

# FRANCHISE DISCLOSURE DOCUMENT

GIDEON MATH & READING, LLC  
16835 Addison Road  
Addison, Texas 75001  
(855) 344-3366  
[info@gideonfranchise.com](mailto:info@gideonfranchise.com)



[gideonmathandreading.com](http://gideonmathandreading.com) &  
[gideonfranchise.com](http://gideonfranchise.com)

Gideon Math & Reading, LLC (“Gideon”) provides materials and instruction services to the general public. Gideon’s services and materials are generally marketed to parents of children.

Gideon Centers service children aged 4-15 (pre-K to 10th grade) in small group settings of 3:1 student to teacher ratios. Students are all working on individual workbooks. All Gideon students are inputted into an online software, Jackrabbitclass.com for billing and database purposes. Center hours when students attend are typically after-school 3 PM – 7 PM during the week, and 3-4 hours on the weekend, typically Saturday 10 AM – 1 PM. Students usually stay 20-30 minutes per subject and visit the Center twice per week. No recreation or exercise is provided. Most students attend in-person visits at the Center, but you may offer virtual lessons to anyone, anywhere instead via Zoom or other video conferencing software. The instructors who work with the students must pass a criminal background check and the Phase 1 of Gideon training on the site, [gideon.training](http://gideon.training). This is a free site for all Gideon employees.

The total investment necessary to begin operation of a Gideon Math & Reading Center Retail Franchise is \$122,500 to \$225,500. This includes a total of \$50,000 that must be paid to Gideon.

The total investment necessary to begin operation of a Gideon Math & Reading Center Non-Retail Franchise is \$53,500 to \$81,000. This includes a total of \$45,000 that must be paid to Gideon.

This disclosure document summarizes certain provisions of the Gideon Franchise Agreement and other information in plain English. A copy of the current Franchise Agreement is attached hereto as Exhibit A. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Gideon Math and Reading, LLC at 16835 Addison Road, Addison, Texas 75001 and 855.344.3366.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your franchise agreement

carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant. Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

Issued: August 31, 2023

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Gideon business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Gideon franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit D. Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the county where our headquarters is located, currently Dallas County, Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in the loss of the right to renew your franchise agreement for a subsequent term, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments.** You must make royalty payments, regardless of your sales levels by your 13<sup>th</sup> month of operation. Failure to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

## Table of Contents

ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES.....	7
ITEM 2: BUSINESS EXPERIENCE .....	9
ITEM 3: LITIGATION.....	10
ITEM 4: BANKRUPTCY.....	10
ITEM 5: INITIAL FEES.....	10
ITEM 6: OTHER FEES .....	12
ITEM 7: ESTIMATED INITIAL INVESTMENT.....	15
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	18
ITEM 9: FRANCHISEE’S OBLIGATIONS.....	20
ITEM 10: FINANCING.....	22
ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	22
ITEM 12: TERRITORY .....	27
ITEM 13: TRADEMARKS .....	28
ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	30
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	31
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	32
ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	32
ITEM 18: PUBLIC FIGURES.....	34
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATION.....	34
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION.....	42
ITEM 21: FINANCIAL STATEMENTS .....	45
ITEM 22: CONTRACTS.....	45
ITEM 23: RECEIPTS .....	45
EXHIBITS	
A. Franchise Agreement and Schedules A-E	
B. Audited Financial Statements	
C. List of Franchisees and Licensees as of 12/31/2022	
D. State Franchise Administrator Information	

## **ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language, this disclosure document uses “Gideon”, “we”, or “us” to mean Gideon Math & Reading, LLC, the franchisor. “You” means the individual, corporation, or other entity that buys a Gideon Math & Reading Center franchise.

### **Franchisor, Parent, and Affiliates**

We conduct business under the name Gideon Math & Reading, LLC. Our principal business address is 16835 Addison Road, Addison, TX 75001. We are a Texas limited liability company that was formed on October 14, 2010. We do not conduct business under any other name. We have no corporate parent.

Our previous affiliate was Gideon Learning, LLC (“Gideon Learning”). Its principal business address was 16835 Addison Road, Addison, TX 75001. Gideon Learning produced and supplied the educational workbooks and materials to Gideon Math & Reading Centers through December 31, 2020. Starting January 1, 2021, Gideon produces and supplies the education workbooks and materials to Gideon Math & Reading Centers.

Gideon had no predecessors during the 10-year period immediately before the close of Gideon’s most recent fiscal year that is required to be disclosed in this Item.

Gideon has not conducted business nor sold any franchises in any other line of business that is required to be disclosed in this Item. Gideon Learning has not sold any franchises in any line of business that is required to be disclosed in this Item.

### **Agent for Service of Process**

Our agent for service of process is Quezada, Larmond, & Brignac, PLLC. Its principal place of business is 106 E. Willowick Ave., Friendswood, TX 77546.

### **Prior Experience**

We started operating Gideon Math & Reading Centers in 2004. We started to sell Gideon Math & Reading Center franchises in 2011. Gideon currently owns and operates one (1) Gideon Math & Reading Center in Coppell, TX. This center is located in an urban area, has approximately 5,000 square feet of space, and is located on a street that carries regular traffic. Gideon previously owned and operated a center in Addison, Texas as well as Coppell, Texas; however, the Addison center was converted into a company headquarters, and the center was closed as of December 31, 2012.

From 2011 to 2020, Gideon Learning was publishing and providing educational workbooks and materials to after school learning centers, including Gideon Math & Reading Centers (the “Gideon Materials”). Gideon Learning did not offer or sell franchises in any other line of business. Starting in 2021, Gideon publishes and provides educational workbooks and materials to Gideon Math & Reading Centers.

From 2004 to 2011, we offered Gideon Materials to after school learning centers without any franchise obligation or agreement. We sold Gideon Materials to as many as 37 after-school learning centers, primarily in Dallas, Texas. Starting July 1, 2011, Gideon Learning offered

Gideon Materials for sale to franchisees and licensees only. Gideon Learning did not offer educational materials to persons or entities other than Gideon Math & Reading franchisees and licensees. Starting in 2021, Gideon will continue this practice.

### **The Business We Offer**

Gideon franchises offer math and reading supplemental education services year-round to the general public that include a student attending the Center once to several times per week to receive instruction and proprietary Gideon educational materials. The student also takes the materials home to continue working and returns the booklet later for grading. The franchise offers diagnostic testing and appropriate placement within the Gideon curricula, grading, recording, and monitoring of the progress within the curricula, access for Center visits at least twice per week, and any instructional help needed while visiting the Center. Due to the COVID-19 pandemic, some Gideon franchises began mailing Gideon materials and offering the in-center class service via online conferencing tools such as Zoom or GoToMeeting to parents who preferred this over in-center visits. This offering can be used to service any student anywhere.

Gideon's services and materials are generally marketed to parents of children.

Gideon Centers service children aged 4-15 (pre-K to 10th grade) in small group settings of 3:1 student to teacher ratios. Students are all working on individual workbooks. All Gideon students are inputted into an online software, Jackrabbitclass.com for billing and database purposes. Center hours when students attend are typically after-school 3 PM – 7 PM during the week, and 3-4 hours on the weekend, typically Saturday 10 AM – 1 PM. Students usually stay 20-30 minutes per subject and visit the Center twice per week. No recreation or exercise is provided. Most students attend in-person visits at the Center, but you may offer virtual lessons to anyone, anywhere instead via Zoom or other video conferencing software. The instructors who work with the students must pass a criminal background check and the Phase 1 of Gideon training on the site, [gideon.training](http://gideon.training). This is a free site for all Gideon employees.

The supplemental educational market continues to experience increasing competition. Your competitors include educational services offered on the Internet, tutoring institutes, tutoring centers, learning centers, test prep centers, cram schools, individual tutors, self-tutoring programs, other Gideon Centers, and other individuals, companies, and organizations. In addition, there are many self-help workbooks and materials that are offered for sale without any service commitment or agreement.

Your competitors will include, but are not limited to: Best Brains, Kumon, Mathnasium, Eye Level, other Gideon franchisees and licensees, and other learning centers.

Gideon currently has eight (8) Licensees that are licensed to use the Gideon Materials and/or the Gideon Marks at eleven (11) Centers as indicated in Exhibit C. The Licensees are not franchisees. The Licensees enjoy the right to buy the Gideon Materials from Gideon. Currently, Gideon no longer grants new licenses because it now grants franchises; however, the Licensees have the right to transfer the right to purchase the Gideon Materials to a transferee one time, but not the Gideon Mark or Gideon name; however, said transferee must sign a license agreement or a franchise agreement. If the transferee chooses to become a franchisee and is approved, Gideon will waive the franchise fee due to the circumstances of transferring from a licensed Center, but the proposed transferee completes our application, meets our then-current standards for

franchisees, passes our then-current proficiency exam, and successfully completes our required training and pays all applicable training fees.

The Licensees are not monitored or controlled by Gideon; however, Licensees are obligated to continue to run their Centers with adequate lighting and appropriate furniture, working and clean bathrooms, clean student work rooms, a clean waiting room, and in a safe manner as they had been doing prior to signing their license agreement. Further, the Licensees' use of the Gideon Materials and the Gideon Marks inures solely to the benefit of Gideon and each Licensee has assigned and shall assign in the future to Gideon all rights he/she may acquire by operation of law or otherwise in the Gideon Materials or the Gideon Marks including all goodwill associated therewith. Further, Licensees are not entitled to modify the Gideon Materials or create any new materials using or incorporating the Gideon Materials or the Gideon Marks. Further, Licensees are not entitled to copy, store electronically, print, or sell the Gideon Materials. For historical reasons, Ardella Patterson (Licensee in Frisco, Texas) is allowed to print certain black and white Gideon Materials for use only at the Gideon Math & Reading Center located in Frisco, Texas. In addition, Ardella Patterson is allowed to use the Gideon Marks at the Center in Frisco, Texas. As part of the agreement with the Licensees, Gideon has agreed not to place a franchised or licensed Center within a ten (10) minute driving time from each Center shown in Exhibit C, except for several non-retail Centers which are given a five (5) or two (2) minute driving time from the Center.

