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COMPANY INTERVIEW

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Greenwood Hall Inc. (OTCMKTS:ELRN)

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Greenwood Hall Inc. (OTCMKTS:ELRN)



JOHN ROBERT HALL, ED.D., is CEO and Co-Founder of Greenwood Hall Inc. Dr. Hall has been integrally involved in the education management, direct response and customer relationship management industries since 1992. At G2 Direct Response Services, Dr. Hall developed and oversaw a professional sales organization that transformed G2 into a leading provider of high-end direct response marketing and corporate outsourcing solutions to high-profile call center clients, including Gemstar-TV Guide, Time Warner Cable, The Walt Disney Company and Sony Pictures. In 1998, Dr. Hall co-founded Greenwood Hall. With locations across the country and over 150 employees, the company has become a market leader in supporting universities throughout the United States in all areas of the student life cycle, including recruitment,

student experience, retention, learning outcomes and financial aid advising. As Greenwood Hall's CEO, Dr. Hall is a sought-after leader in the education-management space. He possesses an unparalleled knowledge of the marketplace coupled with an ability to innovate, extensive industry relationships and a substantial educational background. Dr. Hall is also a respected business leader, successfully incubating and spinning off other well-known education, high-value companies, including enCircle Media — now U.S. Interactive Media. Dr. Hall is a trusted adviser to university presidents across the country in the areas of sustainability, the future of higher education, enrollment management, new markets, overcoming institutional resistance to change and school turnarounds. He has also been a distinguished speaker for groups including the Western Association of Schools and Colleges, United States Distance Learning Association and The Education Alliance. Industry financial analysts, as well as leading authors who write about the higher education marketplace, have also relied upon his unique knowledge of the space. Further, Dr. Hall has published work in the area of higher education oversight as it relates to accreditation, federal and market regulation. Education is not only a profession for Dr. Hall but also a lifelong passion. He serves on the board of trustees of Roosevelt University in Chicago and has mentored college-ready high school students at the Roybal Education Center in downtown Los Angeles since 2010. Dr. Hall, a dedicated lifelong learner, holds a B.A. in political science and an MBA from Pepperdine University, as well as a doctorate of education from the University of Southern California. In addition to his work and education, Dr. Hall is a published author and inspirational speaker about autism and the education of children with special needs. He has been prominently featured on radio and television appearances on ABC, CBS and FOX. Dr. Hall has spoken nationally to thousands of parents, educators, therapists and kids/young adults recovering from autism. Speaking engagements have included major fundraisers, community support groups, therapeutic service providers, school district administrators, universities, service organizations and a major TED event.

SECTOR — BUSINESS SERVICES

(BAA613) TWST: Can you start by explaining for the readers the solutions that Greenwood Hall offers and how they help schools?

Dr. Hall: We are a technology-enabled solution, which basically allow schools to manage their entire student life cycle. What that means is: the people necessary for the execution, the technology, the strategy and the expertise that allow schools to revolutionize how they manage their student life cycle. The student life cycle, just like in business, has to do with the acquisition of customers, or in this case, students, and the retention and ongoing support of those students.

At a quickly increasing rate, schools are putting their academic programs online, and they are expanding their marketplaces, thereby expanding their revenue opportunities by offering degree

programs online to students not only in their geographic areas but across the country and the globe. This shift is allowing schools to increase their enrollment because traditional enrollment has decreased over the last several years. Traditional enrollment refers to the pool of 18-year-olds who graduate from high school and then go to college. That is a declining market, number one.

Number two, we are seeing students demanding the convenience, the accessibility that online education provides. That is for both the traditional student and for the adult or working student. But schools are typically not set up to be able to develop and run that type of enterprise. Schools are very good at teaching, but they are not equipped to provide all the functions that are necessary to do the other parts, everything from marketing to student acquisition to being able to serve and support students on a 24/7 basis in a virtual way.

TWST: The trend toward online education is also in the K-12 area. Do you currently focus exclusively on higher education?

