
Total long-term assets of discontinued operations	<u>69</u>	<u>6,721</u>
Total assets classified as discontinued operations	<u>\$ 323</u>	<u>\$ 8,530</u>
Current portion of lease acceleration payable	2,792	-
Accounts payable	1,928	495
Deferred income	492	1,732
Accrued and other liabilities	174	1,568
Total current liabilities of discontinued operations	<u>5,386</u>	<u>3,795</u>
Other long-term liabilities	-	2,183
Long-term lease acceleration payable, net of current portion	5,861	-
Total long-term liabilities of discontinued operations	<u>5,861</u>	<u>2,183</u>
Total liabilities classified as discontinued operations	<u>\$ 11,247</u>	<u>\$ 5,978</u>

The discontinued operation's financial results are presented as loss from discontinued operations, net of income taxes in our consolidated statement of income. The following table presents those financial results:

	2019	2018
	(in thousands)	(in thousands)
Revenue:		
Academic revenue	15,284	44,193
Auxiliary revenue	550	2,027
Total revenue	<u>15,834</u>	<u>46,220</u>
Operating Expenses:		
Cost of educational services	8,718	17,041
Selling, general and administrative	9,407	25,653
Auxiliary expense	403	1,503
Loss on lease termination and acceleration	8,564	362
Loss on impairment and disposition of property and equipment	5,656	1,880
Total operating expenses	<u>32,748</u>	<u>46,439</u>
Operating Loss from discontinued operations	<u>(16,914)</u>	<u>(219)</u>
Interest and other - net	<u>(37)</u>	<u>-</u>
Loss from discontinued operations before income tax	(16,951)	(219)
Income Tax (Expense)	<u>-</u>	<u>(39)</u>
Net loss from discontinued operations	<u>(16,951)</u>	<u>(258)</u>

9. LETTER OF CREDIT AND LONG-TERM DEBT

During the year ended May 31, 2018, the Company entered into an irrevocable letter of credit with Great Western Bank for \$1,000. The letter of credit was required by the state of New Mexico in an amount set by the New Mexico Department of Higher Education. The agreement expired December 19, 2018. This \$1,000 letter of credit and the Company's purchasing card account were secured by a restricted certificate of deposit totaling \$1,250. The certificate of deposit matured on December 19, 2018.

The Company replaced the \$1,000 letter of credit required by the State of New Mexico by submitting an acceptable bond in place of the letter of credit. The bond has no collateral requirements and, as a result, the restriction was released by Great Western Bank. A \$150 newly-created restricted certificate of deposit secures the Company's purchasing card account that currently carries a reduced credit limit of \$150.

On May 17, 2018, Dlorah and the Company jointly and severally issued to Black Hills Community Bank, N.A. ("Bank") a promissory note in the principal amount of \$8,000 (the "Note"), which is secured by a mortgage granted by Dlorah to Great Western Bank on certain real property located in Pennington County, South Dakota, pursuant to a collateral real estate mortgage (the "Mortgage," and together with the Note, the "Loan Agreements") entered into between Dlorah and the Bank on the same date as the Note, and certain related rents, as well as a security interest in certain deposit accounts, to include restricted certificates of deposit totaling \$8,100 and \$8,000 at May 31, 2019 and 2018, respectively. The Company's Board of Directors requested the certificates of deposit be restricted, and not available for spending, pending the achievement of budgeted financial targets in the current fiscal year. These certificates of deposit are also restricted by the Bank and are not available for spending. On May 6, 2019, the mortgage and assignment of related rents was released as collateral on the promissory note.

The Loan Agreements provide for a \$8,000 five-year term loan (the “Loan”). The Loan carries a fixed interest rate of 4% (the “Interest Rate”) and is payable as follows: beginning June 17, 2018, 59 monthly consecutive interest-only payments based on the unpaid principal balance of the Loan at the Interest Rate; beginning May 17, 2019, four consecutive annual principal payments of \$800 each, during which interest will continue to accrue on the unpaid principal balance of the Loan at the Interest Rate; and on May 17, 2023, one payment of the principal balance and accrued interest of the Loan in the amount of \$4,816. On May 6, 2019, the agreement was revised and now requires three consecutive annual principal payments of \$800 each beginning May 17, 2020, with all remaining amounts due on May 17, 2023. The Company and Dlorah may prepay the Loan at any time without penalty unless the Note is refinanced with proceeds derived from another lender, in which case the Bank will be entitled to a prepayment penalty of 1%. The Loan Agreements also contain various affirmative and negative covenants, including financial covenants and events of default. As of May 31, 2019, the Company is in compliance with the covenants included in the Loan Agreements. Proceeds from the Agreements are being used to augment the Company’s cash position to support the Company’s pursuit of growth opportunities.

Future maturities are as follows as of May 31, 2019:

2020	\$	800
2021		800
2022		800
2023		5,600
		<u>\$ 8,000</u>

On May 10, 2019, Dlorah entered into a long-term loan agreement with Center for Excellence in Higher Education, Inc. for \$8,500. The loan is secured by a mortgage granted by Dlorah to on certain real property located in Pennington County, South Dakota, pursuant to a collateral real estate mortgage entered into between the parties on the same date as the loan agreement, along with security agreements covering two aircraft, assignment of leases and rents, and a partnership security agreement granting a security interest in the Partnership. The Company paid a non-refundable loan origination fee of \$250 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 primary purpose of the loan is 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 in the amount of \$7,331. The letter of credit was issued on May 10, 2019. It is secured by a restricted certificate of deposit totaling \$7,375 (See note 17).

At May 31, 2019 and 2018, the restricted cash balance on the balance sheet includes \$150 and \$250, respectively, held as a certificate of deposit by Great Western Bank to collateralize the Company’s purchasing card; \$0 and \$1,000, respectively, held as a certificate of deposit for the Great Western Bank letter of credit; \$8,100 and \$8,000, respectively, held as multiple certificates of deposit for the Black Hills Community Bank N.A. promissory note; and \$7,375 and \$0, respectively, held as a certificate of deposit for the Black Hills Community Bank N.A. letter of credit.

10. LEASES

The University leases building facilities for branch operations and equipment for classroom operations under operating leases with various terms and conditions. Total rent expense for the years ended May 31, 2019 and 2018, was \$4,208 and \$5,482, respectively, which is included in selling, general, and administrative expenses for continuing operations and in loss from discontinued operations for discontinued operations, on the consolidated statements of operations and comprehensive loss. Future minimum lease payments on non-cancelable operating leases for the future fiscal years ending May 31 are as follows:

2020	\$ 3,252
2021	2,607
2022	2,099
2023	1,617
2024	930
Thereafter	1,921

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 \$16.8 million and \$18.0 million as of May 31, 2019 and 2018, respectively; had a net present value of \$10.9 million and \$11.2 million as of May 31, 2019 and 2018, respectively; and was recognized as current and non-current capital lease payable of \$432 and \$10,425 at May 31, 2019 and \$380 and \$10,857 at May 31, 2018, respectively. The asset totals \$10,600, and accumulated depreciation totals \$4,019 and \$3,489 at May 31, 2019 and 2018, respectively. The net amount is included in net property and equipment in the consolidated balance sheets.

The following is a schedule of future minimum commitments under the capital lease obligation as of May 31, 2019:

2020	\$ 1,207
2021	1,231
2022	1,255
2023	1,280
2024	1,306
Thereafter (through October 2031)	10,530
Total future minimum lease obligation	\$ 16,809
Less: Imputed interest on capital leases	(5,952)
Net present value of lease obligations	<u>\$ 10,857</u>

11. STOCKHOLDERS' EQUITY

The authorized capital stock for the Company is 51,100,000 shares, consisting of (i) 50,000,000 shares of common stock, par value \$0.0001 and (ii) 1,000,000 shares of preferred stock, par value \$0.0001, and (iii) 100,000 shares of class A common stock, par value \$0.0001. Of the authorized shares, 24,650,083 and 24,344,122 shares of common stock were outstanding as of May 31, 2019 and 2018, respectively. No shares of preferred stock or Class A common stock were outstanding at May 31, 2019 and 2018.

Stock-Based Compensation

In December 2009, the Company adopted the 2009 Stock Option and Compensation Plan (the "2009 Plan"), pursuant to which 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. Restricted stock awards accrue dividends that are paid when the shares vest. Restricted stock unit awards do not accrue dividends prior to vesting. Grants are issued at prices determined by the compensation committee, generally equal to the closing price of the stock on the date of the grant, vest over various terms (generally two years), and expire ten years from the date of the grant. The 2009 Plan allows vesting based upon performance criteria. Certain option and share awards provide for accelerated vesting if there is a change in control of the Company (as defined by the 2009 Plan). The fair value of stock options granted is calculated using the Black-Scholes option pricing model. Share options issued under the 2009 Plan may be incentive stock options or nonqualified stock options. At May 31, 2019 and 2018, all stock options issued have been nonqualified stock options. A total of 1,300,000 shares were authorized by the 2009 Plan. Shares forfeited or canceled are eligible for reissuance under the 2009 Plan. At May 31, 2019, no shares of common stock remain available under the 2009 Plan.

In 2013, the Company adopted the 2013 Restricted Stock Unit Plan (the "2013 Plan") authorizing the issuance

of up to 750,000 shares of the Company's stock to participants in the 2013 Plan. The 2013 Plan terminated upon the stockholders approval of the 2018 Plan (as defined below) at the Company's 2018 annual meeting of stockholders held on October 9, 2018.

At the Company's 2018 annual meeting of stockholders, the stockholders also approved the 2018 Stock Option and Compensation Plan (the "2018 Plan"). The 2018 Plan designates 1,800,000 shares of the Company's common stock to aid the Company in recruiting and retaining employees and to align the interests of employees, officers and directors with those of the Company's stockholders. The Company may grant restricted stock awards, restricted stock units, stock options, stock appreciation rights, stock awards and other stock-based awards. The 2018 Plan expires ten years from its inception date. At May 31 2019, 1,558,889 shares of common stock remain available for issuance under the 2018 Plan.

Restricted stock

The fair value of restricted stock awards was calculated using the Company's stock price as of the associated grant date, and the expense is accrued ratably over the vesting period of the award.

During the year ended May 31, 2018, the Company awarded 52,615 restricted stock awards with time-based vesting at a grant date fair value of \$2.10 per share to members of the board of directors; 5,000 shares vested on the issuance date, October 3, 2017. The remaining 47,615 shares vested one year from grant date.