### **Applicable Regulations**

We are not aware of any industry-specific regulations; however, your Gideon Math & Reading Center will be subject to various federal, state and local laws and regulations affecting the business, including federal and state environmental laws and regulations, state and local licensing, zoning, land use, construction regulations and various health, sanitation, safety and fire standards. You are also subject to employment laws such as the Fair Labor Standards Act and various state laws covering such matters as minimum wages, overtime and working conditions. In addition, your Gideon Math & Reading Center may be subject to other laws or regulations that are not specific to the industry but applicable to businesses generally.

## **ITEM 2: BUSINESS EXPERIENCE**

### **CEO and Managing Member: Stephanie Coppedge**

From June 2022 to present, Stephanie Coppedge has served as CEO and Managing Member of Gideon Math & Reading LLC. From Jan. 2012 to June 2022, Stephanie Coppedge has served as the Vice-President, Secretary, and a Managing Member of both Gideon Math & Reading, LLC and formerly of Gideon Learning, LLC, now closed.

### **Founder and Managing Member: Wendy Coppedge**

From June 2022 to present, Wendy Coppedge has served as Founder and Managing Member of Gideon Math & Reading LLC. From Jan. 2012 to June 2022, Wendy Coppedge has served as Founder and President of both Gideon Math & Reading, LLC and formerly of Gideon Learning, LLC, now closed.

### **Vice-President of Franchise Sales: Boston Coppedge**

From June 2022 to present, Boston Coppedge has served as VP of Franchise Development of Gideon Math & Reading LLC. From Jan. 2012 to June 2022, Boston Coppedge has been Director of Franchising of Gideon Math & Reading, LLC.

**Vice-President of Operations: Allison Brunton**

From June 2022 to present, Allison Brunton has served as VP of Operations of Gideon Math & Reading LLC. From Jan. 2014 to present, Allison Brunton has been Support Coordinator of Gideon Math & Reading, LLC.

Gideon Math & Reading, LLC is located at 16835 Addison Rd., Addison, TX 75001.

**ITEM 3: LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5: INITIAL FEES**

**Initial Fees – Retail Franchise**

Initial Franchise Fee

There is an initial franchise fee for a Retail Franchise of \$25,000 which is NON-REFUNDABLE. This payment is due in full at the execution of the Franchise Agreement.

Initial Training Fee

There is an initial training fee of \$5,000 for the Center Director for a mandatory initial training program for all new Franchisees. This payment is due in full at the execution of the Franchise Agreement. The training includes home training materials, online training access, and eight (8) total days of training at our company headquarters in Addison, Texas. You must pay all costs expenses associated with attending the initial training program, including, but not limited to, transportation expenses along with room and board. You are required to complete the training program within the ninety (90) day period following the execution of the Franchise Agreement to hold your Territory. We may change any aspect of this training program at any time, including its location. You understand and agree that this training fee is NON-REFUNDABLE in whole or in part under any circumstances. In the event, that you do not open a Center within one (1) year of signing the Franchise Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Training Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

### Initial Opening Materials Kit Fee

There is an initial opening kit fee of \$20,000 which is NON-REFUNDABLE and consists of the minimum inventory of Gideon Materials and opening marketing costs. The Initial Opening Kit items are listed on Schedule B to the Franchise Agreement. This payment is due in full at the execution of the Franchise Agreement.

The Opening Kit shipping charges will be your responsibility.

There are no other fees or payments for services or goods payable to Gideon or its affiliate(s) before the business opens.

### **Initial Fees – Non-Retail Franchise**

#### Initial Franchise Fee

There is an initial franchise fee for a Non-Retail Franchise of \$20,000 which is NON-REFUNDABLE. This payment is due in full at the execution of the Franchise Agreement.

#### Initial Training Fee

There is an initial training fee of \$5,000 for the Center Director for a mandatory initial training program for all new Franchisees. This payment is due in full at the execution of the Franchise Agreement. The training includes home training materials, online training access, and eight (8) total days of training at our company headquarters in Addison, Texas. You must pay all costs expenses associated with attending the initial training program, including, but not limited to, transportation expenses along with room and board. You are required to complete the training program within the ninety (90) day period following the execution of the Franchise Agreement to hold your Territory. We may change any aspect of this training program at any time, including its location. You understand and agree that this training fee is NON-REFUNDABLE in whole or in part under any circumstances. In the event, that you do not open a Center within one (1) year of signing the Franchise Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Training Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

### Initial Opening Materials Kit Fee

There is an initial opening kit fee of \$20,000 which is NON-REFUNDABLE and consists of the minimum inventory of Gideon Materials. The Initial Opening Kit items are listed on Schedule B to the Franchise Agreement. This payment is due in full at the execution of the Franchise Agreement.

The Opening Kit shipping charges will be your responsibility.

There are no other fees or payments for services or goods payable to Gideon or its affiliate(s) before the business opens.

## ITEM 6: OTHER FEES

Item 6 Table

### OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Future Gideon Materials Inventory Fees	\$21.50 (average) per Subject Student per month based on price of materials	At the time you order additional Gideon Materials.	Payable to Gideon. (Note 2)
Monthly Royalty	5% for Retail Franchise or 10% for Non-Retail Franchise of monthly Gross Sales from all sources as a result of operating your center, including non-Gideon products and services promoted through Gideon Channels or sold or serviced at the Center  Beginning in the 13 <sup>th</sup> month of operation of the center, the minimum royalty payment is \$200. Beginning in the 37 <sup>th</sup> month, the minimum royalty payment is \$400. The royalty payment shall be the greater of the percentage owed or the minimum payment.	Payable monthly on the 10 <sup>th</sup> day of the next month	Payable to Gideon. Does not include sales tax. This fee is in addition to the Future Gideon Materials. (Note 3)
Advertising Fee	None	N/A	None
Renewal Fee	None	N/A	None
Franchise Upgrade Fee	\$5,000 per Non-Retail Franchise	At the time of upgrade	(Note 4)
Transfer Fee	\$10,000 for a Retail Franchise or \$5,000 for a Non-Retail Franchise per transfer	Before the transfer is completed	(Note 5)
Late Fee	\$100 per late fee, report, statement, or request for data access	On receipt of invoice	(Note 6)
Violation Fee	\$100 per month for each violation	30 days following receipt of written notice	Applies if you fail to make changes requested in a written notice
Returned Payment Service Charge	\$30 per returned payment by bank for non-sufficient funds	When requested by Gideon	Charge covers Gideon's costs

Supplemental Material Review Fee	\$25.00 per review	When you request that Supplemental Materials be considered	Payable to Gideon
Jackrabbitclass.com Subscription for Student Data and Accounting	\$49 - \$245 per month based on number of students (Note 7)	Monthly	Payable to Jackrabbitclass.com
Credit Card Acceptance Through Jackrabbitclass.com	2% to 3.5% transaction fee per transaction + monthly gateway fee \$10	When paid	Payable to one of Jackrabbitclass.com current ecommerce partners (Note 8)
QuickBooks Online Subscription	\$30 for base + \$45 for payroll + \$5/employee (Note 9)	Monthly	Payable to Intuit
Criminal background check for your employees. (Note 10)	\$20 to \$60 per employee	As Arranged	Before you hire an employee over the age of 18 years

#### NOTES

(1) All fees payable to Gideon are non-refundable and uniformly imposed. Unless otherwise noted, all fees are payable to us. All costs and fees set forth in Item 6 are current as of the issuance date of this franchise disclosure document. However, we reserve the right to exercise our reasonable business judgment and increase or decrease the amounts of such costs and fees. There is no voting power of franchisor-owned outlets on any fees imposed by cooperatives that need to be disclosed in this Item. No formulas are used to compute fees that need to be disclosed in this Item.

(2) You will be required to purchase Future Gideon Materials from Gideon during the term of your franchise on an as needed basis. You understand and agree that purchases of Gideon Materials are NON-REFUNDABLE in whole or part under any circumstances; however, should your franchise business not succeed, and you have unused booklets, you will be given an opportunity to sell the booklets to another Gideon Math & Reading Center Franchise. The current cost of the future Gideon Materials per student subject per month is on average \$21.50 (based on 2022 data); however, this cost is subject to reasonable increases in the future to account for market changes and to keep maintain competitive pricing, consistent with industry practices.

(3) “Gross Sales” means the total of all cash received from all sources in connection with the operation of the Center, including, without limitation, subject tuition, registration, hourly student private tutoring, and any other products or services if promoted through Gideon Channels or sold or serviced at the Center. There are no deductions other than any refunds given to a client.

