Annual Report
March 31, 2017

www.scilearn.com

2017 Q1 Chairman Letter

While the awareness of our unique, cognitive based solutions continues to build and the market moves our way, the first quarter of 2017, as expected, finished below a record K-12 sales in the first quarter of 2016. Total sales declined 26% for the quarter following an exceptional and unusual sales quarter in Q1 2016. Q1 continues to be our smallest sales quarter but one of our most important quarters for marketing in K-12 as district school budgets are finalized. We did have an outstanding sales quarter from Fast ForWord Home (our consumer channel) and this continues to be our fastest growing segment, demonstrating market demand and unmet needs from parents.

We continued to concentrate on our strategic focus on learners with the most urgent needs (Special Education, RTI3, ELL, and students of poverty), and we hosted three successful conferences: an in-person brain seminar partnering with Eric Jensen targeted at educational leaders and decision makers, a conference for our International Value Added Partners, and, our annual Visionary Conference directed at our clinical partners. We also had another great quarter in individuals signing up for a free trial of our solution.

In the first quarter, K-12 new business sales declined by 19% as compared to Q1 2016. Although new sales transactions were up over 10% compared to Q1 2016, we were not able to overcome the two large transactions in the prior year Q1. Renewal sales were down in the first quarter of 2017, as the prior year included a large 2-year, early renewal.

After a record Q3 2016, we had a soft finish to the year in Q4 2016 and a soft beginning to 2017. This has put pressure on cash. We are pleased with our strong April sales results, which is the best since 2013, getting us back on our sales plan for the year. Of course, we have two months to go in Q2 but this sales pickup adds support for our confidence in the year. We also have more proposals out on large deals than last year at this time and we expect that large transactions will be important to achieving our goal of getting our business back on the sales growth trajectory.

Since relaunching our free trial program in September 2016, we have seen a tremendous increase in signups from new districts and schools with over 1,800 new requests, up over 160% from last year. This further improved marketing program is allowing new K-12 educators to observe the power of Fast ForWord to quickly impact students' academic performance as well as their behavior and has already contributed over $0.2 million to Q1 2017 sales, more than double the sales from last year. Most importantly, this program is bringing new districts to our solutions which will lead to future expansion opportunities.

The competitive bid we were awarded from the State of Arizona for an ELL Pilot Project involving up to 7,000 students over two years is underway with nearly 3,300 students already enrolled and over 290 teachers and lab coaches trained and using our online solutions. We are very pleased to already see positive results from initial Reading Progress Indicator tests with 5 months of gains after 45 days of use. We expect to book the second year of licenses and services in Q3.

We realized several successes in Q1 from our investment in our partnerships and events. In particular, Dr. Eric Jensen, a very strong voice amongst teachers and educational leaders on the importance of neuroplasticity in improving student performance and a sought after presenter and renowned writer, spoke to targeted educational leaders and districts in the Houston, TX area. Additionally our renowned Director of Neuroscience Research, Dr. Marty Burns was invited to speak at numerous conferences and district events on the subject of the impact of poverty on the brain. We have two more in-person and several more virtual events planned in coordination with Dr. Jensen throughout the remainder of 2017, with the goal to continue to raise awareness about the power and necessity of neuroplasticity in reaching students who struggle the most.

The U.S. K-12 funding environment continues to be positive for most states, and federal funding is stable. However, there is nervousness among school districts about federal funding given the volatility of the dialogue at the national level and this unease will not be resolved until a final budget is approved. Regardless, we are pleased that ESEA was re-authorized and maintains its concentration on subgroups that include our focus areas of Special Education, ELL, and students of poverty. We see no indication that IDEA or Title I funding would be reduced in new budget and these are a major source of funding for our interventions. This improved environment is evident in our pipelines, which continue to be solid with improving quality as our sales organization matures and our marketing programs continue to be focused in

Special Education, RTI 3, ELL, and students of poverty. Additionally, our message of FAST and ENDURING results is gaining traction because of its uniqueness and the exceptional research that allows us to make this claim. We are also gaining traction with our messaging on poverty and the dramatic results our district partners are producing over numerous years. Our message is supported by a tremendous number of independent neuroscience research studies gaining national attention on the impact of poverty on the brain. We are finding that educational leaders and teachers are very interested in examining our solution in the context of poverty and exploring how cognitive interventions help these students close the achievement gap rapidly by quickly improving foundational skills. Additionally, Dr. Eric Jensen's advocacy is also bringing attention and credibility to our unique solutions.

Our Development and Product Management team delivered another significant release in the quarter, providing Self-Service Licensing in Q1 2017. This tool will empower administrators to move student licenses as needed as students transfer schools or as more urgent needs are identified at the district, school, class, or student levels.

Our MSL platform continues to scale beautifully and deliver consistent, scalable access to our unique learning innovations. Today, more than 2.7 million learners have used Scientific Learning software products, and since the introduction of MySciLearn in late 2011, over 700,000 learners have used our products online. Advances in technology and administrator tools, combined with high performance are removing obstacles to using our unique and intense learning interventions. This platform allows access anywhere, anytime in the World as long as the customer has access to the internet.

