National American University Holdings, Inc.

A Delaware Corporation

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

SIC Code:
822101

Quarterly Report

For Quarter Ending November 30, 2019

The number of shares outstanding of our Common Stock is 24,715,295 as of November 30, 2019
The number of shares outstanding of our Common Stock was 24,522,653 as of November 30, 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 QUARTER ENDED NOVEMBER 30, 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.otcmarkets.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.

Part A General Company Information

Item 1 Exact name of the issuer and the address of its 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

Item 2 Shares outstanding.

Common Stock

	November 30, 2019	May 31, 2019
Number of Shares Authorized	50,000,000	50,000,000
Number of Shares Outstanding	24,715,295	24,650,083
Total Number of Shareholders of Record	41	41

The Company has 544 beneficial shareholders of record owning at least 100 shares.

Preferred Stock

	November 30, 2019	May 31, 2019
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

	November 30, 2019	May 31, 2019
Number of Shares Authorized	100,000	100,000
Number of Shares Outstanding	0	0
Total Number of Shareholders of Record	0	0

Item 3 Interim financial statements.

The following pages contain National American University Holdings, Inc.'s quarterly consolidated balance sheet, consolidated statement of operations, and consolidated statements of cash flow.

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(In thousands)

	Six Months Ended November 30,		Three Months Ended November 30,	
	2019	**2018**	**2019**	**2018**
REVENUE:				
Academic revenue	$ 12,585	$ 28,559	$ 5,655	$ 13,879
Auxiliary revenue	577	1,405	242	678
Rental income -- apartments	597	697	250	346
Condominium sales	-	439	-	214
Other real estate income	110	103	58	51
Total revenue	13,869	31,203	6,205	15,168
OPERATING EXPENSES:				
Cost of educational services	5,227	11,767	2,125	5,413
Selling, general, and administrative	11,819	24,205	5,327	11,133
Auxiliary expense	313	972	137	471
Cost of condominium sales	-	354	-	165
Loss on course development impairment	-	3,099	-	3,099
Loss on impairment and disposition of property and equipment	(4,809)	6,438	(4,944)	5,841
Total operating expenses	12,550	46,835	2,645	26,122
OPERATING LOSS	1,319	(15,632)	3,560	(10,954)
OTHER INCOME (EXPENSE):				
Interest income	100	63	50	32
Interest expense	(869)	(565)	(408)	(282)
Other expense -- net	(19)	(82)	(38)	(83)
Total other expense	(788)	(584)	(396)	(333)
Loss from Continuting Operations before Income Taxes	531	(16,216)	3,164	(11,287)
Income Tax (Expense) Benefit	-	(18)	7	(10)
NET LOSS	531	(16,234)	3,171	(11,297)
Net Income Attributable to Non-Conrolling Interest	(5)	(27)	3	(10)
NET LOSS ATTRIBUTABLE TO				
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES	526	(16,261)	3,174	(11,307)
OTHER COMPREHENSIVE GAIN, NET OF TAX				
Unrealized losses on investments, net of tax benefit	-	-	-	-
COMPREHENSIVE LOSS ATTRIBUTABLE TO				
NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES	$ 526	$ (16,261)	$ 3,174	$ (11,307)

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET AS OF NOVEMBER 30, 2019 AND CONSOLIDATED BALANCE SHEET AS OF MAY 31, 2019

(In thousands)