During the year ended May 31, 2019, the Company awarded 113,635 restricted stock awards with time-based vesting at a grant date fair value of \$0.88 per share to members of the board of directors. These shares vest one year from the October 9, 2018 grant date and require board service for the entire year.

Compensation expense associated with restricted stock awards totaled \$98 and \$112 for the years ended May 31, 2019 and 2018, respectively. At May 31, 2019, unamortized compensation cost of restricted stock awards totaled \$36. The unamortized cost is expected to be recognized over a weighted-average period of 0.4 years as of May 31, 2019.

A summary of restricted share awards activity as of May 31, 2019 and 2018, and the changes during the years then ended is presented below:

Restricted Shares	Shares	Weighted Average Grant Date Fair Value
Non-vested shares at May 31, 2017	46,945	\$1.96
Granted	52,615	2.10
Vested	-51,945	1.97
Forfeited	0	0
Non-vested shares at May 31, 2018	47,615	\$2.10
Granted	113,635	0.88
Vested	-47,615	2.10
Forfeited	0	0
Non-vested shares at May 31, 2019	113,635	\$0.88

Unrestricted stock

Unrestricted stock is issued to certain employees in settlement of a portion of their salaries and bonuses. Compensation expense in the consolidated statement of activities and comprehensive loss associated with these unrestricted stock issuances totaled \$70 and \$121, for the years ended May 31, 2019 and 2018, respectively.

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 and comprehensive loss as selling, general and administrative expense based on their fair value over the requisite service period.

For stock options issued during the years ended May 31, 2019 and 2018, the following assumptions were used to determine fair value:

Assumptions used:	2019	2018
Expected term (in years)	5.75	5.75
Weighted average expected volatility	74.01%	48.75%
Expected volatility range	57.06-86.3%	48.15-49.14%
Weighted average risk-free interest rate	2.85%	2.29%
Risk-free interest rate range	2.41-3.84%	2.11-2.57%
Weighted average expected dividend	0.00%	0.00%
Expected dividend range	0.00-0.00%	0.00-0.00%
Weighted average fair value per share	\$ 0.184	\$ 0.720

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 dividend of the Company.

A summary of option activity under the Plan as of May 31, 2019 and 2018, and changes during the years then ended is presented below:

Stock Options	Shares	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
Outstanding at May 31, 2018	193,350	\$3.54	6.9	\$ -
Exercisable at May 31, 2018	189,350	\$3.59	6.9	\$ -
Outstanding at May 31, 2019	162,204	\$2.87	6.7	\$ 0.6
Exercisable at May 31, 2019	132,203	\$3.51	6.0	\$ -

The Company recorded compensation expense for stock options of \$3 and \$12, for the years ended May 31, 2019 and 2018, respectively, in the consolidated statements of operations and comprehensive loss. As of May 31, 2019, there is unrecognized compensation cost of \$1 related to unvested stock option-based compensation arrangements granted under the Plan. The unamortized cost is expected to be recognized over a weighted-average period of 1.7 years as of May 31, 2019.

The Company plans to issue new shares as settlement of options exercised. There were no options exercised during the years ended May 31, 2019 or 2018, respectively.

Dividends

The following table presents details of the Company's fiscal year 2018 dividend payment:

<u>Date declared</u>	<u>Record date</u>	<u>Payment date</u>	<u>Per share</u>
August 4, 2017	September 30, 2017	October 6, 2017	\$ 0.0450

No dividend was declared in fiscal year 2019.

12. 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. The University's matching contributions paid were \$0 during each of the years ended May 31, 2019 and 2018, respectively. At May 31, 2019 and 2018, there were no accruals for the University's 401(k) match.

Compensation Plans - The Company has entered into an employment agreement, as amended, with Dr. Ronald Shape, Chief Executive Officer that requires, among other things, an annual incentive payment as defined in the agreement. There were no incentive payments made for 2019 and 2018. In addition, as part of the Chief Executive Officer Compensation plan, \$100 annually is scheduled to be paid in equal monthly installments converted to the Company's common stock shares based on the closing price on the last day of the month. In the fall of 2016, the Board of Directors voted to temporarily reduce the Chief Executive Officer compensation by \$67 by suspending the monthly stock payments from October 2016 through May 2017. For the 2018 year, stock payments at the \$100 per year resumed, but for the last two months, Dr. Shape elected to forgo the awards. 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.

13. 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. As there generally is a lag between the time a claim is incurred by a participant and the time the claim is submitted, the Company has recorded a liability for outstanding claims of \$265 and \$375 at May 31, 2019 and 2018, respectively. Such liability is reported with accrued and other liabilities in the consolidated balance sheets.

14. INCOME TAXES

Components of the provision for income taxes for the years ended May 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense (benefit)		
Federal	\$ -	\$ (96)
State	31	18
	<u>31</u>	<u>(78)</u>
Deferred tax expense (benefit)		
Federal	-	(181)
State	-	(12)
	<u>-</u>	<u>(193)</u>
Total tax expense (benefit)	<u>\$ 31</u>	<u>\$ (271)</u>

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

	2019	2018
Statutory	-21.0%	-29.2%
Tax effect of U.S. tax reform	0.0%	17.3%
State income taxes - net of federal benefit	0.1%	0.0%
Deferred tax valuation allowance	20.8%	10.6%
Permanent differences and other	0.2%	-0.9%
Effective income tax rate	0.1%	-2.2%

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 assets (liabilities) as of May 31 were as follows:

	2019	2018
Deferred income tax assets:		
Account receivable allowances	\$ 107	\$ 165
Bad debt write-offs	567	793
Other	93	73
Revenue recognition	57	-
Accrued salaries	220	360
Start up costs	104	123
Capital lease obligations	2,660	2,753
Net operating loss carryforwards - expires 2021-2037	6,602	3,071
Deferred rent	2,106	867
Total deferred income tax assets	12,516	8,205
Valuation allowance	(9,664)	(3,444)
Net deferred income tax assets	2,852	4,761
Deferred income tax liabilities:		
Fixed assets and course development	(2,655)	(4,406)
Prepaid expenses	(197)	(355)
Other	-	-
Total deferred income tax liabilities	(2,852)	(4,761)
Net deferred income tax assets (liabilities)	\$ -	\$ -

As of May 31, 2019, the Company had net operating loss ("NOL") carryforwards of approximately \$27 million federal and \$16 million state. As of May 31, 2018, the Company had NOL carryforwards of approximately \$12 million federal and \$10 million state. The federal NOL carryforwards have no expiration.

The change in the valuation allowance for deferred tax assets for the years ended May 31, 2019 and 2018 was \$6.2 million and \$2.2 million, respectively. 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 deferred tax assets would not be realized as of May 31, 2019 and 2018, and recorded a full valuation allowance.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%. The accounting for these changes has been completed. The Company has recorded an income tax

expense of \$1,125 due to a re-measurement of deferred tax assets and liabilities; however, this has been offset by the valuation allowance noted above.

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.

15. 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 applicable period. 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:

	For the year ended May 31,	
	2019	2018
Numerator:		
Net loss for Continuing Operations attributable to National American University Holdings, Inc.	\$ (8,094)	\$ (11,853)
Net loss for Discontinued Operations attributable to National American University Holdings, Inc.	\$ (16,951)	\$ (258)
Denominator:		
Weighted average shares outstanding used to compute basic		
net income per common share	24,421,461	24,239,888
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	<u>\$ 24,421,461</u>	<u>\$ 24,239,888</u>
Basic net loss per common share - Continuing Operations	\$ (0.33)	\$ (0.49)
Diluted net loss per common share - Continuing Operations	\$ (0.33)	\$ (0.49)
Basic net loss per common share - Discontinued Operations	\$ (0.69)	\$ (0.01)
Diluted net loss per common share - Discontinued Operations	\$ (0.69)	\$ (0.01)

A total of 162,204 and 189,350 shares of common stock subject to issuance upon exercise of stock options for the year ended May 31, 2019 and 2018, respectively, have been excluded from the calculation of diluted EPS as the effect would have been anti-dilutive.

A total of 113,635 and 99,560 shares of common stock subject to issuance upon vesting of restricted shares for year ended May 31, 2019 and 2018, respectively, have been excluded from the calculation of diluted EPS as the effect would have been anti-dilutive.

16. REGULATORY MATTERS

The University extends unsecured credit to a portion of the students who are enrolled throughout the campuses 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 fiscal years ended May 31, 2019 and 2018, as shown in the underlying calculation:

	<u>2019</u>		<u>2018</u>
Title IV HEA funds received	\$ 39,555		\$ 62,444
Academic revenue (cash basis)	\$ 50,578	= 78.21%	= 82.06%
			\$ 76,097

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 footnotes to our audited financial statements for the fiscal year ended May 31, 2018 and our 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 \$36,653, 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 \$10,996, 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, we 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 our 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 \$7,331, 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 \$7,331 for the benefit of the Department. The letter of credit was issued on May 10, 2019.

Our audited financial statements for the fiscal year ended May 31, 2019 indicate our most recent composite score is 1.1. This score is subject to a final determination by the Department of Education once it receives and reviews our consolidated audited financial statements for the 2019 fiscal year. We believe it is likely that the Department of Education will determine that our institutions are "in the zone" and that we will be required to continue operating under the requirements imposed by the March 8, 2019 letter, including the letter of credit issued to the Department of Education on May 10, 2019, as well as any other requirements that the Department of Education might impose in its discretion. If we are unable to meet the minimum composite score or to comply with the other standards of financial responsibility, and could not post a required letter of credit or comply with the alternative bases for establishing financial responsibility, then our students could lose their access to Title IV program funding.

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. Our official cohort default rates for federal fiscal years 2015 and 2014 are 23.7% and 24.1%, respectively. Our draft cohort rate for federal fiscal year 2016 is 20.1%.

17. 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, deny any legal wrongdoing or liability. 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. The amount or range of reasonably possible losses cannot be reasonably estimated and, accordingly, no liability has been accrued for these matters.

18. 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. Excluded from the transaction are 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 statements of operations and comprehensive loss 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 its 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 total purchase price was allocated to the fair values of the assets acquired and the liabilities assumed as follows:

Cash equivalents	\$	664
Student receivables - net		157
Prepaid and other current assets		17
Course Development		1,067
Goodwill		363
Other intangibles		229
Accounts payable		(63)
Deferred income		(272)
Accrued and other liabilities		(229)
Total fair value of net assets acquired		1,933
Less cash acquired		(664)
Total consideration for acquisition, less cash acquired	\$	<u>1,269</u>

Course development costs are being amortized on a straight-line basis over five years. Goodwill is calculated as the excess of the purchase price paid over the net assets recognized. The goodwill recorded as part of the acquisition primarily reflects the assembled workforce and a proven ability to generate new products and services to drive future revenue.