As previously mentioned, both our strategic and operating plans continue to focus on the students who are not prepared to fully participate in a rigorous academic environment. These are primarily students with specific learning disabilities, autism, dyslexia, students of poverty, and/or English Language Learners. Our solutions produce fast and enduring results among these students who are most in need of help. Additionally, our non-K-12 segments (Consumer/Fast ForWord Home, International, and Private Provider) are focused on these same students, producing important alignment across each of our targeted market segments. We are working hard to execute our plan, and have demonstrated progress in many areas in the first quarter, and due to the seasonal nature of our business we still have our most significant quarters ahead. In the K-12 segment, our plan continues to be concentrated on entering new districts, aided by our free trial initiative, targeting students with the greatest need, proving the efficacy of our solutions, and then expanding. We believe this focus will keep our K-12 business on a growth path for the 2017 fiscal year. As always, Q2 results will very much depend on the amount of year-end money available to districts. We continue to be positive about the year and our pipelines, expecting to realize the majority of our growth in Q3, which is consistent with history. Of course, our cash generation also occurs in the back half of the year.

Financial Highlights:

- Booked sales for the first quarter of 2017 were $1.8 million compared to $2.4 million in the first quarter of 2016.
    - K-12 booked sales were $1.3 million for the first quarter of 2017, a decrease of 26% as compared to the first quarter of 2016. The overall decrease in sales is mostly attributable to a few anomalies in Q1 2016: renewal and expansion sales pulled forward from Q2 2016 and a large 2-year renewal deal. We continue to expect to grow in 2017.
    - Non-K-12 booked sales decreased 28% for the first quarter of 2017 compared to the first quarter of 2016. This decrease was due to a decline in activity in the Private Provider segment and change in timing of International seasonality, now weighted towards Q4; offset by record Consumer business sales at the end of the quarter. We are expecting this segment to continue double digit growth throughout 2017.
- Revenue increased for the first quarter by 1% compared to the first quarter of 2016, driven by increased new subscription and renewal sales over the last 12 months. Subscription revenues were up 11% and now account for 53% of total revenue as of March 31, 2017 compared to 49% in the first quarter of 2016.
- Operating loss in the first quarter was $0.4 million compared to a loss of $0.3 million in the first quarter of 2016, with the increase in revenue offset by investment in Development and Services in 2017. Our teams continue to be resourceful, eliminating unnecessary spending while investing in key areas of the business.

- Net loss in the first quarter of 2017 was $0.7 million compared to a net loss of $1.2 million in the first quarter of 2016. The decrease in the loss is primarily due to a lower valuation charge related to the outstanding common stock warrants, which was charged to interest expense during the quarter.

- We finished the quarter with $1.0 million in cash compared to $2.0 million at the end of the first quarter in 2016.

We remain convinced that Scientific Learning has the necessary ingredients for success. We have a suite of unique, patented learning innovations that produce fast and lasting results. These solutions are now delivered on our robust on-demand platform anytime, anywhere, including the iPad®, Chrome Browser, and Chromebook platforms as additional delivery options. We are serving markets with urgent need and growing accountability requirements. We have talented, dedicated employees committed to our important work. We have significantly reduced and aligned our cost structures to fit our transformation of the business model. Customer satisfaction is up, and more students each day are accessing our solutions on mobile technology as well as using more flexible protocols. We must continue to improve sales productivity through expansion of our existing customers, improving renewal rates, and adding more new school districts. We remain optimistic about the future.

Attached to this letter are our financial statements for the period ending March 31, 2017, as well as the disclosures according to the OTC Disclosure guidelines.

Your continued interest and support is most appreciated.

Robert C. Bowen
Chairman and Chief Executive Officer

Forward-Looking Statements

This letter contains forward-looking statements. Such statements are subject to substantial risks and uncertainties. Actual events or results may differ materially as a result of many factors, including but not limited to: anticipated future sales and financial results, general economic and financial conditions (including current adverse conditions in government budgets and the general economy); availability of funding to purchase the Company's products and generally available to schools, including the amount and duration of federal and state funding; the acceptance of new products and product changes in existing and new markets; acceptance of subscription and other recurring offerings; seasonality and sales cycles in Scientific Learning's markets; competition; the extent to which the Company's development, marketing, sales and implementation strategies are successful; the results from the Company’s free trial program; personnel changes; and the Company's ability to continue to demonstrate the efficacy of its products. The Company disclaims any obligation to update information contained in these forward-looking statements, whether as a result of new information, future events, or otherwise.

SCIENTIFIC LEARNING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 956	$ 2,725
Accounts receivable, net of allowance for doubtful accounts of $20 and $34, respectively	2,037	2,671
Prepaid expense and other current assets	370	399
Total current assets	3,363	5,795
Software development costs and equipment, net	1,732	1,482
Other assets	113	113
Total assets	$ 5,208	$ 7,390
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 352	$ 219
Accrued liabilities	1,502	1,342
Deferred revenue	6,360	8,088
Total current liabilities	8,214	9,649
Deferred revenue, net of current	784	993
Subordinated debt	4,909	4,887
Warrant liability	1,542	1,452
Other liabilities	101	106
Total liabilities	15,550	17,087
Commitments and contingencies (see Note 9 to the consolidated financial statements)		
Stockholders' deficit:		
Common stock $0.001 par value: 40,000,000 authorized, 24,514,755 and 24,508,505 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively, and additional paid-in capital	97,522	97,491
Accumulated deficit	(107,854)	(107,178)
Accumulated other comprehensive loss	(10)	(10)
Total stockholders' deficit	(10,342)	(9,697)
Total liabilities and stockholders' deficit	$ 5,208	$ 7,390

See accompanying notes to consolidated financial statements.