ASSETS	**November 30, 2019**	**May 31, 2019**
CURRENT ASSETS:		
Cash and cash equivalents	$ 186	$ 1,335
Student receivables -- net of allowance of $149 and $251	-	-
at November 30, 2019 and May 31, 2019 respectively	684	800
Other receivables	202	132
Income taxes receivable	4	6
Prepaid and other current assets	631	819
Total current assets	1,707	3,092
Total property and equipment -- net	14,494	15,876
OTHER ASSETS:		
Restricted certificates of deposit	7,552	15,625
Condominium inventory	-	-
Land held for future development	414	414
Course development -- net of accumulated amortization of $2,536 and $2,338		
at November 30, 2019 and May 31, 2019 respectively	1,167	1,332
Goodwill	363	363
Other intangibles -- net of accumulated amortization of $91 and $64		
at November 30, 2019 and May 31, 2019 respectively	138	165
Other	1,243	1,178
Total other assets	10,877	19,077
TOTAL	$ 27,078	$ 38,045
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of capital lease payable	$ 460	$ 432
Current portion of long-term debt	-	800
Current portion of lease acceleration payable	1,776	2,460
Short-term related party note payable	-	-
Accounts payable	7,979	4,887
Income taxes payable	31	31
Deferred revenue	2,090	3,290
Accrued and other liabilities	1,623	2,134
Total current liabilities	13,959	14,034
OTHER LONG-TERM LIABILITIES	343	395
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	10,189	10,425
LONG-TERM DEBT, NET OF CURRENT PORTION	8,237	15,700
LEASE ACCELERATION PAYABLE, NET OF CURRENT PORTION	2,557	5,649
STOCKHOLDERS' EQUITY:		
Common Stock, $0.0001 par value (50,000,000 authorized; 29,174,787 issued and		
24,715,295 outstanding as of November 30, 2019; 29,053,894 issued and 24,650,083		
outstanding as of May 31, 2019)	3	3
Additional paid-in capital	59,453	59,476
Accumulated deficit	(45,147)	(45,209)
Treasury stock, at cost (4,524,704 shares at November 30, 2019 and 4,432,160		
shares at May 31, 2019)	(22,516)	(22,510)
Total National American University Holdings, Inc. stockholders' equity	(8,207)	(8,240)
Non-controlling interest	-	82
Total stockholders' equity	(8,207)	(8,158)
TOTAL	$ 27,078	$ 38,045

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

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018

(In thousands)

	Six Months Ended November 30, 2019	Six Months Ended November 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss from Continuing Operations	$ 531	$ (4,937)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation and amortization	1,056	1,054
Loss on course development impairment	-	-
Loss on impairment and disposition of property	(231)	597
Provision for uncollectible tuition	93	425
Noncash compensation expense	(23)	32
Change in assets and liabilities:		
Student and other receivables	(47)	(936)
Prepaid and other current assets	189	658
Condominium inventory	-	191
Other assets	10	(354)
Income taxes receivable/payable	2	107
Accounts payable	3,799	1,154
Deferred revenue	(1,200)	364
Accrued and other liabilities	(511)	190
Other long-term liabilities	(6,758)	(338)
Net cash flows used in operating activities	(3,090)	(1,793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available for sale investments	(28)	-
Proceeds from sale of investments	8,100	-
Purchases of property and equipment	87	(201)
Proceeds from sale of property and equipment	2,985	2
Course Development	(32)	(4)
Other	(695)	8
Net cash flows used in investing activities	10,417	(195)
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings (Repayments) of capital lease payable	(772)	(89)
Borrowings (Repayments) of long-term debt	(7,699)	-
Borrowings (Repayments) of short-term debt	-	-
Purchase of treasury stock	(5)	-
Dividends Paid	-	-
Net cash flows used in financing activities	(8,476)	(89)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,149)	(2,077)
CASH AND CASH EQUIVALENTS -- Beginning of year	1,335	5,324
CASH AND CASH EQUIVALENTS -- End of year	$ 186	$ 3,247
BALANCE SHEET RECONCILIATION -- CASH AND CASH EQUIVALENTS	$ 186	$ 3,247
RESTRICTED CASH	7,552	9,250
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 7,738	$ 12,497

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

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 accompanying unaudited 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 quarter ended November 30, 2019, cash provided in operating activities was $3,089 thousand and unrestricted cash and cash equivalents decreased by $1,149 thousand from May 31, 2019. As of November 30, 2019, the Company had $186 thousand of unrestricted cash and cash equivalents, working capital deficiency of $12 million, and a negative total stockholder's equity of $8.2 million.

During the quarter ended November 30, 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 November 30, 2019, three 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.

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.