Dr. Hall: We focus exclusively on higher education now, which in itself is a \$1.1 trillion market. In the K-12 market, which you are referring to, another \$3 trillion is spent on that. We focus on higher education. There is a significant market and huge changes taking place in higher education, which really are supportive of our business form of growth. That said, we've built our platform so it can easily be adapted and used for the K-12 market or for corporate education and training, or for various other types of educational opportunities. Our platform, the strategy and the needs are really the same across the board. So that is a market we certainly can tap into as we expand further into higher education, which we think is really the lowest-hanging fruit right now.

"In terms of growth, we recently have announced that we have signed about \$14 million in new business over the last 120 days, and we have announced that we expect 80% to 90% growth in the coming fiscal year, which for us starts on September 1."

TWST: You mentioned changes in higher education, and you talked about traditional versus nontraditional students. What are some of the other trends in higher education, and how are they impacting your business?

Dr. Hall: The biggest trend in higher education is the challenges regarding the cost of that education. I'll give you a sense of what I mean. There is now \$1.3 trillion in student loan debt, and that is larger than credit debt, automobile debt, you name it. It's a big issue, and a lot of students are burdened with it. You hear politicians talking about it quite often. You've seen articles in the newspaper and reports on the news about how college students and college graduates are really suffering. So the cost is a huge issue.

At the same time, the financial model is a huge issue because schools are expensive. They are not able to raise the tuition and raise tuition revenue like they've historically been able to do, and their expenses continue to go up. So revenue and expenses are not in alignment, and the other major issue is ROI for the consumers of education — the students. In terms of the ROI, that is delivered to students based on how much money students pay for their education, and 50% of students on average don't graduate, yet most of them have student loans with average balances exceeding \$30,000. So what's the ROI there?

These issues are part and parcel to what's happening in higher education, and there is such a demand for change and reform that schools are finally hearing the message. Schools understand that they need to take action, and that's where we come in. We enable schools to expand into new marketplaces and take advantage of recruitment opportunities they otherwise would not be able to. So that impacts revenue and online students, who typically can be

supported much more cost-effectively than a student on campus. So that supports the school's financial model. The other thing we do is, we make the student relationship and servicing a lot more efficient for our education partners, so that helps obviously with their operating expenses and how they support their students.

The third thing we do, which is extremely important and is the core thing we do, is we help schools maximize student success. Schools are in business to make sure that their students graduate and have successful outcomes, meaning good-paying jobs and something to show for the money they've spent or borrowed for their education. By supporting students, coaching them, using our technology, methodologies and our people to proactively coach and support students through their entire enrollment, it can help students graduate at a higher rate, and it also can help schools retain students at better rates. That not only has revenue implications, but it also means that schools are able to demonstrate value, and it also frees them up to do more of what they want to do.

TWST: How many schools are you currently partnering with, and what's in the pipeline for the rest of this year?

Dr. Hall: We support about 30 institutions at this point. Our clients, with the exception of one, are all private not-for-profit and public institutions. There has been a lot of, obviously, noise and shifting in for-profit education over the last few years. Our business is not impacted by that in a negative way. It just means that private not-for-profit and public schools have expanded opportunities, larger addressable market share, and we are able to support them in leveraging that. In terms of growth, we recently have announced that we have signed about \$14 million in new business over the last 120 days, and we have announced that we expect 80% to 90% growth in the coming fiscal year, which for us starts on September 1.

TWST: Acquisitions have been part of your growth strategy in the past. What makes something a good acquisition for you?

Dr. Hall: As I mentioned, we are a technology-enabled solution company, and we have a very strong service component, and we utilize a lot of technology to be successful in what we do. What we do not have is a standalone SaaS technology offering, technology that is student-facing, for instance. And one of the things that we've said in the past, and we still believe, is that an acquisition like that could be an exciting opportunity. It really ties with what we are doing. It addresses one of the things that you don't see with pure ed tech, and that is the ability to actually provide technology and services that provide schools with real solutions as well as tangible results relative to the challenges they are facing.

Technology is great, but if schools can't act on that technology and what they are being told by it, it's not very helpful. So by combining our technology-enabled solutions platform with standalone technology that helps schools address their real challenges, we think of that as potentially a powerful story. We think it could be a powerful basis for something in the future, like a potential uplisting or other type of transformative event for the company.