SCIENTIFIC LEARNING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Revenues:		
Subscription	$ 1,996	$ 1,806
License	188	205
Service and support	1,561	1,697
Total revenues	3,745	3,708
Cost of revenues:		
Cost of subscription	214	200
Cost of license	1	6
Cost of service and support	726	678
Total cost of revenues	941	884
Gross profit	2,804	2,824
Operating expenses:		
Sales and marketing	1,705	1,752
Research and development	691	606
General and administrative	819	746
Total operating expenses	3,215	3,104
Operating income (loss)	(411)	(280)
Other expense:		
Interest and other expense, net	(173)	(177)
Change in the fair value of warrants	(90)	(719)
Total interest and other expense, net	(263)	(896)
Loss before provision for income tax	(674)	(1,176)
Provision for income taxes	3	2
Net loss	$ (677)	$ (1,178)
Net loss per share:		
Basic	$ (0.03)	$ (0.05)
Diluted	$ (0.03)	$ (0.05)
Weighted average shares used in computing net loss per share:		
Basic and diluted weighted average shares outstanding	24,515	24,348

See accompanying notes to consolidated financial statements

SCIENTIFIC LEARNING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net loss	$ (677)	$ (1,178)
Other comprehensive loss:		
Foreign currency translation adjustments, net of tax	-	-
Comprehensive loss	$ (677)	$ (1,178)

See accompanying notes to consolidated financial statements.

SCIENTIFIC LEARNING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating Activities:		
Net loss	$ (677)	$ (1,178)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	91	95
Stock based compensation expense	32	55
Amortization of debt discount and deferred debt issuance cost	22	53
Increase in fair value of warrant	90	719
Changes in operating assets and liabilities:		
Accounts receivable	635	(436)
Prepaid expenses and other current assets	6	320
Accounts payable	134	239
Accrued liabilities	160	131
Deferred revenue	(1,939)	(1,275)
Other liabilities	1	1
Net cash used in operating activities	(1,445)	(1,276)
Investing Activities:		
Additions to software development costs and purchases of equipment	(318)	(128)
Net cash used in investing activities	(318)	(128)
Financing Activities:		
Payments under capital lease	(6)	(4)
Net cash used in financing activities	(6)	(4)
Effect of exchange rate changes on cash and cash equivalents	-	-
Increase (decrease) in cash and cash equivalents	(1,769)	(1,408)
Cash and cash equivalents at beginning of period	2,725	3,513
Cash and cash equivalents at end of period	$ 956	$ 2,105
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$ 12	$ 15
Cash paid for interest	$ 1	$ 2

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Description of Business

Scientific Learning Corporation (the "Company") develops, distributes and licenses technology that accelerates learning by improving the processing efficiency of the brain.

The Company's patented products build learning capacity by rigorously and systematically applying neuroscience-based learning principles to improve the fundamental cognitive skills required to read and learn. To facilitate the use of the Company's products, the Company offers a variety of on-site and remote professional and technical services, as well as phone, email and web-based support. The Company sells primarily to K-12 schools in the United States through a direct sales force.

All of the Company's activities are in one operating segment.

The Company was incorporated in 1995 in the State of California and was reincorporated in 1997 in the State of Delaware.

Liquidity

The Company's cash and cash equivalents were $1.0 million at March 31, 2017, compared to cash and cash equivalents of $2.7 million at December 31, 2016. The Company's accounts receivable balance was $2.0 million at March 31, 2017, compared to the accounts receivable balance of $2.7 million at December 31, 2016. In the first three months of 2017, the Company has used $1.5 million in cash from operations.

Historically, the Company has used more cash in its operations during the first half of the year and has improved cash from operations in the second half. This pattern results largely from its seasonally low sales in the first and fourth calendar quarters, which reflects the Company's industry pattern, and the time needed to collect on sales made towards the end of the second quarter. The Company expects that this pattern will continue, and that it will use cash in operations during the first half of 2017. The Company expects that its cash balances, accounts receivable and the use of its line of credit with Bridge Bank will be sufficient to fund the Company's operating requirements through the next twelve months.

Based on the first quarter results and our expected cash use in the first six months of the year, we began to use our line of credit with Bridge Bank during the month of April. The line of credit with Bridge Bank does not have a specific term, and the bank has the right to cancel the line, at any time, and require payment of the balance outstanding. In early May, Bridge Bank notified the Company that they are evaluating our line of credit and whether to renew the line of credit. As of the date of this filing, the Company is working with the bank to satisfy their inquiries. If the line of credit is terminated, the Company would have to obtain new financing from another bank or seek equity or debt financing from its existing or new investors. We are evaluating all these alternatives. However, there can be no assurance that the Company can establish a line of credit or additional financing on terms that are acceptable to the Company.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary in Shanghai, China. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United Sates ("U.S. GAAP"), requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses

during the periods presented. To the extent that there are material differences between these estimates and actual results, the Company's consolidated financial statements could be affected.

Interim Financial Information

The interim consolidated financial information as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 is unaudited, and includes all necessary adjustments, which consisted only of normal recurring adjustments, for a fair presentation of the Company's financial position at such dates and the Company's results of operations and cash flows for those periods. The balance sheet as of December 31, 2016 has been derived from audited consolidated financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles ("GAAP") for annual financial statements. In addition, the results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results for the entire year ending December 31, 2017, or for any other period.

These unaudited, condensed consolidated financial statements and notes should be read in conjunction with the Company's audited consolidated financial statements and notes thereto contained in the Company's Annual Report for the year ended December 31, 2016, filed with the OTC Markets.

Income Statement Significant Fluctuations

Interest and Other Income (expense), net for the three months ended March 31, 2017 decreased $0.6 million as compared to the three months ended March 31, 2016, driven primarily from the change in fair value for the outstanding common stock warrants. The warrant values decreased during the quarter due primarily to the decrease in the Company's stock price. The valuation decreased was charged to Interest Expense. See Note 2 to the consolidated financial statements for further information.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of the Company's results of operations and financial position in the preparation of our condensed consolidated financial statements in conformity with GAAP. We included in our 2016 Annual Report discussion of our critical accounting policies that are particularly important to the presentation of the Company's financial position and results of operations and that require the use of our management's judgment. We have made no material changes to any of the critical accounting policies discussed in our 2016 Annual Report through March 31, 2017.