- (4) You may upgrade your Non-Retail Franchise to a Retail Franchise if we are then offering Retail Franchises in your Territory and you (and each of your owners) have substantially complied with your Franchise Agreement during its terms, agree to modify your Gideon Center as we require to bring it into compliance with our operations manual, and are current in all amounts owed to us and our affiliates. The right to grant or deny a Retail Franchise is solely at our discretion.
- (5) If you sell your Gideon Math & Reading Center franchise, you must comply with all transfer requirements and pay the transfer fee listed in the Item 6 table.
- (6) If you fail to submit to us by 3 business days past the due date, any required fees, reports, statement, or request for data access, we may charge a late fee for each fee, report, statement, or request for access not timely submitted.
- (7) Jackrabbitclass.com fees are based on the total number of inactive and active students. Their pricing structure is as follows: \$49/mo. for 0-100 students, \$89/mo. For 101-250 students, \$129/mo. for 251-500 students, \$169/mo. for 501-1000 students. \$209/mo. for 1,001 – 3,000 students and \$245/mo. for 3,000+ students. This pricing is current as of February 2023. Check <https://www.jackrabbitclass.com/pricing/> for any updates.
- (8) Gideon requires that you have the ability to accept credit cards for payment and that you do not charge a convenience or usage fee for customers that pay by credit card.
- (9) Quickbooks Online fees listed are current as of February 2023. Check <https://quickbooks.intuit.com/pricing/> for any updates.
- (10) You must have all prospective employees over the age of 18 submit to a criminal background check.

## ITEM 7: ESTIMATED INITIAL INVESTMENT

Item 7 Table

### YOUR ESTIMATED INITIAL INVESTMENT – RETAIL FRANCHISE

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Gideon Initial Franchise Fee	\$25,000	Cash	At the time the Franchise Agreement is signed	Gideon
Gideon Initial Training Fee	\$5,000	Cash	At the time the Franchise Agreement is signed	Gideon
Gideon Initial Opening Materials Kit Fee (Note 1)	\$20,000	Cash	At the time the Franchise Agreement is signed	Gideon
Training Travel Expenses	\$0 to \$2,000	As Agreed	As arranged	Third Party Vendors
Opening Kit Shipping	\$300 to \$1,000	As Agreed	As arranged	Third Party Vendors
Leasehold Improvements (Note 2)	\$30,000 to \$80,000	As Agreed	As arranged	Third Party Vendors
First Month's Rent (Note 3)	\$2,500 to \$6,500	As Agreed	As arranged	Third Party Landlords
Security Deposit	\$0 to \$6,500	As Agreed	As arranged	Third Party Landlords
Tablet & PC Computer (Note 4)	\$0 to \$1,000	As Agreed	Before your Center opens	Third Party Vendors
Booklet Shelving (Note 5)	\$7,000 to \$7,500	As Agreed	Before your Center opens	Approved Vendors
Student Tables (Note 5)	\$3,000 to \$4,000	As Agreed	Before your Center opens	Approved Vendors
Student Chairs (Note 5)	\$500 to \$2,000	As Agreed	Before your Center opens	Approved Vendors
Furniture and Décor (Note 6)	\$2,000 to \$5,000	As Agreed	Before your Center opens	Third Party Vendors
Business License & Registration	\$0 to \$1,000	As Agreed	Before your Center opens	Local Municipality, State
Phone, Utilities, and Online Subscriptions (Note 7)	\$500 to \$1,000	As Agreed	As arranged	Third Party Vendors
Insurance (Note 8)	\$700 to \$1,000	As Agreed	Before your Center opens	Third Party Insurance Company
Exterior Sign (Note 9)	\$5,000 to \$10,000	As Agreed	Before your Center opens	Approved Vendors
Professional Fees	\$1,000 to \$3,000	As Agreed	As arranged	Accountant & Lawyer
Initial Opening Marketing (Note 10)	\$5,000	As agreed	As arranged	Third Party Vendors
Required Additional Funds - Six Months Rent (Note 11)	\$15,000 to \$39,000	Cash	As arranged	Third Party Vendors
<b>TOTAL ESTIMATED INITIAL INVESTMENT (Note 12)</b>	<b>\$122,500 to \$225,500</b>			

All payments are NON-REFUNDABLE unless otherwise noted. We do not finance any portion of your initial investment.

## YOUR ESTIMATED INITIAL INVESTMENT – NON-RETAIL FRANCHISE

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Gideon Initial Franchise Fee	\$20,000	Cash	At the time the Franchise Agreement is signed	Gideon
Gideon Initial Training Fee	\$5,000	Cash	At the time the Franchise Agreement is signed	Gideon
Gideon Initial Opening Materials Kit Fee (Note 1)	\$20,000	Cash	At the time the Franchise Agreement is signed	Gideon
Training Travel Expenses	\$0 to \$2,000	As Agreed	As arranged	Third Party Vendors
Opening Kit Shipping	\$300 to \$1,000	As Agreed	As arranged	Third Party Vendors
Leasehold Improvements (Note 2)	\$0 to \$3,000	As Agreed	As arranged	Third Party Vendors
First Month's Rent (Note 3)	\$0 to \$1,500	As Agreed	As arranged	Third Party Landlords
Security Deposit	\$0 to \$1,500	As Agreed	As arranged	Third Party Landlords
Tablet & PC Computer (Note 4)	\$0 to \$1,000	As Agreed	Before your Center opens	Third Party Vendors
Booklet Shelving (Note 5)	\$0 to \$4,000	As Agreed	Before your Center opens	Third Party Vendors
Student Tables (Note 5)	\$0 to \$500	As Agreed	Before your Center opens	Third Party Vendors
Student Chairs (Note 5)	\$0 to \$500	As Agreed	Before your Center opens	Third Party Vendors
Furniture and Décor (Note 6)	\$0 to \$2,000	As Agreed	Before your Center opens	Third Party Vendors
Business License & Registration	\$0 to \$1,000	As Agreed	Before your Center opens	Local Municipality, State
Phone, Utilities, and Online Subscriptions (Note 7)	\$500 to \$1,000	As Agreed	As arranged	Third Party Vendors
Insurance (Note 8)	\$700 to \$1,000	As Agreed	Before your Center opens	Third Party Insurance Company
Professional Fees	\$1,000 to \$3,000	As Agreed	As arranged	Accountants and Lawyers
Initial Opening Marketing (Note 10)	\$5,000	As agreed	As arranged	Third Party Vendors
Required Additional Funds - Six Months Rent (Note 11)	\$1,000 to \$9,000	Cash	Before your Center Opens	Third Party Vendors
<b>TOTAL ESTIMATED INITIAL INVESTMENT (Note 12)</b>	<b>\$53,500 to \$81,000</b>			

All payments are NON-REFUNDABLE unless otherwise noted. We do not finance any portion of your initial investment.

## NOTES

- (1) The Initial Opening Kit is the inventory required to begin operating your Center. Schedule B to the Franchise Agreement lists all items included in the Initial Opening Kit.
- (2) This amount will vary depending on how much work is necessary to bring the space into compliance with the Gideon specifications. This may include amounts for paint, carpet, and other improvements to your Center.
- (3) This amount will vary depending on the terms of the actual lease agreement which you will negotiate and execute with a third-party landlord after your Center is approved. However, rent will vary according to the center's location. This is only an estimate for your first month of operation. If signing a Non-Retail Franchise Agreement, you may have no lease agreement or rent due.
- (4) You will need a PC computer and tablet that are connected to the internet with the requirements listed on Schedule D. You are required to have a dedicated business telephone number and high-speed internet for your Franchised Business.
- (5) If signing a Retail Franchise Agreement, you must purchase the Gideon Shelving System, the student horseshoe-shaped tables, and student stools or chairs from our approved vendors or submit a written request to use another. If signing a Non-Retail Franchise Agreement, you are responsible for equipping your Center with appropriate student tables, chairs, and shelving.
- (6) You are responsible for equipping the interior of your Center at your own expense. This estimate assumes you start your franchised business with no furniture or equipment. You may also need adequate lighting, a front desk, parent conference room table and chairs, waiting room chairs, employee chairs, extra filing cabinets, and other décor as appropriate.
- (7) You are required to have a dedicated telephone number line and high-speed internet for your Franchised Business. This estimate includes installation of Internet and phone service along with utilities setup and the initial subscription costs for Jackrabbitclass.com and QuickBooks Online.
- (8) You must purchase a general liability insurance policy for a commercial business with a single limit for bodily injury and property damage liability in the amount of at least \$1 million per occurrence and \$2 million in the aggregate. If this amount does not meet the minimum requirement of your state, then you must obtain the state minimum coverage. You must provide proof within 60 days of opening.
- (9) If signing a Retail Franchise Agreement, Gideon requires you to purchase an approved exterior sign for your retail space. Gideon must approve of the vendor and the drawings or proof. The installation can be expensive if your landlord requires you to use certain vendors or other measures. You should check with your landlord to see if there are any particular measures you must take to install a sign before you sign your lease. On average, installation of an exterior sign costs between \$300 and \$500.

(10) Gideon requires you to spend \$5,000 in the first year on marketing. Gideon requires that you get your marketing spend and plan approved by Gideon before implementation.

(11) Gideon requires you to have some additional funds on hand equal to approximately six (6) months for the rent. These additional funds approximate the funds necessary to operate your business during its initial period of growth and sustain your business until it starts producing a profit. These figures are estimates, and we cannot guarantee that you will not have additional expenses when starting the business.

(12) Gideon nor its affiliates finance, in whole or in part, any of your costs outlined in Table 7 “Your Estimated Initial Investment.” The initial investment costs are based on franchises opened in Arkansas, Florida, and Texas. Items such as, but not limited to, rent, leasehold improvements, and insurance may have higher costs in your state.

## **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Required Services**

You must offer the Gideon Math & Reading Services which includes the use of the Gideon Materials, the Gideon Manuals, and the Gideon Know-How. We must approve the Center and facilities you choose for your Center. You must conduct your franchise in accordance with the rules, procedures, and specifications issued by Gideon and set forth in the Manuals. We will not permit any other activity than the operation of a Gideon Math & Reading Center (including private tutoring using outside materials or school homework help class) without our written approval. (Franchise Agreement §13.1).