The purchased intangible assets consist 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:

	Cost	Accumulated Amortization	Net Carrying Amount
2019			
Student relationships	\$ 157	\$ (47)	\$ 110
Brand name	72	(17)	55
	<u>\$ 229</u>	<u>\$ (64)</u>	<u>\$ 165</u>
2018			
Student relationships	\$ 157	\$ (18)	\$ 139
Brand name	72	(4)	68
	<u>\$ 229</u>	<u>\$ (22)</u>	<u>\$ 207</u>

Future amortization expense is as follows as of May 31, 2019:

FY 2020	\$	54
FY 2021		54
FY 2022		34
FY 2023		23
	\$	<u>165</u>

19. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange 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, 2019 and 2018:

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:

	Quoted prices in active markets (level 1)	Other observable inputs (level 2)	Unobservable inputs (level 3)	Fair value
May 31, 2019				
Investments:				
Restricted certificates of deposit	\$ -	\$ 15,625	\$ -	\$ 15,625
Total assets at fair value	<u>\$ -</u>	<u>\$ 15,625</u>	<u>\$ -</u>	<u>\$ 15,625</u>
May 31, 2018				
Investments:				
Restricted certificates of deposit	\$ -	\$ 9,250	\$ -	\$ 9,250
Total assets at fair value	<u>\$ -</u>	<u>\$ 9,250</u>	<u>\$ -</u>	<u>\$ 9,250</u>

Following is a summary of the valuation techniques for assets and liabilities recorded in the consolidated balance sheets 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, 2019 and 2018 are restricted by borrowing arrangements. See further information in Note 10 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.

20. SEGMENT REPORTING

Operating segments are defined as business areas or lines of an enterprise about which financial information is available and evaluated on a regular basis by the chief operating decision maker, or decision-making groups, in deciding how to allocate capital and other resources to such lines of business.

The Company has two reportable segments: NAU and Other. The NAU segment contains the revenues and expenses associated with the University operations. The Other segment contains primarily real estate. General administrative costs of the Company are allocated to specific divisions of the Company. The following table presents the reportable segment financial information, in thousands:

	Fiscal Year Ended May 31, 2019			Fiscal Year Ended May 31, 2018		
	NAU	Other	Consolidated	NAU	Other	Consolidated
Revenue:						
Academic	\$ 33,232	\$ -	\$ 33,232	\$ 26,692	\$ -	\$ 26,692
Auxiliary	1,798	-	1,798	1,858	-	1,858
Rental income apartments	-	1,386	1,386	-	1,404	1,404
Condominium sales	-	646	646	-	817	817
Other real estate income	-	203	203	-	193	193
Total revenue	<u>35,030</u>	<u>2,235</u>	<u>37,265</u>	<u>28,550</u>	<u>2,414</u>	<u>30,964</u>
Operating expenses:						
Cost of educational services	11,208	-	11,208	9,105	-	9,105
Selling, general & administrative	28,045	2,213	30,258	28,640	1,890	30,530
Auxiliary expense	1,169	-	1,169	1,238	-	1,238
Cost of condominium sales	-	507	507	-	709	709
Loss on course development impairment	-	-	-	286	-	286
Loss on impairment and disposition of property	869	145	1,014	370	8	378
Total operating expenses	<u>41,291</u>	<u>2,865</u>	<u>44,156</u>	<u>39,639</u>	<u>2,607</u>	<u>42,246</u>
Operating Loss	<u>(6,261)</u>	<u>(630)</u>	<u>(6,891)</u>	<u>(11,089)</u>	<u>(193)</u>	<u>(11,282)</u>
Other income (expense):						
Interest income	36	100	136	65	11	76
Interest expense	(801)	(490)	(1,291)	(833)	(13)	(846)
Other expense - net	(17)	-	(17)	(72)	-	(72)
Total other expense	<u>(782)</u>	<u>(390)</u>	<u>(1,172)</u>	<u>(840)</u>	<u>(2)</u>	<u>(842)</u>
Loss from continuing operations before income taxes	\$ (7,043)	\$ (1,020)	\$ (8,063)	\$ (11,929)	\$ (195)	\$ (12,124)
Loss from discontinued operations before income taxes	<u>(16,951)</u>	<u>-</u>	<u>(16,951)</u>	<u>(219)</u>	<u>-</u>	<u>(219)</u>
Loss before income taxes	<u>(23,994)</u>	<u>(1,020)</u>	<u>(25,014)</u>	<u>(12,148)</u>	<u>(195)</u>	<u>(12,343)</u>
	As of and for Year Ended May 31, 2019			As of and for Year Ended May 31, 2018		
	NAU	Other	Consolidated	NAU	Other	Consolidated
Total assets	\$ 26,647	\$ 11,398	\$ 38,045	\$ 35,363	\$ 13,444	\$ 48,807
Expenditures for long-lived assets	\$ 114	\$ 681	\$ 795	\$ 1,016	\$ 749	\$ 1,765
Depreciation and amortization	<u>\$ 2,675</u>	<u>\$ 624</u>	<u>\$ 3,299</u>	<u>\$ 3,965</u>	<u>\$ 677</u>	<u>\$ 4,642</u>

Note: Includes assets from discontinued operations of \$323 and \$8,656 and liabilities of \$11,247 and \$5,978 as of 05/31/19 and 05/31/18 respectively.

21. SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth selected unaudited quarterly financial information for the last eight quarters.

	Quarter			
	First	Second	Third	Fourth
Fiscal Year Ended May 31, 2019				
Revenue	\$ 9,093	\$ 9,239	\$ 9,649	\$ 9,284
Operating expenses	11,325	11,244	11,167	10,420
Operating loss	(2,232)	(2,005)	(1,518)	(1,136)
Other expense	(259)	(343)	(259)	(311)
Loss from Continuing Operations before Income Taxes	(2,491)	(2,348)	(1,777)	(1,447)
Income Tax (Expense) Benefit	-	-	-	(31)
Net loss from continuing operations	(2,491)	(2,348)	(1,777)	(1,478)
Net loss from discontinued operations	(2,446)	(8,949)	(2,773)	(2,783)
Net Loss	(4,937)	(11,297)	(4,550)	(4,261)
Net loss attributable to Non-Controlling Interest	-	-	-	(48)
Unrealized losses on investments, net of tax benefit				-
Comprehensive loss attributable to National American University Holdings, Inc.	\$ (4,937)	\$ (11,297)	\$ (4,550)	\$ (4,309)
Basic and Diluted net loss attributable to National American University Holdings, Inc.:				
Continuing Operations	\$ (0.10)	\$ (0.10)	\$ (0.07)	\$ (0.06)
Discontinued Operations	\$ (0.10)	\$ (0.37)	\$ (0.11)	\$ (0.11)
Net income per share - basic and diluted	\$ (0.20)	\$ (0.46)	\$ (0.19)	\$ (0.17)
Basic and diluted weighted average shares outstanding	24,298,761	24,389,841	24,465,124	24,574,556
Fiscal Year Ended May 31, 2018				
Revenue	\$ 6,740	\$ 7,189	\$ 7,303	\$ 9,732
Operating expenses	9,317	9,670	9,754	13,505
Operating loss	(2,577)	(2,481)	(2,451)	(3,773)
Other expense	96	(192)	(106)	(640)
Loss from Continuing Operations before Income Taxes	(2,481)	(2,673)	(2,557)	(4,413)
Income Tax (Expense) Benefit	-	-	-	271
Net loss from continuing operations	(2,481)	(2,673)	(2,557)	(4,142)
Loss from Discontinued Operations before Income Taxes	(1,333)	(1,099)	(1,134)	3,347
Income Tax (Expense) Benefit from Discontinued Operations	-	-	-	(39)
Net loss from discontinued operations	(1,333)	(1,099)	(1,134)	3,308
Net Loss	(3,814)	(3,772)	(3,691)	(834)
Net loss attributable to Non-Controlling Interest	-	-	-	(50)
Unrealized losses on investments, net of tax benefit				4
Comprehensive loss attributable to National American University Holdings, Inc.	\$ (3,814)	\$ (3,772)	\$ (3,691)	\$ (880)
Basic and Diluted net loss attributable to National American University Holdings, Inc.:				
Continuing Operations	\$ (0.10)	\$ (0.11)	\$ (0.11)	\$ (0.17)
Discontinued Operations	\$ (0.06)	\$ (0.05)	\$ (0.05)	\$ 0.14
Net income per share - basic and diluted	\$ (0.16)	\$ (0.16)	\$ (0.16)	\$ (0.03)
Basic and diluted weighted average shares outstanding	24,181,440	24,219,884	24,269,158	24,290,404

22. SUBSEQUENT EVENT

Park West Condo Sale

On September 12, 2019, the Company sold the Park West Condominium to Park West LLC, a South Dakota limited liability company, owned by the majority shareholder, the Chairman of the Board, and CEO of the Company, for a purchase price of \$3 million. The Company received the cash payment before the financial statements were issued.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Controls and Procedures Disclosure

(a) Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as this term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of our disclosure controls and procedures as of May 31, 2019.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of May 31, 2019, due to a material weakness in our internal control over financial reporting as described in (b) below. Our internal control over financial reporting is the process designed by and under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America.

(b) Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of May 31, 2019. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework (2013). Based on our assessment using those criteria, due to the material weakness described below, we have concluded that our internal control over financial reporting was not effective as of May 31, 2019.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected in a timely basis.

We previously identified and disclosed in our Annual Report on Form 10-K for the year ended May 31, 2018, a material weakness in our internal control over financial reporting relating to the fact that the Company did not have sufficient accounting resources and financial personnel with sufficient technical competence to ensure that

more complex accounting analyses are properly prepared and reviewed. The material weakness remains unremediated as of May 31, 2019.

The material weakness resulted in, or could have resulted in, material misstatements in the May 31, 2019 financial statements (including disclosures) that were corrected prior to issuance.

(c) Material Weakness Discussion and Remediation

In connection with the unremediated material weakness as described above, we anticipate that we will invest in additional technical training for our accounting and finance personnel. Management believes that the implementation of this plan will remediate the material weaknesses described above. We are in the process of further reviewing, documenting, and testing our internal controls over financial reporting, and we may from time to time make changes aimed at enhancing existing controls and/or implementing additional controls.