Net Loss per Share

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution of securities by adding common stock equivalents (computed using the treasury stock method) to the weighted-average number of common shares outstanding during the period, if dilutive.

For the three months ended March 31, 2017, stock options exercisable for 2.4 million shares of common stock along with common stock warrants exercisable for 3 million shares of common stock were excluded from the calculation of diluted net loss per share because their effect is anti-dilutive.

New Accounting Pronouncements Adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability rather than an asset that is amortized. The recognition and measurement guidance for debt issuance costs is not affected by the standards. The Company adopted ASU 2015-03 effective January 1, 2016, retrospectively. Upon adoption, the unamortized debt issuance costs previously reported in other assets, with a carrying amount of approximately $36,000, were reclassified and presented as a deduction of the corresponding subordinated debt liabilities. Adoption had no impact on the Company's results of operations.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of the new revenue standard for periods beginning after December 15, 2016 to December 15, 2017, with early adoption permitted but not earlier than the original effective date. Accordingly, the updated standard is effective for the Company in the first quarter of fiscal 2018.

The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). Upon adoption, we plan to use the modified retrospective method. However, we are continuing to evaluate the impact of the standard, and our adoption method is subject to change.

We anticipate this standard will have a material impact on our consolidated financial statements. The Company is currently in the process of reviewing its product offerings and related performance obligations to quantify the impact that the adoption of the standard will have on specific performance obligations. In addition, the Company expects that the accounting for commission costs to be impacted significantly as the Company will capitalize and amortize most commission costs under the new standard instead of expensing the commission costs as incurred. We continue to evaluate the impact of this guidance and its subsequent amendments on our consolidated financial position, results of operations, and cash flows, and any preliminary assessments are subject to change.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. ASU 2016-02 is effective for the Company on December 15, 2018. The Company is currently assessing the impact of the adoption of this new accounting standard on the consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest. The Company is currently evaluating the impact of the ASU on the consolidated financial statements.

2. Warrant Liability

In connection with the Company's private common stock offering that closed on March 28, 2012, the Company issued warrants ("PIPE warrants") to purchase an aggregate of 2,505,852 shares of common stock. The warrants had an exercise price of $1.82 per share and expire five years from the date of issuance. In addition, the warrants contain a cash settlement provision that may be triggered upon request by the warrant holders if the Company is acquired or in the case of a merger event, as defined by the warrant agreement. As of March 31, 2017, these warrants are expired.

Additionally, in connection with the Company's subordinated debt financing completed on April 5, 2013, the Company issued warrants ("2013 Sub-debt warrants") to purchase an aggregate of 1,846,940 shares of common stock. The warrants had an exercise price of $1.03 per share and expired on April 5, 2016, three years from the date of issuance.

On April 6, 2015, in connection with the Company's re-financing of its subordinated debt, the Company issued warrants ("2015 Sub-debt warrants") to purchase an aggregate of 3,000,000 shares of the Company's common stock at an initial exercise price of $0.14 per share and expire five years from the date of issuance. The warrants contain a cash settlement provision that may be triggered upon request by the warrant holders if the Company is acquired or in the event of a merger, as defined by the warrant agreement. As of March 31, 2017, these warrants are outstanding.

Under the FASB Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, an equity contract that can be settled in cash at the request of the holder must be classified as an asset or a liability. The accounting guidance also requires that the warrants be re-measured at fair value at each reporting date, with the change in fair value recorded in the Company's consolidated statement of operations. See Note 3 to the consolidated financial statements. The fair value was estimated using the Black-Scholes-Merton option pricing model, which requires the input of highly subjective assumptions as determined by management. To the extent these assumptions change in future periods, the fair value of the common stock warrants may increase or decrease and the change in fair value will be recorded in our results of operations.

3. Fair Value Measurements of Financial Instruments

The Company generally invests its excess cash in money market funds. Cash and cash equivalents represents highly liquid instruments with insignificant interest rate risk and original maturities of three months or less.

The Company has established a three-tier fair value hierarchy, categorizing the inputs used to measure fair value. The hierarchy can be described as follows: Level 1- observable inputs such as quoted prices in active markets; Level 2- inputs other than the quoted prices in active markets that are observable either directly or indirectly; and Level 3- unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash equivalents consist of money market funds that have original maturities of 90 days or less. These instruments are valued using quoted prices in active markets and are classified in Level 1 of the fair value hierarchy. At March 31, 2017 the fair value of the money market instruments was $0.46 million, accounted for at fair value on a recurring basis by level in accordance with the fair value hierarchy described above.

At March 31, 2017, the Company had no borrowings outstanding under its credit line with Bridge Bank. The line of credit is measured at the carrying value at each reporting period and is classified as a current liability, as loan payable. The line of credit is classified as a Level 1 in the Company's fair value hierarchy. The fair value of the line of credit approximates the carrying value.

The Company has no Level 2 financial assets or liabilities as of March 31, 2017 and 2016.

At March 31, 2017 the Company had outstanding warrants to purchase shares of its common stock, which were issued on April 6, 2015. The warrants are measured at fair value each reporting period and are classified as liabilities with a combined fair value of $1.5 million and $1.6 million at March 31, 2017 and March 31, 2016, respectively. The warrants are valued using the Black-Scholes-Merton option pricing model using valuation assumptions determined by management

and are classified as Level 3 in the Company's fair value hierarchy. To the extent these assumptions change in future periods, the fair value of the common stock warrants may increase or decrease and the change in fair value will be recorded in our results of operations.