### **Required Purchases**

You must purchase Gideon Materials from Gideon, which is the only approved supplier. Gideon is the publisher and distributor of Gideon Materials. There is no other source for Gideon Materials. The booklets are created using strict standards for content, design, and appearance. The standards and specifications may be modified periodically by our research and development department. As of 2022 data, the estimated cost of the continuing and future purchases of Gideon Materials per student subject per month is on average \$21.50; however, this cost is subject to reasonable increases in the future.

If you sign a Retail Franchise Agreement, you must purchase the Gideon Shelving System from an approved vendor with an approved drawing or proof. The specifications for the Gideon Shelving System can be found in our operations manual.

If you sign a Retail Franchise Agreement, you must purchase six (6) Virco 60” x 66” student horseshoe-shaped tables and student stools or chairs from an approved vendor.

If you sign a Retail Franchise Agreement, you must purchase a Gideon Sign from an approved vendor with an approved drawing or proof. (Franchise Agreement §13.2 and §13.12).

## **Required and Approved Suppliers**

You must make the required purchases from our approved vendor list located in our Manual, unless you have received our approval for an alternative supplier.

## **Ownership Interest in Gideon Learning, LLC**

Two officers in Gideon Math & Reading, LLC, Wendy Coppedge and Stephanie Coppedge, owned 100% of the outstanding stock in Gideon Learning, LLC, now closed.

## **Approval of Alternative Suppliers**

Unless otherwise noted, Gideon does not issue specifications for goods from alternative suppliers. However, Gideon maintains the right to approve and disapprove of alternate suppliers. Gideon's approval and disapproval of alternative suppliers will be made in good faith and will be deemed the result of reasonable business judgment.

If you would like to supplement your math and reading curriculum with educational materials not published by Gideon, you must request and submit our SUPPLEMENTAL EDUCATIONAL MATERIALS APPROVAL REQUEST FORM found in the Operations Manual. Based on the information and samples you supply to us and your payment of a \$25 fee per booklet or workbook, we will have thirty (30) days to review the items supplied and review the proposed source of the materials and other information. If we approve of the supplemental materials, they will be added to a supplemental educational materials list for all Gideon franchisees to consider. Any materials on the approved list are approved for any franchisee to purchase for their Center. If a franchisee purchases supplemental materials on the approved list, he is required to send written notice via email of the purchase and use at each Center where the materials will be used. Franchisee may not contract with alternative suppliers, even if Gideon previously approved the alternative supplier. The supplemental educational materials list may be revised at any time and materials may be deleted if Gideon Learning produces a like substitute. If any materials are removed from the supplemental educational materials list, franchisees that have previously purchased the materials and notified Gideon of the purchase may continue to use the item. Franchisees who do not report the use of supplemental educational materials prior to the time said materials are removed from the supplemental educational materials list may not use the items in their Center. (See Franchise Agreement §9.7 and §9.8).

## **Revenue from Franchisee Purchases**

For the year ending December 31, 2022, Gideon revenues from the sale of Gideon materials to franchisees and licensees were five hundred twenty-three thousand and eight hundred eighty-five dollars (\$523,885). This amount is reflective of Gideon's profit and loss statement. The purchase of Gideon materials will represent approximately 10 - 20% of your overall purchases with a Retail Franchise or 25% - 40% with a Non-Retail Franchise in establishing the business. Materials for establishing the business are purchased in the Initial Opening Materials Kit. See Item 7. The purchase of Gideon Materials will represent approximately 10 - 15% of your overall purchases in operating the business.

## Cooperatives

There are no purchasing or distribution cooperatives that need to be disclosed in this Item.

## Negotiated Prices

Gideon does not negotiate purchase arrangements with suppliers, including terms, for the benefit of franchisees.

## Material Benefits

Gideon does not provide material benefits to you based on your purchase of a particular product or services or use of particular suppliers.

## ITEM 9: FRANCHISEE'S OBLIGATIONS

Item 9 Table

### FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE ITEM
a. Site selection and acquisition/lease	§§4.2 – 4.3	Items 7, 8, & 11
b. Pre-opening purchases/leases	§§4.3 – 4.4	Items 7, 8, 11
c. Site development and other pre-opening requirements	§4.5	Items 1 & 11
d. Initial and ongoing training	§§11.1 – 11.2	Items 1 & 11
e. Opening	§2.2	Item 11
f. Fees	§§5.1 – 5.9	Items 5, 6, & 8
g. Compliance with standards and policies/operating manual	§2.2, §12.1, §13.11, §13.13	Items 8, 11, 15 & 16
h. Trademarks and proprietary info	§12.3, §14.2	Items 8, 13, 14, & 16

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE ITEM
i. Restriction on product/service offers	§9.7 - 9.8	Items 8 & 16
j. Warranty and customer service requirements (Note 1)	§13.13	Item 9
k. Territorial development and sales quotas	§4.8	Item 11
l. Ongoing product purchases	§5.5	Item 8
m. Maintenance, appearance, and remodeling requirements	§§4.4 – 4.5, §13.2, §13.10	Items 7 & 11
n. Insurance	§17.10	Item 7
o. Advertising approval	§6.3	Item 7
p. Indemnification	§14.3, §17.9	Item 9
q. Owner’s participation / management / staffing	§13.3	Item 15
r. Records and reports	§15.1	Items 6 & 11
s. Inspections & audits	§16.1	Item 11
t. Transfer	§20.1	Item 6 & 17
u. Renewal	§3.2	Item 6 & 17
v. Post-termination obligations	§18.1, §18.3	Item 17
w. Non-competition covenants	§17.4	Item 17
x. Dispute resolution	§23	Item 17
y. Other	n/a	n/a

### NOTES

(1) Gideon is free to contact the parents of the students who contract for services at your Franchised Business. These parents and their students are customers of Gideon, and we have a legal interest and the right to contact them periodically. Gideon has the right to establish customer service assistance programs that we deem appropriate for the benefit of our Network of Franchisees. You must conduct your Franchised Business in accordance with all rules, procedures and specifications that apply to customer service and that are designed to ensure the

quality and uniformity of the services offered under the Marks. These customer service standards include, but are not limited to, payment of any damages and interest thereon, incurred by a customer that results from any mistake you made (we make this determination), and providing a refund to any dissatisfied customer without delay, unless we determine in our sole discretion, that a refund is not warranted. If we determine by exercising our reasonable business judgment that a refund is warranted, then you agree to be bound by and comply with our determination.

(2) Gideon requires you to have a computer system and high-speed internet access. Gideon does not specify specific computer hardware or an internet supplier. However, you must have Microsoft Word, Publisher, and Excel programs. Your computer must be in good repair, with sufficient memory to carry out ordinary business functions, as provided in Schedule D. You are required to keep your Center's student information in JackrabbitClass.com, a web-based class management software program, and your financial information in QuickBooks Online. Your computer must be able to use Jackrabbit Class web-based management software and QuickBooks Online. We have the right to access your JackrabbitClass.com data and QuickBooks Online data to gather data and ensure the quality and uniformity of the services offered under the Marks and to ensure you have met all obligations contained in this Agreement and all Collateral Agreements.

## **ITEM 10: FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

## **ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, Gideon is not required to provide you with any assistance.**

### **Pre-Opening Assistance**

Although the primary responsibility for selecting a Center for the Franchised Business falls on you, we must review and approve the Center before you sign any leases or purchase agreements related thereto (see also Franchise Agreement §§4.2-4.3). Upon your request, we will provide you with assistance in locating a retail location for your Center and assist in negotiating your commercial lease. **However, you may not sign a lease without written approval from Gideon. Gideon reserves the right to cancel this Franchise Agreement with no refund if you sign a lease without written approval from Gideon.**

Gideon will assist in locating a site and negotiating the purchase or lease of the site. Gideon does not own any property or lease property to a franchisee. Gideon approves an area in which the franchisee selects a site. Approving sites is based on driving distance to other Centers, traffic patterns, neighborhood income levels, and type of nearby retail stores or services. If Gideon and you cannot agree on a site within 90 days, Gideon may release the territory.

Gideon does not offer any assistance with conforming the premises to local ordinances and building codes or obtaining required permits. Gideon does not offer any assistance with

constructing, remodeling, or decorating the premises. However, Gideon must approve the blueprints for your retail space. Gideon's approval of your blueprints is designed to conform to the best practices utilized by other Gideon Centers. Gideon has up to 30 days to approve or disapprove your blueprints.

Gideon does not offer assistance hiring employees. Gideon offers a free online training program for your employees, that each employee must complete.

Gideon will directly provide the opening inventory. The written specifications of all provided materials are found in Schedule B. Gideon does not deliver these items but can arrange for delivery at your expense. **The Opening Kit will not be shipped until the Gideon Initial Training is satisfactorily completed.**

The typical length of time between payment of initial fees to opening of your business is three (3) months to one (1) year. Training typically takes one (1) to two (2) months and obtaining a lease and any needed buildout typically takes three (3) to six (6) months. If the Center is to be located within a new build construction, there may be extra delays due to the builder. If the Center is to be located within a location not needing any buildout, the length of time is only dependent on completing training.

We provide the Gideon Initial Training at our training facility in Addison, Texas. This program is designed and presented by our company headquarters training staff and consists of eight (8) days of training at our company headquarters in Addison, Texas.

We will be available to answer any questions you may have about the business or the franchising agreement. Upon signing the agreement, we will offer you phone and email support for any questions or issues that come up during your opening and continued operation.