(d) Important Considerations

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

(e) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with our evaluation that occurred during the fourth quarter of 2019 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of
National American University Holdings, Inc. and subsidiaries:
Rapid City, South Dakota

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of National American University Holdings, Inc. and subsidiaries (the "Company") as of May 31, 2018 and 2017, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Minneapolis, MN
August 17, 2018

We have served as the Company's auditor since 2009.

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2018 AND 2017

(In thousands, except share and per share amounts)

	May 31, 2018	May 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,324	\$ 11,974
Available for sale investments	-	4,183
Student receivables -- net of allowance OF \$587 AND \$1,195 at May 31, 2018 and May 31, 2017 respectively	2,893	2,895
Other receivables	563	458
Income taxes receivable	105	2,301
Prepaid and other current assets	1,552	1,649
Total current assets	10,437	23,460
Total property and equipment -- net	25,228	31,318
OTHER ASSETS:		
Restricted certificates of deposit	9,250	-
Condominium inventory	512	621
Land held for future development	414	229
Course development -- net of accumulated amortization of \$3,577 and \$3,322 at May 31, 2018 and May 31, 2017 respectively	1,841	1,111
Goodwill	363	-
Other intangibles -- net of accumulated amortization of \$22 and \$0 at May 31, 2018 and May 31, 2017 respectively	207	-
Other	555	853
Total other assets	13,142	2,814
TOTAL	\$ 48,807	\$ 57,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of capital lease payable	\$ 380	\$ 331
Current portion of long-term debt	800	-
Accounts payable	1,991	3,076
Dividends payable	-	1,094
Income taxes payable	70	113
Deferred revenue	3,758	1,691
Accrued and other liabilities	4,090	5,906
Total current liabilities	11,089	12,211
DEFERRED INCOME TAXES	-	194
OTHER LONG-TERM LIABILITIES	2,688	4,010
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	10,857	11,237
LONG-TERM DEBT, NET OF CURRENT PORTION	7,200	-
STOCKHOLDERS' EQUITY:		
Common Stock, \$0.0001 par value (50,000,000 authorized; 28,685,195 issued and 24,344,122 outstanding as of May 31, 2018; 28,557,968 issued and 24,224,924 outstanding as of May 31, 2017)	3	3
Additional paid-in capital	59,305	59,060
Accumulated deficit	(19,873)	(6,622)
Treasury stock, at cost (4,341,073 shares at May 31, 2018 and 4,333,044 shares at May 31, 2017)	(22,496)	(22,481)
Accumulated other comprehensive loss, net of taxes - unrealized loss on available for sale securities	-	(4)
Total National American University Holdings, Inc. stockholders' equity	16,939	29,956
Non-controlling interest	34	(16)
Total stockholders' equity	16,973	29,940
TOTAL	\$ 48,807	\$ 57,592

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES		
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS		
FOR THE YEARS ENDED MAY 31, 2018 AND 2017		
(In thousands, except share and per share amounts)		
	2018	2017
	Amount	Amount
REVENUE:		
Academic revenue	\$ 70,885	\$ 80,595
Auxiliary revenue	3,885	4,832
Rental income -- apartments	1,404	1,160
Condominium sales	817	-
Other real estate income	193	-
Total revenue	77,184	86,587
OPERATING EXPENSES:		
Cost of educational services	26,146	27,657
Selling, general, and administrative	56,183	61,639
Auxiliary expense	2,741	3,477
Cost of condominium sales	709	-
Loss on course development impairment	286	-
Loss on impairment and disposition of property and equipment	2,620	1,052
Total operating expenses	88,685	93,825
OPERATING LOSS	(11,501)	(7,238)
OTHER INCOME (EXPENSE):		
Interest income	76	102
Interest expense	(846)	(850)
Other expense -- net	(72)	209
Total other expense	(842)	(539)
Loss before Income Taxes	(12,343)	(7,777)
Income Tax (Expense) Benefit	232	1,550
NET LOSS	(12,111)	(6,227)
Net Income Attributable to Non-Controlling Interest	(50)	(48)
NET LOSS ATTRIBUTABLE TO		
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES	(12,161)	(6,275)
OTHER COMPREHENSIVE GAIN, NET OF TAX		
Unrealized gains (losses) on investments, net of tax benefit (expense)	4	(2)
COMPREHENSIVE LOSS ATTRIBUTABLE TO		
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES	\$ (12,157)	\$ (6,277)
Basic net loss attributable to National American University Holdings, Inc.	\$ (0.50)	\$ (0.26)
Diluted net loss attributable to National American University Holdings, Inc.	\$ (0.50)	\$ (0.26)
Basic weighted average shares outstanding	24,239,888	24,154,541
Diluted weighted average shares outstanding	24,239,888	24,154,541
<i>The accompanying notes are an integral part of these consolidated financial statements.</i>		

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(In thousands, except share and per share amounts)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (12,111)	\$ (6,227)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation and amortization	4,642	5,086
Loss on course development impairment	286	-
Loss on impairment and disposition of property	1,610	1,052
Realized loss on sale of available for sale investments	16	-
Provision for uncollectible tuition	2,152	3,740
Noncash compensation expense	245	167
Deferred income taxes	(194)	625
Change in assets and liabilities:		
Student and other receivables	(2,098)	(3,707)
Prepaid and other current assets	114	429
Condominium inventory	713	-
Other long-term assets	271	235
Income taxes receivable/payable	2,153	482
Accounts payable	(698)	(224)
Deferred revenue	1,795	42
Accrued and other liabilities	(1,106)	6
Other long-term liabilities	(1,586)	(890)
Net cash flows used in operating activities	(3,796)	816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,747)	(7,721)
Proceeds from sale of available for sale investments	4,668	7,652
Net cash paid for acquisition	(1,269)	-
Purchases of property and equipment	(1,765)	(5,547)
Proceeds from sale of property and equipment	26	215
Course Development	(260)	(565)
Other	23	54
Net cash flows used in investing activities	(8,324)	(5,912)
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments of capital lease payable	(331)	(284)
Borrowings of long-term debt	8,000	-
Purchase of treasury stock	(15)	(4)
Dividends Paid	(2,184)	(4,355)
Net cash flows used in financing activities	5,470	(4,643)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,650)	(9,739)
CASH AND CASH EQUIVALENTS -- Beginning of year	11,974	21,713
CASH AND CASH EQUIVALENTS -- End of year	\$ 5,324	\$ 11,974
SUPPLEMENTAL DISCLOSURE OF CASH FLOW / NON-CASH INFORMATION		
Cash paid for income taxes	\$ (2,192)	\$ (2,658)
Cash paid for interest	\$ 835	\$ 851
Property and equipment sold under contract for deed	\$ -	\$ 171
Property and equipment purchases included in accounts payable	\$ -	\$ 450
Dividends declared and unpaid at May 31, 2018 and 2017	\$ -	\$ 1,094

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED MAY 31, 2018 AND 2017

(In thousands, except share and per share amounts)

	Common stock	Additional paid-in capital	Retained earnings (deficit)	Treasury stock	Accumulated other comprehen- sive loss	Non- controlling interest	Total Stockholders' Equity
Balance -- May 31, 2016	\$ 3	\$ 58,893	\$ 4,012	\$(22,477)	\$ (2)	\$ (64)	\$ 40,365
Purchase of 1,887 shares common stock for the treasury	-	-	-	(4)	-	-	(4)
Share based compensation expense	-	167	-	-	-	-	167
Dividends declared	-	-	(4,359)	-	-	-	(4,359)
Net (loss) income	-	-	(6,275)	-	-	48	(6,227)
Other comprehensive income, net of tax	-	-	-	-	(2)	-	(2)
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

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

Item 14 Beneficial Owners.

The table presented below shows information regarding the beneficial ownership of our common stock as of August 19, 2019 by:

- each person or entity known by us to own beneficially more than 5% of our outstanding common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

As of August 5, 2019, there were 24,742,627 shares of our common stock issued and outstanding.

The information in the following table has been presented in accordance with the rules of the SEC. Under the SEC rules, beneficial ownership of a class of capital stock includes any shares of such class as to which a person, directly or indirectly, has or shares voting power or investment power and also any shares as to which a person has the right to acquire such voting or investment power within 60 days through the exercise of any stock option, warrant or other right. If two or more persons share voting power or investment power with respect to specific securities, each such person is deemed to be the beneficial owner of such securities. Except as we otherwise indicate below and under applicable community property laws, we believe that the beneficial owners of the common stock listed below, based on information they have furnished to us, have sole voting and investment power with respect to the shares shown. Unless otherwise specified, the address of each of our directors, executive officers and each person or entity known by us to beneficially own more than 5% of our outstanding common stock is c/o National American University Holdings, Inc., 5301 Mt. Rushmore Road, Rapid City, South Dakota 57701.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Camden partners III SPV, LLC	2,199,499 ⁽¹⁾	9.0%
T. Rowe Price Associates, Inc.	2,301,803 ⁽²⁾	9.3%
Michael Joseph Hillyard	3,032,116 ⁽³⁾	4.5%
Robert D. Buckingham		
Vice Chairman of the Board of Directors		
H & E Buckingham Limited Partnership	10,156,905 ⁽⁴⁾	41.7%
Robert D. Buckingham Living Trust	3,457,864 ⁽⁴⁾	14.2%
Dr. Ronald L. Shape		
Chief Executive Officer, President, Director	620,291 ⁽⁵⁾	2.53%
Dr. Edward D. Buckingham		
Chairman of the Board of Directors	45,175 ⁽⁶⁾	*
Dr. Lynn Priddy		
Provost and Chief Academic Officer	14,000 ⁽⁷⁾	*

Thomas Bickart Chief Financial Officer	0	*
Dr. Therese K. Crane Director	98,142 ⁽⁸⁾	*
Dr. Thomas D. Saben Director	67,034 ⁽⁹⁾	*
Richard L. Halbert Director	77,362 ⁽¹⁰⁾	*
Jeffrey B. Berzina Director	66,460 ⁽¹¹⁾	*
All directors and executive officers as a group (of 10 individuals)	14,504,374	59.79%

* Less than 1%.