The Company used the following assumptions when determining the fair value of the PIPE warrants. These were expired during the three months ending March 31, 2017:

	March 31,	
	2017	2016
Expected life (in years)	n/a	1.00
Risk-free interest rate	n/a	0.59 %
Dividend yield	n/a	0 %
Expected volatility	n/a	170 %

The Company used the following assumptions when determining the fair value of the 2013 Sub-debt warrants. These expired during the year ended December 31, 2016:

	March 31,	
	2017	2016
Expected life (in years)	n/a	0.30
Risk-free interest rate	n/a	0.2 %
Dividend yield	n/a	0 %
Expected volatility	n/a	127 %

The Company used the following assumptions when determining the fair value of the 2015 Sub-debt warrants:

	March 31,	
	2017	2016
Expected life (in years)	3.00	4.00
Risk-free interest rate	1.50 %	1.37 %
Dividend yield	0 %	0 %
Expected volatility	100 %	100 %

The following table summarizes the Company's financial liabilities as of March 31, 2017, that are accounted for at fair value on a recurring basis by level in accordance with the fair value hierarchy described above, and the changes in fair value for the outstanding common stock warrants (*in thousands*):

	Three Months Ended March 31, 2017
Balance at December 31, 2016	$ 1,452
Total change in fair value	90
Balance at March 31, 2017	$ 1,542

4. Warranties and Indemnification

The Company generally provides a warranty that the Company's software products substantially operate as described in the manuals and guides that accompany the software for a period of 90 days. The warranty does not apply in the event of misuse, accident, and certain other circumstances. To date, the Company has not incurred any material costs associated with these warranties and has no accrual for such items as of March 31, 2017 and 2016.

From time to time, the Company enters into contracts that require the Company, upon the occurrence of certain contingencies, to indemnify parties against third party claims. These contingent obligations primarily relate to (i) claims against the Company's customers for violation of third party intellectual property rights caused by the Company's products; (ii) claims resulting from personal injury or property damage resulting from the Company's activities or products; (iii) claims by the Company's office Lessor arising out of the use of the premises; and (iv) agreements with the Company's officers and directors under which the Company may be required to indemnify such persons for liabilities arising out of their activities on behalf of the Company. No liabilities have been recorded for these obligations as of March 31, 2017 and 2016.

5. Subordinated debt

On April 6, 2015, the Company re-financed its subordinated debt and issued $5.0 million of subordinated debt securities ("2015 sub-debt") and warrants to purchase an aggregate of 3,000,000 shares of the Company's common stock at an initial exercise price of $0.14 per share to a group of its current investors and one new investor. The new subordinated debt proceeds were used for the repayment of outstanding subordinated debt, working capital and general corporate purposes. The notes issued pursuant to the subordinated note and warrant purchase agreement bear simple interest at a rate of 12% per annum. The full principal is due on maturity on April 6, 2018 with the option of two one-year extensions. The Company will pay accrued interest in arrears on August 31 and November 30 and the final payment date. The Note and Warrant Purchase Agreement ("2015 Agreement") contains customary affirmative and negative covenants, including notification and information covenants and covenants restricting the Company's ability to merge or liquidate, incur debt, dispose of assets, incur liens, declare dividends or enter into transactions with affiliates As of March 31, 2017, the Company was in compliance with all covenants related to the subordinated debt. The 2015 Agreement also requires the Company to repay the notes upon the occurrence of a change of control (as defined in the 2015 Agreement) at 101% of the principal amount thereof plus accrued and unpaid interest.

The total value allocated to the 2015 sub-debt warrants was approximately $261,000 and was recorded as a debt discount against the proceeds of the notes and is being amortized to interest expense over term of the notes. See Note 2 to the consolidated financial statements. The aggregate debt issuance costs associated with the 2015 subordinated debt financing were $47,000 which are comprised of outside legal costs. These costs have been capitalized as debt issuance costs, and are being amortized as interest expense over the life of the notes. As of March 31, 2017, the Company recorded interest expense related to the debt issuance costs of $4,000.

On April 5, 2013, the Company issued $4.6 million of subordinated debt securities ("2013 sub-debt") and warrants to purchase an aggregate of 1,846,940 shares of the Company's common stock, to a group of its current investors. The notes issued pursuant to the subordinated note and warrant purchase agreement bore simple interest at a rate of 12% per annum. From the issuance date through April 5, 2014, the Company accrued unpaid interest quarterly in arrears by increasing the principal amount of each note ("PIK Interest") and thereafter paid accrued interest in cash in arrears on July 31, 2014 and November 30, 2014. The notes matured on April 5, 2015. On April 6, 2015 the Company paid the outstanding balance of the 2013 sub-debt and the accrued interest in cash as part of the subordinated debt re-financing disclosed above.

At March 31, 2017 the Company's sub-debt notes payable is made up of the following (*in thousands*):

	March 31, 2017	December 31, 2016
Subordinated notes payable	$ 5,000	$ 5,000
Deferred debt discount	(75)	(93)
Debt issurance costs	(16)	(20)
Total subordinated debt	$ 4,909	$ 4,887

6. Loan payable

On June 23, 2014, the Company executed a Business Financing Agreement ("line of credit") with Bridge Bank. This agreement provides the Company a line of credit of $2 million secured by the Company's personal property and related assets. Advances on the line of credit are permitted up to 80% of eligible accounts receivable. The line of credit bears an interest rate of prime plus 3% per annum. The line of credit is a senior credit facility to the Subordinated Debt and terminated on April 5, 2015. Borrowings under the line of credit are subject to reporting covenants requiring the remittance of financial statements and supporting working capital reports to Bridge Bank.