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 thousand dollars with an expected life of greater than one year are capitalized, while repairs and maintenance are expensed when incurred. Upon the retirement, sale or disposition of assets, costs and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in loss on impairment and disposition of property. 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.

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.

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 November 30, 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

Advertising - The University follows the policy of expensing the cost of advertising as incurred. Advertising costs 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 November 30, 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

November 30, 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 November 30, 2019, four ground campus locations continue to be operational, and the Company expects the operating leases associated with three 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 fourth 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 November 30, 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:

	Six Months Ended November 30, 2019	Three Months Ended November 30, 2019
Academic revenue	$ 12,585	$ 5,655
Auxiliary revenue	577	242
Real Estate revenue	707	308
Consolidated revenue	$ 13,869	$ 6,205

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:

	Six Months Ended November 30, 2019	Three Months Ended November 30, 2019
Services transferred over time:		
Academic revenue (transferred over academic term)	12,585	5,655
Rental income (transferred over rental period)	597	250
	$ 13,182	$ 5,905
Services transferred at a point in time:		
Auxiliary revenue	577	242
Other real estate income	110	58
Condominium sales	-	
	$ 687	$ 300
Total revenue	$ 13,869	$ 6,205

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:

	Six Months Ended November 30, 2019	Six Months Ended November 30, 2018
Student accounts receivable	833	2,256
Less allowance for doubtful accounts	(149)	(487)
Student receivable, net	$ 684	$ 1,769

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 in the consolidated financial statements.

Upon management's review of assets for impairment, there was no impairment charge recorded for the quarter ended November 30, 2019.

8. 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 at November 30, 2019. 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 an $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 November 30, 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.

As of November 30, 2019 the certificates of deposit were liquidated and the $8,000 note was paid in full.

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 18).

At November 30, 2019, the restricted cash balance on the balance sheet includes $150 held as a certificate of deposit by Great Western Bank to collateralize the Company's purchasing card; and $7,375 held as a certificate of deposit for the Black Hills Community Bank N.A. letter of credit.

9. LEASES

The University leases building facilities for branch operations and equipment for classroom operations under operating leases with various terms and conditions. Future minimum lease payments on non-cancelable operating leases for the future fiscal years ending May 31 are as follows:

2020	$ 2,546
2021	2,039
2022	1,742
2023	1,263
2024	576
Thereafter	681

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 $16.2 as of November 30, 2019; had a net present value of $10.6 million as of November 30, 2019; and was recognized as current capital lease payable of $460 at November 30, 2019.

The following is a schedule of future minimum commitments under the capital lease obligation as of November 30, 2019:

2020	$ 608
2021	1,231
2022	1,255
2023	1,280
2024	1,306
Thereafter	10,530
Total future minimum lease obligation	$ 16,210
Less: Imputed interest of capital leases	(5,561)
Net present value of lease obligations	$ 10,649

10. 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, 24,715,295 and 24,650,083 shares of common stock were outstanding as of November 30, 2019 and May 31, 2019, respectively. No shares of preferred stock or Class A common stock were outstanding at November 30, 2019 and May 31, 2019.

Stock-Based Compensation

At November 30, 2019 the Company had 78,806 unissued shares under its 2009 Stock Option and Compensation Plan that expired on December 1, 2019. At November 30, 2019 the Company had 1,517,014 shares available for future grants under its 2018 Stock Option and Compensation Plan (the "2018 Plan"). The Company may grant restricted stock awards, restricted stock units and stock options to aid in recruiting and retaining employees, officers, directors and other consultants under the 2018 Plan.

Restricted stock

The Company had 45,454 restricted stock shares with a weighted average grant date fair value of $0.88 per share that vested on October 9, 2019. There are no restricted stock awards outstanding at November 30, 2019. Stock compensation expense totaling $4 was recorded in the condensed consolidated statements of operations and comprehensive loss during the quarter ended November 30, 2019. Year to date, stock compensation of $14 was reduced by $38 due to cancellation of 68,181nonvested shares during the first quarter. The result was a net credit of $24 in the condensed consolidated statements of operations and comprehensive loss through the year to date period ended November 30, 2019.