(1) Based on information contained in reports on Schedule 13G and Schedule 13D/A filed with the SEC on January 22, 2018. All of the 2,199,449 shares were transferred on January 17, 2018 by Camden Partners Strategic Fund III, L.P. and Camden Partners Strategic Fund III-A, L.P. to Camden Partners III SPV, L.P., in exchange for limited partnership interests in Camden Partners III SPV, L.P. As a result of the transfer, each of Camden Partners Strategic Fund III, L.P., Camden Partners Strategic Fund III-A, L.P., Camden Partners Strategic III, LLC, Camden Partners Strategic Manager, LLC and Donald W. Hughes ceased to beneficially own any shares. J. Todd Sherman, the managing member of Camden Partners Strategic Manager, LLC, and David L. Warnock are the two managers of Camden Partners III SPV, LLC, the general partner of Camden Partners III SPV, L.P. As a result, J. Todd Sherman, David L. Warnock, Camden Partners III SPV, L.P. and Camden Partners III SPV, LLC reported that each had shared voting power over 2,199,449 shares and shared dispositive power over 2,199,449 shares. Camden Partners III SPV, LLC, as the general partner of Camden Partners III SPV, L.P., J. Todd Sherman and David L. Warnock each be deemed to beneficially own the shares held by Camden Partners III SPV, L.P.

(2) Based on information contained in a report on Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2019 by T. Rowe Price Small-Cap Value Fund, Inc. and T. Rowe Price Associates, Inc., each of which has its principal business office at 100 East Pratt Street, Baltimore, Maryland 21202. February 14, 2018, T. Rowe Price Associates, Inc. reported that it had sole voting power over 312,503 shares and sole dispositive power over 2,414,703 shares, and T. Rowe Price Small-Cap Value Fund, Inc. reported that it had sole voting power over 2,102,200 shares and sole dispositive power over 0 shares.

(3) Based on information contained in a report on Schedule 13G filed with the Securities and Exchange Commission on November 3, 2016 by Michael Joseph Hillyard and Cara Marie Hillyard, each of whom has his and her principal business office at 5378 Chandler Bend Drive, Jacksonville, Florida 32224. As of November, 3, 2016, Michael Hillyard reported that he had sole voting and dispositive power over 110,542 shares and shared voting and dispositive power over 1,094,376 shares, and Cara Hillyard reported that she had sole voting and dispositive power over 72,645 shares and shared voting and dispositive power over 1,094,376 shares.

(4) Consists of common stock and common stock warrants owned by the H. & E. Buckingham Limited Partnership and the common stock owned by the Robert D. Buckingham Living Trust. Mr. Buckingham is the general partner of the H. & E. Buckingham Limited Partnership and in this capacity has sole power to direct the vote and disposition of our securities held by the H. & E. Buckingham Limited Partnership. Mr. Buckingham disclaims beneficial ownership of our securities owned by the H. & E. Buckingham Limited Partnership except to the extent of any pecuniary interest therein. As the trustee for the Robert D. Buckingham Living Trust, Mr. Buckingham is deemed to have sole voting and dispositive power of our

securities held by the trust and is deemed to be the beneficial owner of all our securities owned by the Robert D. Buckingham Living Trust.

- (5) Includes options to purchase 4,375 shares of common stock of the Company.
- (6) Consists of common stock owned by Buckingham Interests, L.P. Dr. Buckingham is the general partner of Buckingham Interests L.P. and in this capacity has sole power to direct the vote and disposition of our securities held by Buckingham Interests L.P.
- (7) Includes options to purchase 1,250 shares of common stock of the Company.
- (8) Includes 22,727 time-based restricted shares of common stock of the Company which vest on October 9, 2019.
- (9) Includes 22,727 time-based restricted shares of common stock of the Company which vest on October 9, 2019 and 20 shares owned by a child of Dr. Saban and over which Dr. Saban has sole voting control.
- (10) Includes 22,727 time-based restricted shares of common stock of the Company which vest on October 9, 2019, 13,300 shares held jointly by Mr. Halbert's wife and over which Mr. Halbert has shared voting control, 1,000 shares held by Mr. Halbert's individual retirement account and over which Mr. Halbert has sole voting control, and 1,000 shares held by Mr. Halbert's wife's individual retirement account and over which Mr. Halbert has no voting control.
- (11) Includes 22,727 time-based restricted shares of common stock of the Company which vest on October 9, 2019.

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: Deloitte & Touche LLP
Address: 50 South 6th Street, Suite 2800, Minneapolis, MN 55402
Email: jneary@deloitte.com
Phone Number: (215) 518-0337
Contact Name: John Neary

Counsel/Attorney

Firm Name: Gray, Plant, Mooty, Mooty & Bennett, PA
Address: 500 South 8th Street, Suite 2800. Minneapolis, MN 55402
Email: mark.williamson@gpmlaw.com
Phone Number: (612) 632-3379
Contact Name: Mark Williamson

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: lindsey.fischer@EQ-US.com

Phone Number: (855) 217-6361

Contact Name: Lindsey Fischer

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

You should read the following discussion together with the financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business and operations, and involves risks and uncertainties. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Risk Factors," "Special Note Regarding Forward-Looking Statements" and elsewhere in this annual report.

Background

National American University, or NAU, is a regionally accredited, for-profit institution of higher learning offering diploma, associates, bachelor's and master's 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, surgical technology and healthcare management; and higher education. Courses are offered online via the internet. We expect ground locations and programs to finalize teach out arrangements in fiscal year ending May 31, 2020. As of May 31, 2019, NAU operated five instructional locations across the states of Colorado, Indiana, Kansas, 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 and Kings Bay Naval Base, Georgia.

Key Financial Results Metrics

Revenue. Revenue is derived mostly from NAU's operations. For fiscal year ended May 31, 2019, approximately 91.4% 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 and condominium sales. 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 years ended May 31, 2019 and 2018 was 3.3% and 3.0%, respectively.

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.

The following chart is a summary of our student enrollment on May 31, 2019, and May 31, 2018, by degree type and by instructional delivery method.

	May 31, 2019 (Spring 2019 Term)		May 31, 2018 (Spring 2018 Term)		
	Number of Students	% of Total	Number of Students	% of Total	YOY Percent Change
Continuing Ed	-	0.0%	59	1.0%	-100.0%
Doctoral	175	5.3%	111	2.0%	57.7%
Graduate	355	10.7%	449	8.0%	-20.9%
Undergraduate & Diploma	2,783	84.0%	5,029	89.0%	-44.7%
Total	3,313	100.0%	5,648	100.0%	-41.3%
On-Campus	553	16.7%	724	12.8%	-23.6%
Online	2,760	83.3%	4,342	76.9%	-36.4%
Hybrid	-	0.0%	582	10.3%	-100.0%
Total	3,313	100.0%	5,648	100.0%	-41.3%

We experienced a 41.3% decline in enrollment in spring term 2019 from spring term 2018. The undergraduate and diploma degree education programs had a 44.7% decline while the master's programs had a 20.9% decrease. The on-campus, online and hybrid delivery methods saw a 23.6%, 36.4% and 100% decrease, respectively. We believe our investment to expand academic programming and our growth strategies detailed earlier in this document will be critical in growing all segments.

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 One-Stop student service platform and the delivery of online academic programming.

Expenses. Expenses consist of cost of educational services, selling, general and administrative, auxiliary expenses, the cost of condominium sales, 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 cost of condominium sales is the expense related to condominiums that are sold during the reporting period. The loss on disposition of property and equipment expense, loss on courseware impairment and loss on lease acceleration, record 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:

Transition to Online Programs. The comparability of results depends in large part on the timing of the transition from ground locations to all online programs. The recent transition of students, and the related financial impact, will continue during the fiscal year ending May 31, 2020.

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 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. For a more complete description of this regulation and oversight, see "Item – Business – Regulatory Matters."

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.

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.

Item 19 Articles of Incorporation and Bylaws.

- A. A complete copy of National American University Holdings, Inc. Articles of Incorporation are attached as a separate file.
- B. A complete copy of the National American University Holdings, Inc Bylaws are attached as a separate file.

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 and initial 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: 10/10/2019

/s/ Ronald L. Shape

Dr. Ronald Shape

President & Chief Executive Officer

National American University Holdings, Inc.

I, Thomas Bickart, certify that:

1. I have reviewed this annual and initial 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: 10/10/2019

/s/ Thomas Bickart

Thomas Bickart

Chief Financial Officer

National American University Holdings, Inc.

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "CAMDEN LEARNING CORPORATION", CHANGING ITS NAME FROM "CAMDEN LEARNING CORPORATION" TO "NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC.", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF NOVEMBER, A.D. 2009, AT 4:16 O'CLOCK P.M.

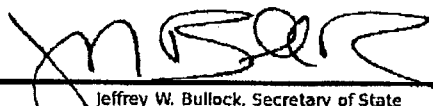
A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS.

4331997 8100

091041611

You may verify this certificate online
at corp.delaware.gov/authver.shtml




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 7658924

DATE: 11-23-09

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
CAMDEN LEARNING CORPORATION**

Camden Learning Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify as follows:

1. The name of the Corporation is Camden Learning Corporation. The date of filing of its original Certificate of Incorporation with the Secretary of State was April 10, 2007 under the name of Camden Learning Corporation.

2. The date of filing of the Amended and Restated Certificate of Incorporation of the Corporation with the Secretary of State was November 29, 2007.

3. This Second Amended and Restated Certificate of Incorporation of the Corporation, in the form attached hereto as Exhibit A, has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation.

4. This Second Amended and Restated Certificate of Incorporation so adopted reads in its entirety as set forth in Exhibit A attached hereto and is incorporated herein by reference.

5. This Second Amended and Restated Certificate of Incorporation shall be effective on the date of filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be executed by its President on this 23rd day of November, 2009.

CAMDEN LEARNING CORPORATION

By: /s/ David L. Warnock

Name: David L. Warnock

Title: Chairman, Chief Executive Officer
and President

Exhibit A

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC.**

FIRST: The name of the corporation is National American University Holdings, Inc. (the "**Corporation**").

SECOND: The address of the Corporation's registered office in the State of Delaware is National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent. The name of the Corporation's registered agent at such address is National Registered Agents, Inc.

THIRD: The purpose of the Corporation will be to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended from time to time ("**DGCL**").

FOURTH: The total number of shares of all classes of capital stock which the Corporation has authority to issue is 51,100,000, of which 50,000,000 shares are Common Stock of the par value of \$0.0001 ("**Common Stock**"), and of which 100,000 shares are Class A Common Stock of the par value of \$0.0001 ("**Class A Stock**"), and of which 1,000,000 shares are Preferred Stock of the par value \$0.0001 ("**Preferred Stock**"). The number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of at least a majority of the voting power of the issued and outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

A. **Preferred Stock.** The Board of Directors is expressly granted authority to issue shares of the Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a "**Preferred Stock Designation**") and as may be permitted by the DGCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

B. **Common Stock.** Except as otherwise required by the DGCL or applicable law or as otherwise provided in this Article Fourth or in any Preferred Stock Designation, the holders of the Common Stock shall exclusively possess all voting power. Except as

otherwise required by the DGCL or applicable law or as otherwise provided in this Article Fourth or in any Preferred Stock Designation, the holders of shares of Common Stock shall at all times vote together as one class on all matters (including the election of directors) submitted to a vote or for the consent of the stockholders of the Corporation.