On April 6, 2015, the Company extended the line of credit with Bridge Bank in conjunction with the refinance efforts as disclosed in Note 5 of the consolidated financial statements.

As of March 31, 2017, the Company had a zero balance in borrowings under its line of credit and was in compliance with all financial reporting covenants.

7. Provision for Income Taxes

In the three months ended March 31, 2017, the Company recorded income tax of $2,800. The tax expense for the three months ended March 31, 2017 consists of current federal AMT and state tax expense. In the three months ended March 31, 2016, the Company recorded income tax expense of $1,900. The tax expense for the three months ended March 31, 2016 consists of current state tax expense.

The Company has established and continues to maintain a full valuation allowance against its deferred tax assets as the Company does not believe that realization of those assets is more likely than not.

At March 31, 2017, the Company has unrecognized tax benefits of approximately $1.6 million. The Company does not have unrecognized tax benefits that, if recognized, would affect the effective tax rate. The Company does not believe there will be any material changes in the unrecognized tax positions over the next twelve months. Interest and penalty costs related to unrecognized tax benefits are insignificant and classified as a component of "Provision for Income Taxes" in the accompanying statement of operations.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Tax returns remain open to examination by the appropriate governmental agencies for tax years 1998 to 2016. The federal and state taxing authorities may choose to audit tax returns for tax years beyond the statute of limitation period due to significant tax attribute carryforwards from prior years, making adjustments only to carryforward attributes. The Company is not currently under audit in any major tax jurisdictions.

Prior to January 1, 2017, the Company recognized the excess tax benefits of stock-based compensation expense as additional paid-in capital ("APIC"), and tax deficiencies of stock-based compensation expense in the income tax provision or as APIC to the extent that there were sufficient recognized excess tax benefits previously recognized. As a result of the prior requirement that excess tax benefits reduce taxes payable prior to be recognized as an increase in paid in capital, the Company had not recognized certain deferred tax assets (all tax attributes such as loss or credit carryforwards) that could

be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting.

Effective as of January 1, 2017, the Company adopted a change in accounting policy in accordance with ASU 2016-09 to account for excess tax benefits and tax deficiencies as income tax expense or benefit, treated as discrete items in the reporting period in which they occur, and to recognize previously unrecognized deferred tax assets that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation in excess of compensation recognized for financial reporting. The change was applied on a modified retrospective basis; no prior periods were restated as a result of this change in accounting policy.

ASU 2016-09 also eliminates the requirement that excess tax benefits be realized as a reduction in current taxes payable before the associated tax benefit can be recognized as an increase in paid in capital. Approximately $3.2 million of federal net operating losses, and $1.2 million of state net operating losses (none of which were included in the deferred tax assets recognized in the statement of financial position as of December 31, 2016) have been attributed to tax deduction for stock based compensation in excess of the related book expense. Under ASU 2016-09, these previously unrecognized deferred tax assets were recognized on a modified retrospective basis as of January 1, 2017, the start of the year in which the Company adopted ASU 2016-09. The U.S. federal and state net operating losses recognized as of January 1, 2017, as described above, have been offset by a valuation allowance. As a result, there was no tax-related cumulative-effect to retained earnings.

8. Stock-Based Compensation

The Company granted 353,750 options to purchase shares of common stock and granted restricted stock units for 9,375 shares of common stock during the three months ended March 31, 2017. The Company granted 508,750 options to purchase shares of common stock and granted restricted stock units for 9,375 shares of common stock during the three months ended March 31, 2016.

The fair value of each option award is estimated on the date of grant using the Black-Sholes Merton option pricing model with subjective assumptions, including expected stock price volatility, the expected life of each award and estimated pre-vesting forfeitures noted in the table below:

	Three Months Ended	
	2017	2016
Expected life (in years)	3.2	2.5
Risk-free interest rate	1.6%	0.9%
Dividend yield	0%	0%
Expected volatility	176%	198%
Estimated forfeiture rate	8.9%	10.9%

9. Commitments and Contingencies

On September 1, 2015, the Company entered into an agreement to lease approximately 7,226 square feet in Oakland, California for its new corporate headquarters. The term of the lease agreement is for 63 months from the lease commencement, which began in December 2015 and expires in March 2021. The Company also has a lease agreement for its Tucson, Arizona office, which was extended in June 2012 through August 2017. In addition, the Company leases certain equipment under capital lease arrangements that extend through 2019.

At March 31, 2017 the Company's future minimum lease payments are as follows (*in thousands*):

	Remaining 2017	2018	2019	2020	2021	Total
Total lease obligations	$ 305	$ 282	$ 280	$ 269	$ 46	$ 1,182

10. Subsequent Events

Management has evaluated subsequent events through May 4, 2017, the date the consolidated financial statements were available for issuance. No events have occurred that would have a material impact on the consolidated financial statements.

OTC Disclosures

Section 1: Name of Issuer

Scientific Learning Corporation

Section 2: Address of the issuer's principal executive offices

Company Headquarters
1956 Webster Street, Suite 200
Oakland, CA 94612-2943

888-665-9707
www.scilearn.com

IR Contact
No investor relations firm is currently engaged

Section 3: Security Information

Trading Symbol: **SCIL**
Exact title and class of securities outstanding: **Common Stock**
CUSIP: **808760102**

Par or Stated Value: **$0.001**

Total shares authorized:	**40,000,000**	as of: 3/31/2017
Total shares outstanding:	**24,514,755**	as of: 3/31/2017

Transfer Agent
Continental Stock Transfer & Trust Company
17 Battery Place
New York, NY 10004
212-509-4000

Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

List any restrictions on the transfer of security:

None

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Section 4: Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.)