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 income as operating expense based on their fair value over the requisite service period.

No stock options were issued, exercised or forfeited during the quarter ended August 31, 2019. During the quarter ended November 30, 2019 stock options to purchase 29,375 shares were issued to employees of the Company. The stock options granted have an exercise price of $0.05 per share and a weighted average fair value of $0.044 per share. The assumptions used in calculating the fair value using a Black Scholes valuation model are:

Expected Term	5.75 years
Expected Volatility	129.04%
Weighted average risk-free interest rate	1.64%
Weighted average expected dividend rate	0.00%

A summary of outstanding stock options at November 30, 2019:

		Shares	Weighted Average Exercise Price	Average Life (years)	Intrinsic Value (000's)
Outstanding at May 31, 2019		162,204	$2.87	6.7	$1
Granted		29,375	0.05		
Exercised		-	-		
Forfeited	¤	(10,625)	2.54		
Outstanding at November 30, 2019		180,954	2.43	6.8	-
Exercisable at November 30, 2019		121,579	3.59	5.4	-

The Company recorded compensation expense for stock options of $0.3 and $0.5 for the three months and six months, respectively, ended November 30, 2019 in the consolidated statements of operations and comprehensive loss. Unamortized compensation associated with stock options at November 30, 2019 was $2.0 with a remaining amortization of 1.4 years.

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

11. EMPLOYEE COMPENSATION PLAN

Employee Benefit Plan Payable - The Company sponsors a 401(k) plan for its University employees, which provides for a discretionary match, net of forfeitures, of up to 5%. The University uses certain consistently applied operating ratios to determine contributions. The University's matching contributions paid were $0 during quarter ended November 30, 2019. At November 30, 2019 there were $75k accrued 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.

12. SELF-INSURED HEALTH INSURANCE

The Company maintains a self-insured health insurance plan for employees. Under this plan, the Company pays a monthly fee to its administrator, as well as claims submitted by its participants. 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 $293 at November 30, 2019. Such liability is reported with accrued and other liabilities in the consolidated balance sheets.

13. INCOME TAXES

As of November 30, 2019, the Company had net operating loss ("NOL") carryforwards of approximately $27 million federal and $16 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.

14. EARNINGS (LOSSES) PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income attributable to the Company by the weighted average number of shares of common stock outstanding during the 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:

	Six Months Ended November 30,		Three Months Ended November 30,	
	2019	2018	2019	2018
Numerator:				
Net loss attributable to National American University Holdings, Inc.	$ 526	$ (16,261)	$ 3,174	$ (11,307)
Denominator:				
Weighted average shares outstanding used to compute basic net income per common share	24,673,306	24,344,052	24,689,446	24,389,841
Incremental shares issueable upon the assumed exercise of stock options	-	-	-	-
Incremental shares issueable upon the assumed vesting of restricted shares	-	-	-	-
Common shares use to compute diluted net income per share	24,673,306	24,344,052	24,689,446	24,389,841
Basic net loss per common share	0.02	(0.67)	0.13	(0.46)
Diluted net loss per common share	0.02	(0.67)	0.13	(0.46)

A total of 180,954 shares of common stock subject to issuance upon exercise of stock options for the quarter ended November 30, 2019 have been excluded from the calculation of diluted EPS as the effect would have been anti-dilutive.

15. 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 quarter ended November 30, 2019, as shown in the underlying calculation:

	November 30, 2019				May 31, 2019		
Title IV HEA funds received	$ 9,496				$ 39,555		
		=	74.54%			=	78.21%
Academic revenue	$ 12,739				$ 50,578		

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 reviews and concludes on 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%.