C. Class A Stock. The Class A Stock and Common Stock shall have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations:

1. Dividends.

1.1 Class A Dividends. On the first day of each of the eight successive fiscal quarters for the Corporation that follow the first issuance of any shares of Class A Stock (the "**Class A Original Issue Date**"), dividends shall accrue or be paid (the "**Class A Dividends**") on shares of Class A Stock at the rate of \$0.11 per quarter (for a total of \$0.44 per year) for each share of Common Stock issuable to the holder of a share of Class A Stock pursuant to the Class A Conversion Ratio defined and described below (the "**Converted Share Amount**"), subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Class A Stock or the Common Stock. Class A Dividends, to the extent not paid, shall accrue from day to day, whether or not declared, and shall be cumulative. At such time as the Corporation pays all or any portion of any Class A Dividends to the holders of the Class A Stock then outstanding, then the Corporation must simultaneously declare and pay to the holders of Common Stock then outstanding (but not the holders of Class A Stock) a per share dividend equal to one fourth (1/4) of the per share amount of any Class A Dividends then paid (the "**Common Pro Rata Portion**"). Except as otherwise provided herein, all accrued dividends shall be payable only when, as, and if declared by the Board of Directors of the Corporation (the "**Board of Directors**").

1.2 Other Dividends. For as long as shares of Class A Stock shall be issued and outstanding, the Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation unless (a) the holders of the Class A Stock then outstanding first receive, or simultaneously receive, the Class A Dividends then accrued and not previously paid and (b) the holders of Common Stock simultaneously receive the Common Pro Rata Portion of the amount of the Class A Dividend then paid. For as long as shares of Class A Stock shall be issued and outstanding, any other dividends paid by the Corporation in addition to such payments of the Class A Dividends and the Common Pro Rata Portion shall be paid to the holders of Class A Stock and Common Stock together on a *pro rata* basis (calculated on an as-converted basis as if all issued and outstanding shares of Class A Stock had been converted into Common Stock).

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Payments of Dividends. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation while any shares of Class A

Stock shall be issued and outstanding, (a) the holders of shares of Class A Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, an amount per share equal to the Class A Dividends accrued but not paid as of the date of the completion of such liquidation, dissolution or winding up, and (b) the holders of shares of Common Stock then outstanding (but not the holders of Class A Stock) shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, the Common Pro Rata Portion accrued but not paid as of the date of completion of such liquidation, dissolution or winding up. If upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Class A Stock and Common Stock the full amount to which they shall be entitled under this Section C.2.1, then the holders of shares of Class A Stock and Common Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full (calculated on an as-converted basis as if all issued and outstanding shares of Class A Stock had been converted into Common Stock).

2.2 Payments to Holders of Class A Stock and Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation while any shares of Class A Stock shall be issued and outstanding, after the payment of all amounts required to be paid to the holders of shares of Class A Stock and Common Stock in accordance with Section C.2.1 above, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock and the holders of Class A Stock, on an as-converted basis, *pro rata* based on the number of shares held by each such holder on an as-converted basis.

2.3 Deemed Liquidation Events.

2.3.1 Definition. The sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly-owned subsidiary of the Corporation, shall be considered a "**Deemed Liquidation Event**" for purposes of this Second Amended and Restated Certificate of Incorporation.

2.3.2 Effecting a Deemed Liquidation Event. For as long as shares of Class A Stock shall be issued and outstanding, the Corporation shall not have the power to effect a Deemed Liquidation Event unless the agreement or other arrangement for such transaction (the "**Deemed Liquidation Agreement**") provides that the consideration payable to the stockholders of the Corporation shall be allocated among the

holders of capital stock of the Corporation in accordance with Sections C.2.1 and C.2.2 of this Article Fourth.

2.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors.

1.1.1 Allocation of Escrow. If any portion of the consideration payable to the stockholders of the Corporation upon a Deemed Liquidation Event is placed into escrow or is payable to the stockholders of the Corporation subject to contingencies, the Deemed Liquidation Agreement shall provide that (a) the portion of such consideration that is not placed in escrow or not subject to any contingencies (the "Initial Consideration") shall be allocated among the holders of capital stock of the Corporation in accordance with Sections C.2.1 and C.2.2 of this Article Fourth as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event, and (b) any additional consideration which becomes payable to the stockholders of the Corporation upon release from escrow or satisfaction of contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Sections C.2.1 and C.2.2 of this Article Fourth after taking into account the previous payment out of the Initial Consideration as part of the same transaction.

3. Voting. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Class A Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Class A Stock held by such holder are convertible pursuant to the Converted Share Amount as of the record date for determining stockholders entitled to vote on such matter. Except as provided by the DGCL or other applicable law, holders of Class A Stock shall vote together with the holders of Common Stock as a single class.

4. Optional Conversion. The holders of the Class A Stock shall have conversion rights as follows (the "Conversion Rights"):

4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Class A Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into 157.3 shares of Common Stock (the "Class A Conversion Ratio"). The Class A Conversion Ratio shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, following the allocation and payment of the consideration payable to the stockholders of the Corporation in accordance with Sections C.2.1 and C.2.2 of this Article Fourth, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Class A Stock.

4.2 Mechanics of Conversion.

4.2.1 Notice of Conversion. In order for a holder of Class A Stock to voluntarily convert shares of Class A Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Class A Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Class A Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Class A Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares of Class A Stock represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, issue and deliver to such holder of Class A Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Class A Stock represented by the surrendered certificate that were not converted into Common Stock, together with cash in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion.

4.2.2 Reservation of Shares. The Corporation shall at all times when the Class A Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Class A Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class A Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Class A Stock, then the Corporation shall take such corporate action as may be necessary to

increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Second Amended and Restated Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Class A Conversion Ratio below the then par value of the shares of Common Stock issuable upon conversion of the Class A Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock pursuant to the Class A Conversion Ratio.

4.2.3 Effect of Conversion. All shares of Class A Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any accrued but unpaid dividends thereon through the date of conversion. Such accrued but unpaid dividends shall be paid by the Corporation at the time of its next dividend payment. Any shares of Class A Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Class A Stock accordingly.

4.2.4 No Further Adjustment. Upon any such conversion, no adjustment to the Class A Conversion Ratio shall be made on the Class A Stock surrendered for conversion.

4.2.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Class A Stock pursuant to this Section C.4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Class A Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.3 Adjustment for Stock Splits and Combinations. If the Corporation at any time or from time to time after the Class A Original Issue Date shall effect a split or subdivision of the outstanding Common Stock, then the Class A Conversion Ratio in effect immediately before that subdivision shall be adjusted (as determined in good faith by the Board of Directors) so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Class A Original Issue Date combine or effect a reverse split of the outstanding shares of Common Stock, then the Class A Conversion Ratio in effect immediately before the combination shall be adjusted (as determined in good faith by the Board of Directors) so that the number of shares of

Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this Section C.4.3 shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.4 Certain Dividends and Distributions. If the Corporation at any time or from time to time after the Class A Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in the form of additional shares of Common Stock, then and in each such event the holders of Class A Stock shall simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Class A Stock had been converted into Common Stock on the date of such event.

4.5 Adjustments for Other Dividends and Distributions. If the Corporation at any time or from time to time after the Class A Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property, and the provisions of Section C.1 of this Article Fourth do not apply to such dividend or distribution, then and in each such event the holders of Class A Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Class A Stock had been converted into Common Stock on the date of such event.

4.6 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Section C.2.3 of this Article Fourth, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Class A Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Sections C.4.4 or C.4.5 of this Article Fourth), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Class A Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Class A Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions in this Section C.4 with respect to the rights and interests thereafter of the holders of the Class A Stock, to the end that the provisions set forth in this Section C.4 (including provisions with respect to changes in and other adjustments of the Class A Conversion Ratio) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Class A Stock.

4.7Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Class A Conversion Ratio or each other adjustment or readjustment pursuant to this Section C.4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 30 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Class A Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Class A Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Class A Stock (but in any event not later than 30 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (a) the Class A Conversion Ratio then in effect, and (b) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Class A Stock.

4.8Notice of Record Date. In the event (a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Class A Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security, (b) of any proposed capital reorganization of the Corporation, reclassification of the Common Stock of the Corporation, or Deemed Liquidation Event, or (c) of any proposed voluntary or involuntary dissolution, liquidation or winding-up of the Corporation, then, and in each such case, the Corporation will send or cause to be sent to the holders of the Class A Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Class A Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Class A Stock and the Common Stock. Such notice shall be sent at least 30 days prior to the record date or effective date for the event specified in such notice.

5.Mandatory Conversion.

5.1Trigger Events. On December 1, 2011 (the “Mandatory Conversion Time”), (a) all issued and outstanding shares of Class A Stock shall automatically be converted into shares of Common Stock at the then effective Class A Conversion Ratio, and (b) such shares of Class A Stock may not be reissued by the Corporation.

5.2Procedural Requirements. At the Mandatory Conversion Time, each holder of shares of Class A Stock shall surrender his, her or its certificate or certificates

for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Class A Stock converted pursuant to Section C.5.1 of this Article Fourth will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section C.5.2. The Corporation shall, as soon as practicable after the Mandatory Conversion Time, (a) issue and deliver to such holder of Class A Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof, together with cash in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion, and (b) pay all accrued but unpaid Class A Dividends on all shares of Class A Stock (in which case the Corporation shall declare and pay to the holders of Common Stock (but not the holders of Class A Stock) the Common Pro Rata Portion accrued but unpaid as of the date thereof). Such converted Class A Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Class A Stock accordingly.

6. Redeemed or Otherwise Acquired Shares. Any shares of Class A Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Class A Stock following redemption.

7. Waiver. Any of the rights, powers, preferences and other terms of the Class A Stock set forth herein may be waived on behalf of all holders of Class A Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Class A Stock then outstanding.

8. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Class A Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the DGCL, and shall be deemed sent upon such mailing or electronic transmission.

FIFTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors

and stockholders:

A. Election of directors need not be by ballot unless the by-laws of the Corporation so provide.

B. The Board of Directors shall have the power, without the assent or vote of the stockholders, to make, alter, amend, change, add to or repeal the by-laws of the Corporation.