### **Continuing Assistance**

During the operation of the franchised business, Gideon will:

- (1) Develop new products and methods and provide you with information about developments and opportunities to buy these products. (Franchise Agreement §9.9);
- (2) Update and continually provide online training for you and your employees but will not provide assistance in hiring employees. Gideon does not charge for this training or service, and it will be available online or at periodic meetings or conferences (Franchise Agreement §9.5, §9.10);
- (3) Improve and develop the franchised business through regular visits, instructor meetings at the Addison office, and being generally available by telephone or email you each week for the first 90 days after you open your Center to discuss your operational problems. (Franchise Agreement §9.4, §9.5);

- (4) Hold periodic conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs, and merchandising procedures. You must pay all your travel and living expenses. These conferences are held at our Addison, Texas headquarters. (Franchise Agreement §9.10);
- (5) Offer ongoing guidance on establishing prices based on cost of living and competition but will not require any minimum or maximums on pricing. (Franchise Agreement §9.4);
- (6) Offer ongoing assistance with administrative, bookkeeping, accounting procedures using JackrabbitClass.com and QuickBooks Online and with inventory control procedures through phone call, email, and access to training videos (Franchise Agreement §9.4, §9.5);
- (7) Offer assistance resolving operating problems encountered by the franchisee through phone call, email, and access to the Operations and Curriculum Manuals. (Franchise Agreement §9.4, §9.5)

### **Advertising Assistance**

Gideon is not obligated to conduct any advertising but will assist you in developing local sales promotion and advertising materials and will allow you to use your own advertising materials after submission and approval. (Franchise Agreement §9.2). There is no advertising council composed of franchisees that advises the franchisor on advertising policies. You are not required to participate in a local or regional advertising cooperative. After the initial marketing of \$5,000 required, you are not required to participate in any other advertising fund. Gideon will assist you in developing a plan to spend the required initial marketing.

### **Computer Systems**

You are required to maintain a subscription to Jackrabbitclass.com, an online data and accounting system, which allows you to organize data such as parent and student names, phone numbers, street and email addresses, date of birth, communicate with customers, accept payments from customers online or in-person, and track accounting. The cost is based on the total number of inactive and active students kept in the database which ranges from \$49 -\$245 per month.

You are required to maintain a subscription to QuickBooks Online, an online data and accounting system that allows you to organize and track your accounting. The cost is based on packages starting at \$30 per month for the base + \$45 per month for payroll + \$5 per employee per month. If you do not have employees, you will not need the payroll service.

QuickBooks Online and Jackrabbitclass.com are obligated to provide maintenance, repair, upgrades, and updates to their respective software and will do so automatically and free of charge (outside the monthly subscription fee) for all its users. You have no obligation outside of maintaining the monthly subscriptions for each for upgrading or updating the system during the term of the franchise. You have no annual cost of any optional or required maintenance, updating, upgrading, or support contracts. During the term of the franchise, Gideon requires

independent access to the data and information stored in your Jackrabbitclass.com and QuickBooks Online account.

You are required to purchase and maintain a computer and tablet, the specifications of which are denoted in Schedule D. The computer and tablet must have the ability to connect wirelessly to the internet. You are required to maintain high-speed internet at the Center. The computer is primarily used for access to Jackrabbitclass.com website and QuickBooks Online windows app or website. The tablet is necessary for online student registrations. The costs associated with these purchases vary greatly but are estimated under \$1,000 for both items. Gideon and its affiliates have no obligation to provide IT support, maintenance, repairs, upgrades, or updates to this equipment. Your obligations for maintenance, updates, and upgrades are only those to the extent necessary to maintain the operation of said equipment and the above-mentioned software and website application. (Franchise Agreement §4.6)

Gideon will not have independent access to your computer and tablet. However, Gideon will have independent access to the information stored in your Jackrabbitclass.com account such as student and parent data, number of students enrolled in a class, and sales totals. Gideon requires access to all data in your QuickBooks Online account.

### **Training**

#### **Operating Manual**

You will have an opportunity to view the Operations and Curriculum Manuals before buying the franchise by request.

Gideon will grant you access to our Operating Manual that contains mandatory and suggested specifications, standards, and procedures. This manual is confidential and remains our property. Gideon will modify this manual, but the modification will not alter your status and rights under the Franchise Agreement (Franchise Agreement §9.1). In the event that you do not open a Center within one (1) year of signing the Franchise Agreement, then you must return all copies and originals of Gideon Materials, however stored, including but not limited to, Operations and Curriculum Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days. (Franchise Agreement §§12.1- 12.2).

#### **Curriculum Manual**

Gideon will grant you access to our Curriculum Manual that contains detailed information, descriptions, and samples of all current Gideon Materials. The manual is confidential and remains our property. If you do not open a Center within one (1) year of signing the Franchise Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days. (Franchise Agreement §§12.1- 12.2).

Item 11 Table

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Gideon Curricula -Math drill -Math word problems -Reading -Grammar	25-30 hours during Online Training + 10 hours during Dallas Training Part I	20 hours during Dallas Training Part I & Part II	Your home and Dallas, Texas
Operations -Philosophy -Staffing -Class management -New clients	5-10 Hours during Online Training + 10 hours during Dallas Training Part I	20 hours during Dallas Training Part I & II	Your home and Dallas, Texas
Accounting and Administrative -JRclass.com -QuickBooks Online -Best practices	20 hours during Dallas Training Part II		Dallas, TX

Online Training is done at your home through online modules, quizzes, and downloaded worksheets. Dallas Training Part I and II programs are held by appointment in the Dallas, TX area at the Addison, TX, Corporate Headquarters and at the Coppell, TX, company center.

Allison Brunton, VP of Operations, teaches the Dallas Training Part I, which covers curriculum and operations. The mornings are spent in Corporate Headquarters with a review and discussion of content in the online modules. The same online website modules will be utilized along with reference materials. The training then moves to an afternoon training session at the Coppell, TX company center for on-the-job training with real students. Allison Brunton has been with Gideon for thirteen (13) years with nine (9) years of experience in writing the curricula and operating the Coppell, TX company center.

Stephanie Coppedge, CEO, teaches the Dallas Training Part II via videos and live hands-on activities. She has been with Gideon for nineteen (19) years. She has nineteen (19) years of experience with accounting for Gideon and its Coppell, TX company center and creating the administrative practices and standards used in the Operations Manual.

You are required to pay \$5,000 for the Gideon Initial Training program which consists of online training and Dallas trainings Part I & II. You must pay for all travel and living expenses. (Franchise Agreement §§11.1-11.5).

The potential Center Director must complete the training program to Gideon's satisfaction. One additional person may accompany the Center Director and attend the same

training program on the same dates if said person has completed the online training modules as well.

You must pay all costs expenses associated with attending the initial training program, including, but not limited to, transportation expenses, and room and board. You are required to complete the training program within the ninety (90) day period following the signing of the Franchise Agreement to hold your Territory. We may change any aspect of this training program at any time, including its location. You understand and agree that this training fee is NON-REFUNDABLE in whole or in part under any circumstances. If you do not open a Center within one (1) year of signing the Franchise Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

No additional training is required after the Gideon Initial Training program is completed. However, seminars, meetings, and forms are held on an optional basis. Gideon may require additional training prior to offering a renewal agreement.

## **ITEM 12: TERRITORY**

If you sign a Retail Franchise Agreement, you will be granted a Retail Franchise Territory for the Center that is approved by Gideon. The Retail Franchise Territory is dynamic and will approximate a ten (10) minute driving radius, around your Center using Google Maps (or such mapping software that is widely used and is accessible on the internet in the event Google Maps does not exist at that time). You will be required to purchase and display a Gideon Sign.

If you sign a Non-Retail Franchise Agreement, you will be granted a Non-Retail Franchise Territory for the Center that is approved by Gideon. The Non-Retail Franchise Territory is dynamic and will approximate a two (2) minute driving radius, around your Center using Google Maps (or such mapping software that is widely used and is accessible on the internet in the event Google Maps does not exist at that time).

You will operate from one Center and must receive our permission before relocating or opening additional centers. Our approval for relocation is subject to the territories of existing Gideon Centers. Our consideration of an additional Center is subject to a meeting to discuss your business plan for the 2<sup>nd</sup> Center. You have no options, rights of first refusal, or similar rights to acquire additional franchises. (Franchise Agreement §4.9)

Gideon will grant you an exclusive Territory that is not dependent on achieving a certain sales volume, market penetration, or other contingency. Gideon will not place another Gideon Center within your Territory but reserves the right to place a Gideon Center outside of your Territory. However, since your Territory is dynamic and determined using Google Maps (or such mapping software that is widely used and is accessible on the internet in the event Google Maps does not exist at that time), your Territory may change over time to account for traffic patterns and population growth.

Your Territory shall be approximated at the time Gideon receives the franchise fee payment in full. This Territory shall be reserved for you for a period of ninety (90) days, whereby Gideon shall not offer this territory to any other franchisee. Franchisor shall reserve the appropriate driving radius in accordance with the above paragraphs. Gideon will confirm your Territory when we approve of your location, or if required, when you sign your lease. Your Territory will be based upon the address listed in your lease or if not in a lease, the postal address.

Gideon is not restricted in accepting clients or potential clients from inside your Territory but is restricted from soliciting clients or potential clients from inside your Territory. Gideon and its affiliates will not utilize direct marketing sales to solicit clients or potential clients from within your Territory. However, Gideon and its affiliates reserve the right to use other channels of distribution such as the internet to make sales that may reach clients or potential clients within your Territory. Gideon or its affiliates do not reserve the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing to make sales within your Territory of services under trademarks different from the ones the franchisees will use under the franchise agreement. Gideon offers no compensation for accepting orders from inside your Territory.