TWST: Do you still have a legacy, noneducation part of the business?

Dr. Hall: We do. We are not growing that part of the business, and it's a lot proportionately less of our revenue, and quarter by quarter, that continues to be the case. So our growth is

really supercharged in the higher education space, and that is the growth we are focused on. We have expanded, over the last seven months, our sales force by 200%. We now have sales resources serving every region of the country. So we are really doubling down on the opportunity of higher education, and that is our focus.

TWST: You announced third-quarter results on July 25. What accounted for the 49% increase in ed tech revenue?

Dr. Hall: Again, it's our growth strategy. We had lot of work to do to fundamentally restructure the business, so it was poised to have a powerful impact in our marketplace. We got that work done at the end of 2015, and since then, we've really been able to focus with a laser precision on new business acquisitions and expanding existing relationships. So as I mentioned, we signed over \$14 million of new business. We are seeing significant increases in our core strategic higher education business, and we've also said that we expect that to continue over the coming fiscal year.

TWST: What is your path toward profitability? What are the next steps toward that goal?

Dr. Hall: The company has an 18-year track record and has been profitable in the past, but obviously, profitability — as we've been going through our structural changes and really getting the company to this point where it's highly focused, where it needs to be, the company incurred significant losses. Change is painful and costly. One thing I'd point to is — and this, obviously, we are seeing in our quarter-three results as well — there is a significant improvement in EBITDA, and that was certainly the case in our last quarterly reporting period. We feel we are getting to a point where the momentum is certainly lending favor to the fact that the company is on a focused path to profitability. I believe we have a strong, robust and much more efficient operating structure for where the business is going, and we think that, at this point, growth is obviously key, and growth increases our economies of scale.

The good news about our business model now is that SG&A does not necessarily proportionally increase as you grow revenue. At this point, a lot of the new business we are bringing in we can address through variable increases in our cost of services without having to significantly increase other areas of overhead to go along with it. So I would say we have good runway in terms of our overhead, and as the business grows and if the company stays focused, as it relates to its very lean and efficient operating infrastructure, then there certainly seems to be a good path toward profitability and certainly a very key goal of the company. If our SG&A does grow, we would like that growth to be tied to further expansion of sales resources.

TWST: Tell us about your background.

Dr. Hall: I was the Co-Founder of this company, founded 18.5 years ago. The company started as a customer relationship management firm, basically providing the types of

solutions it provides now, but outside of higher ed. Over the last several years, we saw a great opportunity in the marketplace to really focus what we're doing for higher ed, and it's something I'm very passionate about personally because I've been a lifelong student. After we got into higher ed about 10 years ago, I went and earned my doctorate in education at USC.

I have also served on the board of trustees for the past five years at Roosevelt University in Chicago, and I sit on a state board as it relates to early education and students with or children with disabilities. So I'm very passionate about education, what it can do for people, how important it is and how important it is to get higher education to the next level. It's a national security issue in my view, besides the economic opportunities it creates for people.

TWST: What are the main points that differentiate you from your competitors?

Dr. Hall: From a client standpoint, our core differentiators are our focus on ROI for our clients and their students, the ability to support the management of the entire student life cycle versus certain pieces, and transparency in what we do and the results our solutions generate. From a market perspective, I think that if you look at public and private comps for our business, you can see that there is a huge delta in our valuation compared to other valuations. I think that, based on the results the company is beginning to show, the momentum the company is showing, it's possible to conclude that the stock is undervalued compared to our logical comps.

Our focus has been ensuring the business has good fundamentals and maximizing the true value of the enterprise versus being front and center in the equity market. We have been doing our work relatively under the radar, so very few investors know of us or our story. Ultimately, we want to provide our shareholders with sustainable stock liquidity and value. Based on the work we are doing, this could be viewed as a real ground-floor opportunity. In that, there is a potential of return like a venture-stage or early startup company that is really working toward making positive impact in an issue that concerns us all — higher education. At the same time, the company has an 18-year track record, has 10-year relationships in higher education, real revenues and a good potential growth trajectory.

TWST: Thank you. (LMR)

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