C. The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interests, or for any other reason.

D. In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Second Amended and Restated Certificate of Incorporation, and to any by-laws from time to time made by the stockholders; provided, however, that no by-law so made shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.

SIXTH:

A. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this paragraph A by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation with respect to events occurring prior to the time of such repeal or modification.

B. The Corporation shall, to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time, indemnify all persons whom it may indemnify

pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized hereby.

SEVENTH: The Corporation hereby elects not to be governed by Section 203 of the DGCL.

EIGHTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

CONFORMED COPY OF
THE BYLAWS
OF
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC.

Current as of August 26, 2013

(Includes the First Amendment and Second Amendment to the Amended and Restated Bylaws)

Article 1
Offices

- 1.1 **Offices.** The address of the registered office of National American University Holdings, Inc. (hereinafter called the “corporation”) in the State of Delaware and the name and address of the corporation’s registered agent shall be as set forth in the certificate of incorporation.

Article 2
Stockholders

- 2.1 **Annual Meetings.** The annual meeting of stockholders shall be held for the election of directors at such date and time as the board of directors shall each year fix. The meeting may be held either at a place, within or without the state of Delaware, or by means of remote communication, as the board of directors in its sole discretion may determine. Any other proper business may be transacted at the annual meeting.
- 2.2 **Special Meetings.** Special meetings of stockholders for any purpose or purposes may be called at any time by the board of directors or the chief executive officer, but such special meetings may not be called by any other person or persons. Business transacted at any special meeting of the stockholders is limited to the purpose or purposes stated in the notice of the meeting. The special meeting may be held either at a place, within or without the state of Delaware, or by means of remote communication, as the board of directors in its sole discretion may determine.
- 2.3 **Notice of Meetings.**
- (a) Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given in writing or by electronic transmission in the manner provided by law stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in

the case of a special meeting, the purpose or purposes for which the meeting is called.

- (b) Unless otherwise provided by law, the written notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting.
- (c) If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice by electronic transmission shall be deemed given:
 - (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;
 - (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;
 - (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of:
 - (1) such posting; and
 - (2) the giving of such separate notice; and
 - (iv) if by any other form of electronic transmission, when directed to the stockholder.
- (d) Any stockholder may waive notice of any meeting of stockholders pursuant to Section 8.4 of these bylaws.

2.4 **Adjournments.** When a meeting of stockholders, annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. After the adjournment, the board of directors may fix a new record date for notice of such adjourned meeting in accordance with law, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.5 **Quorum.** At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these bylaws, the holders of a majority of the outstanding shares of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum. In the absence of a quorum, the stockholders so present may,

by majority vote, adjourn the meeting from time to time in the manner provided in Section 2.4 of these bylaws until a quorum shall be present. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

- 2.6 **Organization.** Meetings of stockholders shall be presided over by the chair of the board of directors, or, in the absence of such person, such person as the board of directors may designate. The secretary shall act as secretary of the meeting, but in the absence of the secretary, the chair of the meeting may appoint any person to act as secretary of the meeting.
- 2.7 **Voting; Proxies.** Unless otherwise provided by the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the secretary of the corporation. Unless otherwise provided by law, the certificate of incorporation or these bylaws:
- (a) In all matters other than the election of directors, the affirmative vote of the majority of shares of stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders;
 - (b) Members of the board of directors shall be elected by a plurality of the votes cast of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors; and
 - (c) Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, in all matters other than the election of members of the board of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series.

A bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of members of the board of directors shall not be further amended or repealed by the board of directors.

2.8 Fixing Date for Determination of Stockholders of Record.

- (a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.
- (b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by the law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.
- (c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall

not be more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

- 2.9 **List of Stockholders Entitled to Vote.** The secretary shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Nothing contained in this Section 2.9 shall require the corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination by any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled by this Section 2.9 to examine the list required by this Section 2.9 or to vote in person or by proxy at any meeting of the stockholders.
- 2.10 **Inspectors at Meetings of Stockholders.** The board of directors, in advance of any meeting of stockholders, may, and shall if required by law, appoint one or more inspectors, who may be employees of the corporation, to act at the meeting or any adjournment thereof and make a written report thereof. The board of directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting, the existence of a quorum and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the board of directors, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the

meeting. No ballot, proxies, votes or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election.

- 2.11 **Action by Consent of Stockholders.** Unless otherwise provided in the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the secretary at the principal executive office of the corporation. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Every written consent shall bear the date of the signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered to the secretary at the principal executive office of the corporation (or such shorter period as is described in the written consent), written consents signed by a sufficient number of holders to take action are delivered to the secretary.

Article 3

Board of Directors

- 3.1 **General Powers.** The business and affairs of the corporation shall be managed by or under the direction of its board of directors, except as may be otherwise provided under law or the corporation's certificate of incorporation.
- 3.2 **Number; Qualifications.** The number of directors, each of whom shall be a natural person, shall not be less than one or more than nine, as determined from time to time by resolution of the board of directors. Directors need not be stockholders. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.
- 3.3 **Election; Resignation.** Except as provided in Section 3.5 of these bylaws, the directors shall be elected at the annual meeting of stockholders. Except as otherwise provided by law, the certificate of incorporation or these bylaws, each director elected will serve until his or her successor is elected and qualified or until such director's earlier resignation or removal. Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. A resignation is effective when the resignation is delivered, unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events.

- 3.4 **Removal.** Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the certificate of incorporation, this Section 3.4 shall apply, in respect to the removal of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole.
- 3.5 **Newly Created Directorships and Vacancies.** Any newly created directorships resulting from an increase in the authorized number of directors and any vacancies occurring on the board of directors shall be filled by the affirmative votes of a majority of the other directors. A director elected to fill a vacancy shall be elected to hold office until the expiration of the term of the director whom he or she replaced, unless he or she resigns or is removed before the expiration of the term.
- 3.6 **Meetings.** Meetings of the board of directors may be held from time to time as provided in the certificate of incorporation or these bylaws at any place within or without the state of Delaware that the board of directors selects, or solely by one or more means of remote communication. Meetings of the board of directors may be called by the chair of the board, the chief executive officer, by the acting chief executive officer in the absence of the chief executive officer or by any two directors (one of which must include the chair of the board or the chief executive officer), in which case the person or persons calling such meeting may fix the date, time, and place thereof, either within or without the state of Delaware, and shall cause notice of the meeting to be given.
- 3.7 **Notice of Meetings.**
- (a) If the date, time, and place of a meeting of the board of directors have been provided in the certificate of incorporation or these bylaws, or announced at a previous meeting of the board of directors, no notice is required. In all other cases, ten days' notice of meetings of the board of directors, stating the date, time, and place of the meeting and any other information required by law or desired by the person or persons calling the meeting, shall be given to each director. Any director may waive notice of any meeting of the board of directors pursuant to Section 8.4 of these bylaws.
 - (b) Notice of all meetings shall be given either by oral communication, by mailing a copy of the notice to an address designated by the director or to the last known address of the director, by depositing with a nationally recognized overnight delivery service for overnight delivery (or, if overnight delivery to the director is not available, for delivery as promptly as practicable) to the director at an address designated by the director or at the last known address of the director, by handing a copy to the director, or by any other delivery that conforms to law, including, without limitation, electronic communication if consent is given by a director. Notice is deemed received when it is given. Notice by mail is given when deposited in the United States mail with sufficient postage affixed. Notice by deposit for overnight delivery (or, if overnight delivery is not available, for delivery as promptly as practicable) is given when deposited for delivery with a

nationally recognized overnight delivery service after having made sufficient arrangements for payment by the corporation. Notice by electronic communication is deemed given if by:

- (i) facsimile communication, when directed to a telephone number at which the director has consented to receive notice;
 - (ii) electronic mail, when directed to an electronic mail address at which the director has consented to receive notice; and
 - (iii) any other form of electronic communication by which the director has consented to receive notice, when directed to the director.
- (c) Consent by a director to notice given by electronic communication may be given in writing or by authenticated electronic communication. Any consent so given may be relied upon until revoked by the director, provided that no revocation affects the validity of any notice given before receipt of revocation of the consent.

- 3.8 **Delivery of Agenda.** For the purpose of allowing adequate time for the directors to obtain information and consider each action to be taken at a meeting of the board of directors, the secretary shall provide a proposed agenda to each director no later than ten days before the date of the meeting specifying each business item to be discussed at the meeting. If a proposal for an item is not provided in such agenda, then no discussion may be held on such item at that meeting. Notwithstanding the foregoing, the requirements of this Section 3.8 may be waived by unanimous approval of those directors present at the meeting (whether in person or by remote communication). Attendance of a director at a meeting shall constitute a waiver of the requirements of this Section 3.8, except when a director attending the meeting expressly objects at the beginning of a discussion of a business item because such item was not on the agenda and does not participate thereafter in the discussion of such business item.
- 3.9 **Meetings by Remote Communication.** Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors may participate in a meeting of the board of directors by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.9 shall constitute presence in person at the meeting.
- 3.10 **Adjourned Meetings.** A majority of the directors present at any meeting of the board of directors, including an adjourned meeting, whether or not a quorum is present, may adjourn and reconvene such meeting to another time and place. At least 24 hours' notice of any adjourned meeting of the board of directors shall be given to each director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.7 of these bylaws other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

- 3.11 **Quorum; Vote Required for Action.** At all meetings of the board of directors a majority of the total number of directors shall constitute a quorum for the transaction of business unless the certificate of incorporation requires a greater number. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors unless the certificate of incorporation or these bylaws requires a vote of a greater number.
- 3.12 **Organization.** Meetings of the board of directors shall be presided over by the chair of the board of directors, if any, or in the chair's absence another director selected by the board of directors shall preside. The corporation's secretary shall act as secretary of the meeting, but in the secretary's absence the chair of the meeting may appoint any person to act as secretary of the meeting.
- 3.13 **Action Without Meeting.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting if all members of the board of directors consent thereto in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the board of directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.
- 3.14 **Chairperson.** The board of directors may elect a chair of the board of directors who, if elected, shall preside at all meetings of the stockholders and of the board of directors and shall perform such other duties as may be prescribed by the board of directors from time to time. The chair of the board of directors shall not be deemed to be an officer or employee of the corporation solely by serving as the chair of the board of directors.
- 3.15 **Vice Chair Person.** The board of directors may elect a vice chair of the board of directors who, if elected, shall, in the absence of the chair of the board of directors, preside at all meetings of the stockholders and of the board of directors and shall perform such other duties as may be prescribed by the chair of the board of directors from time to time. The vice chair of the board of directors shall not be deemed to be an officer or employee of the Company solely by serving as the vice chair of the board of directors.