B. Any jurisdictions where the offering was registered or qualified;

C. The number of shares offered;

D. The number of shares sold;

E. The price at which the shares were offered, and the amount actually paid to the issuer;

F. The trading status of the shares; and

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

For history before January 1, 2015, please refer to the company's Annual Report for the fiscal year ended 2014, filed on and located at www.otcmarkets.com

The following table represents the Issuance History as of March 31, 2017:

Date	Entity	A Nature of Offering	B Juris.	C Shares Offered	D Shares Sold	E Price Offered	E Price Sold	Warrants	F Trading Status	G Legend
		Balance at December 31, 2014		**24,068,870**	**24,068,870**			**4,352,792**		
3/10/2015	Blanchard, Jr., Edward Vermont	Director's RSU Vested	DE	939	939				Restricted	Rule 144
3/10/2015	Bowen, Robert C.	Director's RSU Vested	DE	313	313				Restricted	Rule 144
3/10/2015	Moorhead III, Rodman W.	Director's RSU Vested	DE	1,126	1,126				Restricted	Rule 144
3/10/2015	Moses, Michael A.	Director's RSU Vested	DE	939	939				Restricted	Rule 144
3/10/2015	Tallal, Paula A.	Director's RSU Vested	DE	939	939				Restricted	Rule 144
3/10/2015	Thomas, Jeffrey D.	Director's RSU Vested	DE	939	939				Restricted	Rule 144
3/10/2015	Employees/Consultants	Employee's/Consultants RSU Vested	DE	12,500	12,500				Restricted	Rule 144
4/6/2015	Subordinated Debt Holders	Warrants issued with Subordinated Debt Offering	DE	-	-			3,000,000	Restricted	Rule 144
5/20/2015	Bowen, Robert C.	Director's RSU Vested	DE	18,750	18,750				Restricted	Rule 144
5/20/2015	Employees/Consultants	Employee's/Consultants RSU Vested	DE	4,429	4,429				Restricted	Rule 144
7/1/2015	Blanchard, Jr., Edward Vermont	Director's RSA Vested	DE	200,000	200,000				Restricted	Rule 144
9/10/2015	Blanchard, Jr., Edward Vermont	Director's RSU Vested	DE	624	624				Restricted	Rule 144
9/10/2015	Employees/Consultants	Employee's/Consultants RSU Vested	DE	7,028	7,028				Restricted	Rule 144
9/10/2015	Moorhead III, Rodman W.	Employee's/Consultants RSU Vested	DE	1,124	1,124				Restricted	Rule 144
9/10/2015	Moses, Michael A.	Director's RSU Vested	DE	624	624				Restricted	Rule 144
9/10/2015	Tallal, Paula A.	Director's RSU Vested	DE	624	624				Restricted	Rule 144
9/10/2015	Thomas, Jeffrey D.	Director's RSU Vested	DE	624	624				Restricted	Rule 144
11/20/2015	Employees/Consultants	Director's RSU Vested	DE	4,859	4,859				Restricted	Rule 144
11/20/2015	Bowen, Robert C.	Director's RSU Vested	DE	18,750	18,750				Restricted	Rule 144
		Balance at December 31, 2015		**24,344,001**	**24,344,001**			**7,352,792**		
3/10/2016	Blanchard, Jr., Edward Vermont	Director's RSU Vested	DE	1,251	1,251				Restricted	Rule 144
3/10/2016	Moorhead III, Rodman W.	Director's RSU Vested	DE	1,251	1,251				Restricted	Rule 144
3/10/2016	Moses, Michael A.	Director's RSU Vested	DE	1,251	1,251				Restricted	Rule 144
3/10/2016	Tallal, Paula A.	Director's RSU Vested	DE	1,251	1,251				Restricted	Rule 144
3/10/2016	Thomas, Jeffrey D.	Director's RSU Vested	DE	1,251	1,251				Restricted	Rule 144
4/6/2016	Subordinated Debt Holders	Warrants expired with 2013 Subordidnated Debt Offering	DE	-	-			(1,846,940)	Restricted	Rule 144
5/20/2016	Bowen, Robert C.	Director's RSU Vested	DE	18,750	18,750				Restricted	Rule 144
5/20/2016	Employees/Consultants	Employee's/Consultants RSU Vested	DE	4,704	4,704				Restricted	Rule 144
7/1/2016	Blanchard, Jr., Edward Vermont	Director's RSA Vested	DE	53,202	53,202				Restricted	Rule 144
7/1/2016	Moses, Michael A.	Director's RSA Vested	DE	58,139	58,139				Restricted	Rule 144
9/10/2016	Blanchard, Jr., Edward Vermont	Director's RSU Vested	DE	625	625				Restricted	Rule 144
9/10/2016	Moorhead III, Rodman W.	Director's RSU Vested	DE	625	625				Restricted	Rule 144
9/10/2016	Moses, Michael A.	Director's RSU Vested	DE	625	625				Restricted	Rule 144
9/10/2016	Tallal, Paula A.	Director's RSU Vested	DE	625	625				Restricted	Rule 144
9/10/2016	Thomas, Jeffrey D.	Director's RSU Vested	DE	625	625				Restricted	Rule 144
11/20/2016	Bowen, Robert C.	Director's RSU Vested	DE	18,750	18,750				Restricted	Rule 144
11/20/2016	Employees/Consultants	Employee's/Consultants RSU Vested	DE	1,579	1,579					
		Balance at December 31, 2016		**24,508,505**	**24,508,505**			**5,505,852**		
3/10/2017	Blanchard, Jr., Edward Vermont	Director's RSU Vested	DE	1,250	1,250				Restricted	Rule 144
3/10/2017	Moorhead III, Rodman W.	Director's RSU Vested	DE	1,250	1,250				Restricted	Rule 144
3/10/2017	Moses, Michael A.	Director's RSU Vested	DE	1,250	1,250				Restricted	Rule 144
3/10/2017	Tallal, Paula A.	Director's RSU Vested	DE	1,250	1,250				Restricted	Rule 144
3/10/2017	Thomas, Jeffrey D.	Director's RSU Vested	DE	1,250	1,250				Restricted	Rule 144
3/31/2017	Pipe Warrants	Warrants expired with 2012 Pipe Offering						(2,505,852)	Restricted	Rule 144
		Balance at December 31, 2016		**24,514,755**	**24,514,755**			**3,000,000**		