You are not restricted from selling Gideon products and services to customers residing outside your Territory. Except when advertising cooperatively with appropriate franchisees, you are restricted from advertising outside your Territory without prior written consent. You may not engage in any mail order solicitations, catalog sales, telemarketing, internet, or television solicitation programs or use any other advertising media outside of your Territory without prior written approval. (Franchise Agreement §4.8)

Gideon nor its affiliates operate, franchise, or have plans to operate or franchise a business under a different trademark that sells goods or services similar to those Gideon offers.

### **ITEM 13: TRADEMARKS**



Above is the principal Gideon trademark registered with the United States Patent and Trademark Office (“USPTO”) on July 6, 2010, with Registration No. 3,812,942 on the Principal Register. Gideon has filed the required affidavit for Declaration of Use between the 9<sup>th</sup> and 10<sup>th</sup> years after the registration date. The registration is not up for renewal as of this date.

No currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court; nor any pending infringement, opposition, or cancellation proceedings is required to be disclosed in this Item.

No pending material federal or state court litigation regarding Gideon’s use or ownership rights in a trademark is required to be disclosed in this Item. No currently effective agreements

that significantly limit Gideon’s right to use or license the use of trademarks listed in this section in a manner material to the franchise is required to be disclosed in this Item.



We license the above image, “GIDEON MATH & READING CENTER” for your use at your Center. This image is not registered with the USPTO. Gideon has not filed any trademark application, including any “intent to use” application, or an application based on actual use for the “GIDEON MATH & READING CENTER” image. We do not have a federal registration for this image. Therefore, this image does not have as many legal benefits and rights as our federally registered trademark. If our right to use the image is challenged, you may have to change to an alternative image, which may increase your expenses.

We grant you the right to operate a Gideon Math & Reading Center from one location under the name “Gideon Math & Reading Center.” (Franchise Agreement §§2.1) You may also use our other current or future trademarks to operate your Center. By “trademark,” we mean trade names, trademarks, service marks, and logos used to identify your Center.

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs, or symbols, except for those which we license to you. You may not use Gideon’s registered name in connection with the sale of any unauthorized product or service, or in a manner that we have not authorized in writing. (Franchise Agreement §14.1).

No agreements limit our right to use or license the use of Gideon’s trademarks.

You must notify us immediately when you learn about an infringement of, or challenge to, your use of a trademark identical to or confusingly similar to Gideon’s trademark licensed to you. We will take the action we think appropriate. While we are not required to defend you against a claim against your use of our trademark, we will reimburse you for your liability and reasonable costs in connection with defending our trademark. To receive reimbursement, you must notify us immediately upon learning about the alleged infringement or challenge. (Franchise Agreement §14.2). Gideon has the right to control any administrative proceedings or litigation involving a trademark licensed by Gideon to you.

You must modify or discontinue the use of a trademark if we modify or discontinue using it. We may exercise reasonable business judgment, and select one or more new or modified or replacement Marks for use by the Network, in addition to, or in lieu of, any previously designated Marks, which you must adopt and use. Any expenses you incur because of any such change (replacing stationery, advertising brochures, or other material bearing the Marks) are your sole responsibility, and you are not entitled to any compensation from us. You must not

directly or indirectly contest our right to our trademarks, trade secrets, or business techniques that are part of our business. (Franchise Agreement §§14.1 – 14.4).

Gideon does not know of either superior prior rights or infringing uses that could materially affect the franchisee’s use of the principal trademarks in the state where the franchised business will be located.

**ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents or pending patents that are material to the operation of this franchise that are required to be disclosed in this Item.

Gideon owns copyrights that are material to the operation of this franchise for the educational booklets used in the service of the franchised business.

The following copyrights are text works of math and reading booklets used in service of the Franchised Business. Gideon can renew the copyrights and intends to do so in the applicable year. Text works with a corporate authorship created after a copyright duration of 95 years from publication or 120 years from creation, whichever expires first.

Item 14 Table

**COPYRIGHTS**

Duration	Registration Number / Date
2012 - 2107	TX0007548713 / 2012-06-05
2011 – 2106	TX0007364862 / 2011-02-06
2011 – 2106	TX0007548713 / 2012-06-05
2013 – 2108	TX0007976216 / 2014-10-20
2012 – 2107	TX0007549260 / 2012-06-08
2012 – 2107	TX0007548511 / 2012-06-05
2008 – 2103	TX0007549631 / 2012-06-08
2014 – 2109	TX0007976242 / 2014-10-20
2009 – 2104	TX0007549638 / 2012-06-08
2009 – 2104	TX0007367474 / 2011-02-13
2009 – 2104	TX0007368478 / 2011-02-15
2013 – 2108	TX0007973996 / 2014-10-13
2013 – 2108	TX0007975717 / 2014-10-13
2012 – 2107	TX0007976211 / 2014-10-20
2009 – 2104	TX0007368972 / 2011-02-17
2011 – 2106	TX0007548603 / 2012-06-05
2012 – 2107	TX0007548565 / 2012-06-07
2009 – 2104	TX0007466660 / 2011-11-08
2010 – 2105	TX0007466627 / 2011-11-08
2017 – 2112	TX0008756563 / 2019-04-15

No current material determination of the USPTO, the United States Copyright Office, or a court regarding the copyrights is required to be disclosed in this Item.

There are no agreements that limit Gideon's use of Gideon's copyrighted material.

You receive the right to use Gideon Materials, which have the Gideon copyright during the term of this agreement. You may also use the trade secret and proprietary information in the Gideon Manuals. The Manuals are described in Item 11 and §§12.1 – 12.3 of the Franchise Agreement.

While we are not required to defend you against a claim against your use of our copyrighted materials, we will reimburse you for your liability and reasonable costs incurred in litigation defending our proprietary information. To receive reimbursement, you must notify us immediately upon learning about the alleged infringement or unauthorized usage. (Franchise Agreement §14.2). Any action Gideon may take on your behalf, in defense of our copyrighted material, is not contingent upon franchisee discontinuing or modifying the services offered that utilize the copyrighted materials. Gideon has the right to control any administrative proceedings or litigation involving proprietary information used at your Center.

You must modify or discontinue the use of copyrighted material if we modify or discontinue using it. We may exercise reasonable business judgment, and select one or more new or modified or replacement materials for use by the Network, in addition to, or in lieu of, any previously designated copyrighted material, which you must adopt and use. Any expenses you incur as a result of any such change (replacing inventory) are your sole responsibility, and you are not entitled to any compensation from us. You must not directly or indirectly contest our right to our trademarks, trade secrets, copyrighted materials, proprietary materials and information, or business techniques that are part of our business. (Franchise Agreement §§14.1 – 14.4).

Gideon is unaware of any copyright infringement that could materially affect you.

Gideon claims proprietary rights in the Gideon Know-How, Gideon Services, Gideon Materials, instructors' website, and Gideon Manuals, and franchisee may only use these materials and information in accordance with this Agreement.

## **ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Franchisee who has completed the Gideon Initial Training must be physically present and directly supervise the Franchised Business at the Center at least 75% of the time the Center is open for class. If the Franchisee is a business entity, then the members of the entity must designate a Center Director, who has a controlling interest in the business entity, and who will complete the training and be physically present and directly supervise the Franchised Business at the Center for 75% of the time the Center is open for class. (Franchise Agreement §13.3)

There are no restrictions that the franchisee must place on its manager that are required to be disclosed in this Item.

## ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those goods and services that we have approved. You must receive written approval to offer supplemental educational materials or services at your Center. (Franchise Agreement §§9.7 – 9.8)

You must offer all goods and services that we designate as required for all franchisees. These required services are math and reading instruction and teaching in the primary and secondary education market. (See Item 8). You are required to offer Gideon Services and Gideon Materials and to purchase those materials from Gideon. (See Item 8).

We have the right to add additional authorized services or materials that a franchisee is required to offer. There are no limits on our right to do so. (Franchise Agreement §13.14).

## ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

Item 17 Table

### THE FRANCHISE RELATIONSHIP

The table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	§3.1	The term is five (5) years.
b. Renewal or extension	§3.2	If you meet the current Exemption Condition, upon expiration of your original franchise agreement, you will have the right to renew your franchise for another five (5) year term by signing the then-current franchise agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirement for franchisee to renew or extend	§ 3.2, 10.1	A Gideon franchise ‘renewal’ means that you may be asked to sign a then-current Franchise Renewal Agreement with materially different terms and conditions than your original contract. You will need to sign a then-current franchise agreement, and sign or extend the lease.
d. Termination by franchisee	§18.1	You may give 60 days’ notice in writing of your intent to terminate. You must remove any Gideon Materials, any Manuals, or Gideon Sign or that bear the Gideon Mark at the time of termination.

e. Termination by franchisor without cause	None	There is no corresponding section in the Agreement. <sup>1</sup>
f. Termination by franchisor with cause	§18.2	Gideon can terminate only if you default.
g. “Cause” defined – curable defaults	§§18.1 - 18.2	You have 30 days to cure: non-payment of fees, sanitation problems, non-submission of reports, and any other default not listed in Section 21A.
h. “Cause” defined – non-curable defaults	§18.2.1	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse, and unapproved transfers.
i. Franchisee’s obligations on termination/non-renewal	§18.3	Obligations include complete de-identification and payment of amounts due.
j. Assignment of contract by franchisor	§19.1	No restriction on Gideon’s right to assign.
k. “Transfer” by franchisee – defined	§20.1	Includes transfer of contract or assets or ownership change.
l. Franchisor approval of transfer by franchisee	§20.1	Gideon has the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	§20.1	New franchisee approved, transfer fee is paid, purchaser transfer agreement approved, training completed, release signed by you, and current agreement signed by new franchisee.
n. Franchisor’s right of first refusal to acquire franchisee’s business	§21.1	Gideon has the right of first refusal for purchase of franchisee’s business.
o. Franchisor’s option to purchase franchisee’s business	§21.1	Gideon can match any offer for the franchisee’s business.
p. Death or disability of franchisee	§§21.2-22.3	Franchise must be assigned by estate to approved buyer within six months.
q. Non-competition covenants during the term of the franchise	§17.2, §17.4	No involvement in competing business anywhere in the U.S.A. during the term of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires		At this time, franchisor does not have any non-competition covenants after the termination or expiration of the franchise.
s. Modification of the agreement.	§23.13	No modifications generally, but the Manual is subject to change.
t. Integration/merger clause	§23.13	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the

<sup>1</sup> Gideon does not terminate franchisees without cause. This policy is subject to change.

		disclosure document and franchise agreement are not enforceable.
u. Dispute resolution by arbitration or mediation	§§23.1 - 23.2	Except for certain claims, all disputes must be arbitrated in Texas.
v. Choice of forum	§23.5	Litigation must be in Texas
w. Choice of law	§§23.5 – 23.6	Texas law applies.