16. COMMITMENTS AND CONTINGENCIES

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

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

17. BUSINESS ACQUISITION AND INTANGIBLE ASSETS

On March 21, 2018, the Company acquired substantially all of the assets of Henley-Putnam University ("HPU"), a for profit postsecondary educational institution that offers 100% online programs focused in the field of strategic security, for a cash payment of $1,933. 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 is efforts was limited. Upon review of HPU's programs and operations, the Company found that acquiring HPU was in alignment with its strategic initiative to expand academic offerings and support services to the Company's armed forces student population; approximately 25% of the University's student population are active-duty service members, veterans, or dependents of active-duty service members or veterans.

The 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	$ 1,269

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
	$ 229	$ (64)	$ 165
2018			
Student relationships	$ 157	$ (18)	$ 139
Brand name	72	(4)	68
	$ 229	$ (22)	$ 207

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

FY 2020	$ 54
FY 2021	54
FY 2022	34
FY 2023	23
	$ 165

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.

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 November 30, 2019 are restricted by borrowing arrangements. See further information in Note 8 to these consolidated financial statements.

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

18. 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:

	Six Months Ended November 30, 2019			Six Months Ended November 30, 2018		
	NAU	Other	Consolidated	NAU	Other	Consolidated
Revenue:						
Academic	$ 12,585	$ -	$ 12,585	$ 28,559	$ -	$ 28,559
Auxiliary	577	-	577	1,405	-	1,405
Rental income -apartments	-	597	597	-	697	697
Condominium sales	-	-	-	-	439	439
Other real estate income	-	110	110	-	103	103
Total revenue	13,162	707	13,869	29,964	1,239	31,203
Operating expenses:						
Cost of educational services	5,227	-	5,227	11,767	-	11,767
Selling, general, & administrative	10,901	918	11,819	23,158	1,047	24,205
Auxiliary expense	313	-	313	972	-	972
Cost of condominium sales	-	-	-	-	354	354
Loss on course development impairment	-	-	-	3,099	-	3,099
Loss on impairment and disposition of property	(2,408)	(2,401)	(4,809)	6,438	-	6,438
Total operating expenses	14,034	(1,484)	12,550	45,434	1,401	46,835
Operating Loss	(872)	2,191	1,319	(15,470)	(162)	(15,632)
Other income (expense):						
Interest income	36	64	100	12	51	63
Interest expense	(749)	(120)	(869)	(404)	(161)	(565)
Other expense -net	(19)	-	(19)	(82)	-	(82)
Total other expense	(732)	(56)	(788)	(474)	(110)	(584)
Loss before income taxes	$ (1,604)	$ 2,135	$ 531	$ (15,944)	$ (272)	$ (16,216)

	Six Months Ended November 30, 2019			Six Months Ended November 30, 2018		
	NAU	Other	Consolidated	NAU	Other	Consolidated
Total assets	$ 19,129	$ 7,949	$ 27,078	$ 24,938	$ 13,107	$ 38,045

19. SUBSEQUENT EVENT

There were no subsequent events.

Item 4 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 November 30, 2019, and November 30, 2018, by degree type and by instructional delivery method.

	November 30, 2019		November 30, 2018		
	Fall 2019 Term		Fall 2018 Term		
	Number of Students	% of Total	Number of Students	% of Total	YOY % Change
Doctoral	97	4.3%	185	4.0%	-47.6%
Graduate	313	13.8%	436	9.3%	-28.2%
Undergraduate & Diploma	1,864	82.0%	4,057	86.7%	-54.1%
Total	2,274	100.0%	4,678	100.0%	-51.4%
On-Campus	206	9.1%	693	14.8%	-70.3%
Online	2,068	90.9%	3,985	85.2%	-48.1%
Total	2,274	100.0%	4,678	100.0%	-51.4%

We experienced a 51.4% decline in enrollment in fall term 2019 from fall term 2018. The undergraduate and diploma degree education programs had a 54.1% decline while the master's programs had a 28.2% decline and the doctoral programs had a 47.6% decline, over the prior year. 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.

Item 5 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 6 Defaults upon senior securities.

There are currently no defaults upon senior securities.

Item 7 Other information.

None.

Item 8 Exhibits.

None.

Item 9 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 quarterly 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: 11/14/2019

/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 quarterly 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: 11/14/2019

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