Section 5: Financial Statements

See above

Section 6: Issuer's Business, Products and Services

A. Description of the issuer's business operations;

We are an education company that accelerates learning by applying proven research on how the brain learns in online and on premise software solutions. Our results show that learners who use our products can realize achievement gains of up to 2 years in as little as 3 months and maintain an accelerated rate of learning even after product use ends. We provide our learning solutions primarily to U.S. K-12 schools in traditional brick-and-mortar, virtual or blended learning settings and also to parents and learning centers, in approximately forty-five countries around the world.

We are highly differentiated because of our focus on the "science of learning" - combining advances in the field of brain research with standards-based learning objectives to achieve dramatic student gains. At December 31, 2013, proof that our products produce substantial academic gains was demonstrated in 282 efficacy studies, including randomized controlled trials and longitudinal studies, representing results from approximately 130,000 aggregate participants. These studies show gains for students at all K-12 grade levels, for at-risk, special education, English language, Title I (low income, under achieving), and a variety of other students. Gains have been demonstrated throughout the United States and in ten other countries. The studies show that these gains endure over time.

In 2011, we began implementing a software as a service (SaaS) model. Our easy-to-use and easy-to-access web-based platforms are able to effectively deliver individualized learning opportunities to a large number of students simultaneously. Our Fast ForWord and Reading Assistant educational software products are now available on our browser-based SciLEARN Enterprise software platform, which can be hosted on the customer's servers, and our on-demand platform MySciLEARN On Demand, which we host. The SciLEARN Enterprise and MySciLEARN platforms meet the needs of institution and district-wide installations by providing scalability, remote access, centralized reporting, asynchronous online professional development, and ease of administration for multiple campuses.

B. Date and State (or Jurisdiction) of Incorporation:

The Company was incorporated in 1995 in the State of California and was reincorporated in 1997 in the State of Delaware.

C. Issuer's primary and secondary SIC Codes:

Primary SIC Code: 73729903 Educational Computer Software
Secondary SIC Code: 8299, Schools and Educational Services

D. Issuer's fiscal year end date;

<u>December 31, Calendar year</u>

E. Principal products or services, and their markets;

Our principal products include: Fast ForWord, Fast ForWord Language and Literacy, Fast ForWord Reading, Reading Assistant, Results Now!, and Fast Forward Home.

We sell to our principal market, K-12 schools and districts throughout the US and Canada, using a diversified direct sales channel, including both inside and field sales personnel. In addition to selling to K-12 schools, we also sell to and through private practice professionals and learning centers, international value-added resellers (VARs) and directly to consumers.

Section 7: Describe the Issuer's Facilities

We currently have the following leased properties:

1. **A lease for approximately 7,226 square feet of office space in Oakland, California for our new headquarters, which expires in March 2021.**

2. **A lease for approximately 10,800 square feet of office space in Tucson, Arizona for our sales and support center that expires in August 2017.**

Section 8: Officers, Directors, and Control Persons

Robert C. Bowen – Chairman and Chief Executive Officer
Edward V. Blanchard Jr. – Director
Christopher Brookhart - General Counsel, Secretary and Sr. Vice President
Rodman W. Moorhead III - Director
Michael A. Moses – Director
Steve Nathan - Chief Financial Officer and Treasurer
Paula A. Tallal - Director
Jeffrey D. Thomas - Director

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

   None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

   None

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

Below is a list of Beneficial Owners as of December 31, 2016. This is most recent information that is available.

As of 12/31/2016	Shares Beneficially Owned (1)	
Beneficial Owner	**Number**	**Percent**
Nantahala Capital Management, LLC 19 Old Kings Highway South, Suite 200 Darien, CT 06820	8,216,688	34%

(1) This table is based upon information supplied by the shareholders. Applicable percentages are based on 24,508,505 shares outstanding on December 31, 2016.

Section 9: Third Party Providers

Below is the name, address, and telephone number of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure

External Legal Counsel:
Wilson, Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
650.493.9300

Auditor:
Armanino LLP
12657 Alcosta Blvd.
Suite 500
San Ramon, CA 94583
925-790-2755

Investor Relations Consultant
No investor relations firm is currently engaged

Section 10: Issuer Certification

I, Robert C. Bowen certify that:

1. I have reviewed this annual disclosure statement of Scientific Learning Corporation for the year ended March 31, 2017 and March 31, 2016;

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.

_____ May 4, 2017

_____ /s/Robert C. Bowen

_____ Chairman and Chief Executive Officer

I, Steve Nathan certify that:

1. I have reviewed this annual disclosure statement of Scientific Learning Corporation for the year ended March 31, 2017 and March 31, 2016;

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.

_____ May 4, 2017

_____ /s/Steve Nathan

_____ Chief Financial Officer