**ITEM 18: PUBLIC FIGURES**

We do not use any public figure to promote our franchise. Gideon has not paid any public figures for the right to use his or her name in promoting the sale of our franchise. No compensation or other benefit given or promised to a public figure arising from either the use of the public figure in the Gideon name or symbol, or a public figure’s endorsement or recommendation of the franchise to prospective franchisees is required to be disclosed in this Item. No public figure is involved in the management or control of Gideon or has an investment in Gideon.

**ITEM 19: FINANCIAL PERFORMANCE REPRESENTATION**

The FTC’s Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned Centers if there is a reasonable basis for the information and the information is included in the Disclosure Document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing center you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2022, 16 franchised centers and 1 company-owned center were in operation. Additionally, 11 licensed centers were in operation. We are providing historical revenue and Net Profit Margin information, for all franchised and company-owned centers that were operating the full twelve months of the reported time period, unless otherwise noted below each table. The data is based upon the business records kept within Jackrabbitclass.com database for each franchised center, except for 1 franchised center which voluntarily submitted the information. We have excluded all licensed centers and any franchised centers which were not operating for the full twelve months during the reported time period, which are noted below each table.

**Table 1A**

The table below lists the Gross Sales for 2022, 2021, and 2020 for each franchised center that was operating for all twelve months during the time frame.

<b>Franchised Center #</b>	<b>2022 Gross Sales</b>	<b>2021 Gross Sales</b>	<b>2020 Gross Sales</b>
267	\$602,700	\$347,934	\$130,258
136	\$461,300	\$318,553	\$171,236
459	\$349,500	\$269,404	\$177,306
219	\$267,100	\$239,158	\$200,370
456	\$241,700	\$219,875	\$162,072
468	\$187,500	n/a	n/a
349	\$161,413	\$177,714	\$130,329
237	\$147,900	\$94,043	\$67,306
313	\$128,200	\$128,584	\$96,623
286	\$93,055	n/a	n/a
254	\$73,400	\$59,068	\$29,209
382	\$73,300	\$64,954	\$63,158
146	\$64,900	\$71,928	\$47,211

Note for Table 1A: Two franchised centers that opened in 2021 were excluded due to not being in operation the full twelve (12) months of 2021. Three franchised centers that opened in 2022 were excluded due to not being in operation the full twelve (12) months of 2022.

**Table 1B**

<b>Center</b>	<b>2022 Gross Sales</b>	<b>2021 Gross Sales</b>	<b>2020 Gross Sales</b>
Company-Owned	\$795,674	\$733,861	\$580,561

**Table 2A****2022 Gross Sales Analysis**

The table below sorts the Gross Sales data of 14 franchised centers that were operating for all 12 months of 2022 into 3 segments: Top 20%, Middle 60%, and Bottom 20%. For each Gross Sales segment, average, median, and range of Gross Sales and Net Profit Margin are given along with the number and percentage that performed at or above the average and median for both.

<b>Gross Sales Segment</b>	<b>Top 20%</b>	<b>Middle 60%</b>	<b>Bottom 20%</b>
<b># of Centers in Segment</b>	2	9	2
<b>Gross Sales Average</b>	\$532,000	\$183,308	\$69,100
<b>Gross Sales Median</b>	\$532,000	\$161,413	\$69,100
<b>Gross Sales Range</b>	\$461,300 - \$602,700	\$73,400 - \$349,500	\$64,900 - \$73,300
<b>Number/Percentage At or Above Average</b>	1 / 50%	4 / 44%	1 / 50%
<b>Number/Percentage At or Above Median</b>	1 / 50%	5 / 56%	1 / 50%
<b># of Centers Reporting Net Profit in Each Gross Sales Segment</b>	2	7	1
<b>Net Profit Margin Average</b>	52.9%	31%	-38.6%
<b>Net Profit Margin Median</b>	52.9%	33.7%	-38.6%
<b>Net Profit Margin Range</b>	51.1% to 54.6%	5.6% to 62.1%	-38.6% to -38.6%
<b>Number/Percentage At or Above Average</b>	1 / 50%	4 / 57%	1 / 100%
<b>Number/Percentage At or Above Median</b>	1 / 50%	4 / 57%	1 / 100%

Note for Table 2A: Results above exclude Gross Sales and Net Profit Margin from the company-owned center. Net Profit Margin is defined here as the percentage of revenue remaining after rent, payroll, and booklet costs. Royalty fees are not included in the Net Profit Margin. The following franchisees did not submit information in time for this disclosure: 2 of 9 franchised centers in the Middle 60% for Net Profit Margin and 1 of 2 franchised centers in the Bottom 20%. The figures reflected in the chart above were compiled from unaudited information reported to us by our franchisees. We have not independently verified any of the information upon which this financial performance representation is based.

**Table 2B****2021 Gross Sales Analysis**

The table below sorts the Gross Sales data of 11 franchised centers that were operating for all 12 months of 2021 into 3 segments: Top 20%, Middle 60%, and Bottom 20%. For each Gross Sales segment, average, median, and range of Gross Sales and Net Profit Margin are given along with the number and percentage that performed at or above the average and median for both.

<b>Gross Sales Segment</b>	<b>Top 20%</b>	<b>Middle 60%</b>	<b>Bottom 20%</b>
<b># of Centers in Segment</b>	2	7	2
<b>Gross Sales Average</b>	\$333,244	\$171,529	\$62,011
<b>Gross Sales Median</b>	\$333,244	\$177,714	\$62,011
<b>Gross Sales Range</b>	\$318,553 to \$347,934	\$71,928 to \$269,404	\$59,068 to \$64,954
<b>Number/Percentage At or Above Average</b>	1 / 50%	4 / 57%	1 / 50%
<b>Number/Percentage At or Above Median</b>	1 / 50%	4 / 57%	1 / 50%
<b># of Centers Reporting Net Profit in Each Gross Sales Segment</b>	2	6	2
<b>Net Profit Margin Average</b>	48.3%	38.4%	-45.3%
<b>Net Profit Margin Median</b>	48.3%	38.0%	-45.3%
<b>Net Profit Margin Range</b>	48% to 49%	3% to 62%	-30% to -60%
<b>Number/Percentage At or Above Average</b>	1 / 50%	3 / 50%	1 / 50%
<b>Number/Percentage At or Above Median</b>	1 / 50%	3 / 50%	1 / 50%

Note for Table 2B: Results above exclude Gross Sales and Net Profit Margin from the company-owned center. Net Profit Margin is defined here as the percentage of revenue remaining after rent, payroll, and booklet costs. Royalty fees are not included in the Net Profit Margin. The following franchisees did not submit information in time for this disclosure: 1 of 7 franchised centers in the Middle 60% for Net Profit Margin. The figures reflected in the chart above were compiled from unaudited information reported to us by our franchisees. We have not independently verified any of the information upon which this financial performance representation is based.