Article 4

Committees

- 4.1 **Number; Appointment; Resignation; Removal.** The board of directors may designate one or more committees, each committee to consist solely of one or more of the directors of the corporation. Each director shall remain on a committee until his or her successor is elected and qualified or until such director's earlier resignation or removal. Any director may resign from a committee at any time upon written notice to the corporation. The resignation is effective without acceptance when the notice is given to the corporation, unless a later effective date is specified in the notice. Any director may be removed from a committee at any time, with or without cause, by a resolution of the board of directors.

- 4.2 **Powers.** Any such committee shall, to the extent provided in the resolution of the board of directors or these bylaws, have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation.
- 4.3 **Rules and Records.** Unless the board of directors otherwise provides, the committee may make and adopt such rules and regulations governing its proceedings as it may deem proper and which are consistent with the certificate of incorporation, these bylaws and any applicable laws or regulations. Records, if any, of actions and proceedings of the committee shall be made available upon request to any director.
- 4.4 **Meetings by Remote Communication.** Unless otherwise restricted by the certificate of incorporation or these bylaws, members of any committee may participate in a meeting of such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 4.4 shall constitute presence in person at the meeting.
- 4.5 **Action Without Meeting.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of any committee may be taken without a meeting, if all members of the committee consent thereto in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.
- 4.6 **Subcommittees.** Unless otherwise provided in the certificate of incorporation, these bylaws or the resolution of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

Article 5

Officers

- 5.1 **Officers.** The corporation shall have such officers with such titles and duties as shall be stated in these bylaws or in a resolution of the board of directors which is not inconsistent with these bylaws and as may be necessary to enable it to sign instruments and stock certificates. The chief executive officer, the secretary and any other officers the board of directors deems necessary, shall be chosen in such manner and shall hold their offices for such terms as determined by the board of directors. To the extent authorized in the certificate of incorporation, these bylaws, or a resolution of the board of directors, the chief executive officer may appoint one or more officers, other than the chief financial officer. One of the officers shall have the duty to record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose. Any number of offices may be held by the same person.

- 5.2 **Election; Qualifications; Term of Office; Resignation; Removal; Vacancies.** Each officer shall hold office until his or her successor is elected and qualified or until such officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The resignation is effective without acceptance when the notice is given to the corporation, unless a later effective date is specified in the notice. An officer may be removed at any time, with or without cause, by a resolution of the board of directors. An officer appointed by the chief executive officer may also be removed at any time, with or without cause, by the chief executive officer. To the extent authorized in the certificate of incorporation, these bylaws, or a resolution of the board of directors, the chief executive officer may remove an officer elected or appointed by the board, other than the chief financial officer. A removal as described in this subdivision is without prejudice to any contractual rights of the officer. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors or, to the extent authorized in the certificate of incorporation, these bylaws, or a resolution of the board of directors, the chief executive officer, other than a vacancy occurring in the office of chief financial officer, which shall be filled only by the board of directors.
- 5.3 **Chief Executive Officer.** The corporation shall have a chief executive officer. Unless the certificate of incorporation, these bylaws, or a resolution of the board of directors provide otherwise, the chief executive officer shall:
- (a) have general active management of the business of the corporation;
 - (b) in the absence of the chair of the board and the vice chair of the board or if both such positions are vacant, preside at all meetings of the board of directors and the stockholders;
 - (c) see that all orders and resolutions of the board of directors are carried into effect;
 - (d) sign and deliver in the name of the corporation any deeds, mortgages, bonds, contracts, or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the certificate of incorporation or these bylaws or the board of directors to some other officer or agent of the corporation;
 - (e) maintain records of and, whenever necessary, certify all proceedings of the board of directors and the stockholders; and
 - (f) perform other duties prescribed by the board of directors.
- 5.4 **President.** The chief executive officer shall be deemed to be the president of the corporation, unless a president has been designated by the board of directors. The president shall have the powers and perform the duties as prescribed by the board of directors.

- 5.5 **Vice President(s).** The corporation may have one or more vice president(s). The vice president, if any, or vice presidents in case there be more than one, shall have the powers and perform the duties as prescribed by the board of directors or the chief executive officer.
- 5.6 **Chief Financial Officer.** The corporation may have a chief financial officer. The chief financial officer shall be deemed to be the treasurer of the corporation, unless a treasurer has been designated by the board of directors. Unless the certificate of incorporation, these bylaws, or a resolution of the board of directors provide otherwise, the chief financial officer shall:
- (a) keep accurate financial records for the corporation;
 - (b) deposit all money, drafts, and checks in the name of and to the credit of the corporation in the banks and depositories designated by the board of directors;
 - (c) endorse for deposit all notes, checks, and drafts received by the corporation as ordered by the board of directors, making proper vouchers therefore;
 - (d) disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the board of directors;
 - (e) render to the chief executive officer and the board of directors, whenever requested, an account of all transactions by the chief financial officer and of the financial condition of the corporation; and
 - (f) perform other duties prescribed by the board of directors or the chief executive officer.
- 5.7 **Treasurer.** The corporation may have a treasurer. Unless otherwise determined by the board of directors, the treasurer, if any, shall be the chief financial officer of the corporation. If an officer other than the chief financial officer is designated treasurer, the treasurer shall have such powers and perform such duties as the board of directors or the chief executive officer may prescribe from time to time.
- 5.8 **Secretary.** The corporation shall have a secretary. The secretary shall attend all meetings of the board of directors and of the stockholders and shall maintain records of, and whenever necessary, certify all proceedings of the board of directors and of the stockholders. The secretary shall keep the required records of the corporation, and when so directed by the board of directors or other person or persons authorized to call such meetings, shall give or cause to be given notice of meetings of the stockholders and of meetings of the board of directors. The secretary shall also perform the other duties and have the other powers the board of directors or the chief executive officer may prescribe from time to time.
- 5.9 **Delegation.** Unless prohibited by the certificate of incorporation or these bylaws or a resolution of the board of directors, an officer elected or appointed by the board of directors or the chief executive officer may, without the approval of the board of

directors, delegate some or all of the duties and powers of an office to other persons. An officer who delegates the duties or powers of an office remains subject to the standard of conduct for an officer with respect to the discharge of all duties and powers so deleted.

Article 6

Stock

- 6.1 **Certificates.** The shares of the corporation's stock may be certificated or uncertificated, as provided under Delaware General Corporation Law. All certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman or the Chief Executive Officer or the President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.
- 6.2 **Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates or Uncertificated Shares.** The corporation may issue a new certificate of stock or uncertificated shares in place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.
- 6.3 **Transfers of Stock.** Transfers of stock shall be made on the books of the corporation only by the record holder of such stock, or by attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon surrender of the certificate. In the case of a transfer of uncertificated shares, the authorized transferee shall provide proper transfer instructions to the corporation or the transfer agent of the corporation.
- 6.4 **Holder of Record.** Except as expressly provided by applicable law, the corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof.
- 6.5 **Transfer Agents and Registrars.** The board of directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

Article 7

Indemnification

- 7.1 **Right to Indemnification of Directors and Officers.** The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a “proceeding”), by reason of the fact that the person, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such proceeding if the person acted in good faith and in a manner the person reasonably believed to be in the or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful. Except for successful claims brought under Section 7.3 of these bylaws, the corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) was authorized by the board of directors.
- 7.2 **Prepayment of Expenses.** The corporation shall pay the expenses (including attorney fees) incurred by an officer or director in defending any proceeding in advance of its final disposition upon receipt of an undertaking by the officer or director to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified under this Article 7 or otherwise. Such expenses (including attorney fees) incurred by former directors and officers or other employees and agents of the corporation or by persons serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.
- 7.3 **Claims.** If a claim for indemnification or payment of expenses under this Article 7 is not paid in full within 60 days after a written claim therefor by the person has been received by the corporation, the person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the person is not entitled to the requested indemnification or payment of expenses under applicable law.
- 7.4 **Nonexclusivity of Rights.** The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 7, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office.

- 7.5 **Other Sources.** The corporation's obligation, if any, to indemnify or to advance expenses to any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, or other enterprise.
- 7.6 **Amendment or Repeal.** A right to indemnification or to advancement of expenses arising under a provision of the certificate of incorporation or this Article 7 shall not be eliminated or impaired by an amendment to such provision after the occurrence of the act or omission that is the subject of the proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.
- 7.7 **Other Indemnification and Prepayment of Expenses.** This Article 7 shall not limit the right of the corporation, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, to indemnify and to advance expenses to any other persons when and as authorized by appropriate corporate action.

Article 8

Miscellaneous

- 8.1 **Definitions.** The words, terms and phrases used, but not otherwise defined in these bylaws, shall have the meaning ascribed to them in the Delaware General Corporation Law.
- 8.2 **Seal.** The corporation shall have the power to have a corporate seal, which may be altered from time to time by the board of directors. Any such corporate seal (a) shall have the name of the corporation inscribed thereon and (b) may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.
- 8.3 **Fiscal Year.** The fiscal year of the corporation shall be determined by the board of directors.
- 8.4 **Waiver of Notice.** Whenever notice is required to be given under the Delaware General Corporation Law, the certificate of incorporation or these bylaws, a written waiver of notice, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission.

- 8.5 **Form of Records.** Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, or method provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to any provision of the Delaware General Corporation Law.
- 8.6 **Dividends.** Subject to applicable law and the certificate of incorporation, dividends upon the shares of capital stock of the corporation may be declared by the board of directors at any regular or special meeting of the board of directors. Dividends may be paid in cash, in property or in shares of the corporation's capital stock, unless otherwise provided by applicable law or the certificate of incorporation.
- 8.7 **Amendment of Bylaws.** The power to adopt, amend or repeal bylaws shall be in the stockholders entitled to vote. If permitted in the certificate of incorporation, these bylaws may be amended or repealed, and new bylaws adopted, by the board of directors. The fact that such power has been conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.
- 8.8 **Exclusive Forum.** Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the corporation to the corporation or the corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provisions of these bylaws.

The undersigned, Secretary of National American University Holdings, Inc., a Delaware corporation, does hereby certify that the foregoing amended and restated bylaws are the bylaws adopted for the corporation by its board of directors at a meeting held on August 27, 2012.

/s/ Samuel D. Kerr
Dr. Samuel D. Kerr, Secretary