**Table 2C****2020 Gross Sales Analysis**

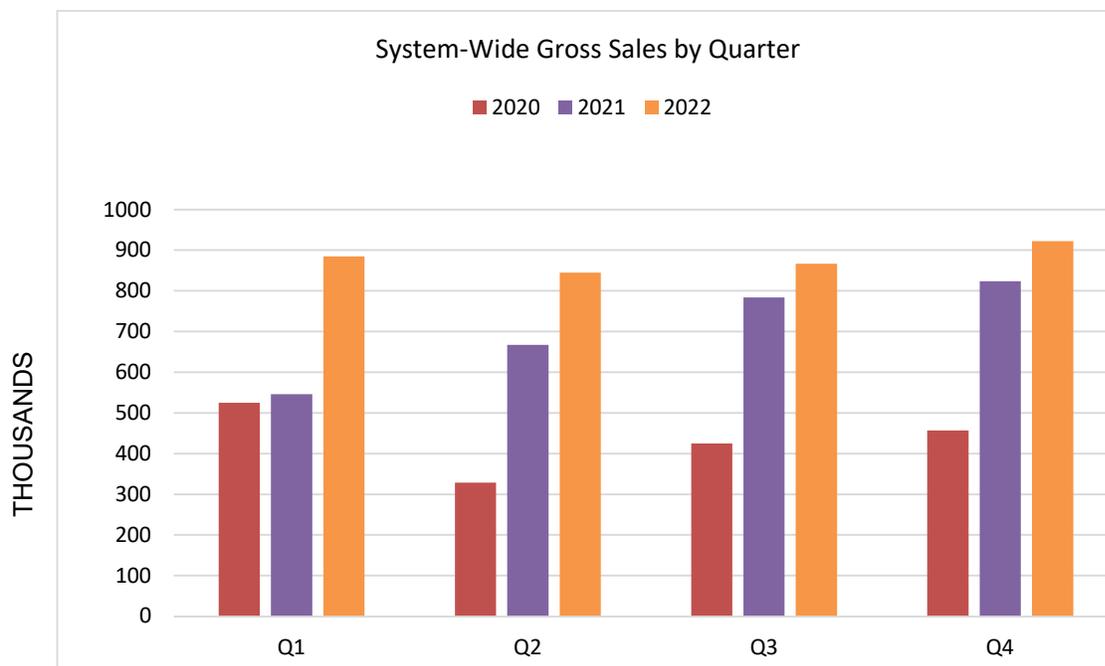
The table below sorts the Gross Sales data of 11 franchised centers that were operating for all 12 months of 2020 into 3 segments: Top 20%, Middle 60%, and Bottom 20%. For each Gross Sales segment, average, median, and range of Gross Sales and Net Profit Margin are given along with the number and percentage that performed at or above the average and median for both.

<b>Gross Sales Segment</b>	<b>Top 20%</b>	<b>Middle 60%</b>	<b>Bottom 20%</b>
<b># of Centers in Segment</b>	2	7	2
<b>Gross Sales Average</b>	\$188,838	\$117,283	\$38,210
<b>Gross Sales Median</b>	\$188,838	\$130,258	\$38,210
<b>Gross Sales Range</b>	\$177,306 - \$200,370	\$63,158 - \$171,236	\$29,209 - \$47,211
<b>Number/Percentage At or Above Average</b>	1 / 50%	4 / 57%	1 / 50%
<b>Number/Percentage At or Above Median</b>	1 / 50%	4 / 57%	1 / 50%
<b># of Centers Reporting Net Profit in Each Gross Sales Segment</b>	2	7	1
<b>Net Profit Margin Average</b>	58%	15%	-25%
<b>Net Profit Margin Median</b>	58%	24%	-25%
<b>Net Profit Margin Range</b>	57% to 60%	-56% to 48%	-25%
<b>Number/Percentage At or Above Average</b>	1 / 50%	5 / 71%	1 / 100%
<b>Number/Percentage At or Above Median</b>	1 / 50%	4 / 57%	1 / 100%

Note for Table 2C: Results above exclude Gross Sales and Net Profit Margin from the company-owned center. Net Profit Margin is defined here as the percentage of revenue remaining after rent, payroll, and booklet costs. Royalty fees are not included in the Net Profit Margin. The following franchisees did not submit information in time for this disclosure: 1 of 2 franchised centers in the bottom 20%. The figures reflected in the chart above were compiled from unaudited information reported to us by our franchisees. We have not independently verified any of the information upon which this financial performance representation is based.

### Graph 1

The bar graph below shows the system-wide Gross Sales for each quarter during 2020, 2021, and 2022 based on the Gross Sales data of the company-owned center and the reporting franchised centers that were operating for that time period.



1. One operating franchised center was excluded from the graph due to no separate monthly data available.
2. One franchised center was excluded from 2020 data due to not operating for a full quarter in 2020 after closing Feb. 29, 2020.
3. Six centers opened in January 2020, January 2021, June 2021, February 2022, May 2022, and August 2022 respectively and are included.

### Table 4

#### 2022 Tuition Fees Analysis

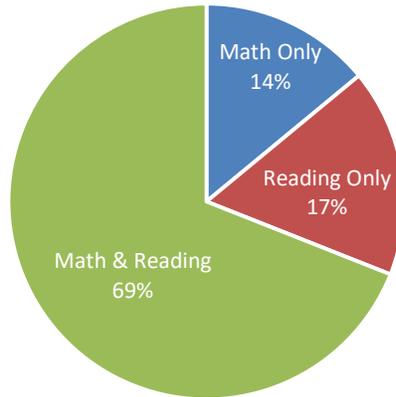
The table below shows the data for the 15 franchised centers operating any month in 2022 and the 1 company-owned center including the number of unique student monthly tuition fees, the total revenue in monthly tuition fees, and the average, median, low, and high for per student monthly tuition fees. This chart includes partial month tuition fees and refunds, but does not include registration fees, prepay of tuition fees not used in 2022, or other fees.

Monthly Tuition Fees	2022
Unique Per Student Fees	15,593
Total Revenue	\$3,321,556
Average of Per Student Monthly Fee	\$213.69
Median of Per Student Monthly Fee	\$210
Range	\$2.50 to \$2,500

### Graph 2

The graph below shows the breakout of the monthly student tuition fees data in Table 4 by subject(s).

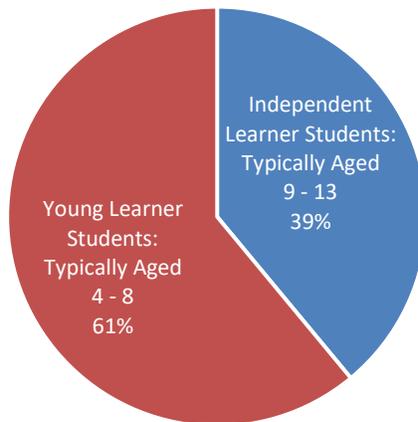
Monthly Student Tuition Fees Breakout  
By Subject(s)



### Graph 3

The graph below shows the breakout of the monthly student tuition fees data in Table 4 by type of student (typically designated by age).

Monthly Student Tuition Fees Breakout  
By Student Type



Note for Tables 4 & 5 and Graphs 2 & 3: One operating franchised center was excluded due to no separate monthly data available for 2022.

For purposes of this Item 19, “Gross Sales” is defined as cash received during the given time period. There are no deductions other than any refunds or credits given to a client. “Net Profit Margin” is defined here as the percentage of revenue remaining after rent, payroll, and booklet costs. Royalty fees are not included in the Net Profit Margin.

The numbers provided in this Item 19 were compiled from the voluntary reporting information that the franchisees provided to use pursuant to the Franchise Agreement. In general, these revenue numbers have not been verified by us or independently audited. Written substantiation for the financial performance representation will be made available upon reasonable request. A new franchisee’s individual financial results may differ from the results provided.

**Some Centers have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.**

The earnings claim figures do not reflect all the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Revenues or Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

Other than the financial performance provided in this Item 19, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Stephanie Coppedge, 16835 Addison Rd., Addison, TX 75001, 855-344-3366 Ext. 4, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

### Systemwide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Licensed	2020	18	14	-4
	2021	14	13	-1
	2022	13	11	-2
Franchised	2020	12	11	-1
	2021	11	13	+2
	2022	13	16	+3
Company Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Total Centers	2020	31	26	-5
	2021	26	27	+1
	2022	27	28	+1

Table No. 2

### Transfers of Outlets from Franchisees to New Owners (other than Franchisor) For Years 2020 to 2022

State	Year	Number of Transfers
TX	2020	1
	2021	0
	2022	0
Total	2020	1
	2021	0
	2022	0

### NOTES

- In 2020, Nancy Vance, Licensee, (972) 974-5266 1460 T.L. Townsend Road, Rockwall, TX 75032, sold her license to Curry Jones, who converted it to a franchise.

Table No. 3a

**Status of Licensed Outlets****For years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
MA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OK	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
TX	2020	10	0	0	0	0	2	8
	2021	8	0	0	0	0	1	7
	2022	7	0	1	0	0	1	5
VA	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Totals	2020	18	0	0	0	0	4	14
	2021	14	0	0	0	0	1	13
	2022	13	0	1	0	0	1	11

Table No. 3b

**Status of Franchised Outlets  
For years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
AR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TX	2020	10	0	0	0	0	1	9
	2021	9	2	0	0	0	0	11
	2022	11	2	0	0	0	0	13
Totals	2020	12	0	0	0	0	1	11
	2021	11	2	0	0	0	0	13
	2022	13	3	0	0	0	0	16

Table No. 4

**Status of Company-Owned Outlets  
For years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets of End of Year
Texas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Total	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

Table No. 5

**Projected Openings  
As Of December 31, 2022**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	1	1	0
Texas	2	4	0
Total	3	5	0

A full listing of franchisees and licensees can be found in Exhibit C.

No information about a franchisee that has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with Gideon within 10 weeks of the Disclosure Document issuance date is required to be disclosed in this Item. If you buy this franchise, your contact information will be disclosed to other buyers when you leave the franchise system.

No information about Gideon selling a previously owned franchised outlet now under its control is required to be disclosed in this Item. No information about franchisees signing confidentiality clauses during the last three fiscal years is required to be disclosed in this Item. No information about a Gideon trademark-specific franchisee organization is required to be disclosed in this Item.

**ITEM 21: FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit B are our audited, fiscal year end financials for 2020, 2021, and 2022.

**ITEM 22: CONTRACTS**

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Exhibit A: Gideon Franchise Agreement (which includes the following agreements or authorization): Schedule A – Territory; Schedule B – Opening Kit; Schedule C – Gideon Booklet Shelving System; Schedule D – Computer and Tablet Requirements; Schedule E – Guarantee of Obligations; Schedule F – General Release; Schedule G – ACH Authorization

**ITEM 23: RECEIPTS**

Copies of a detachable receipt are located at the last 2 pages of this Disclosure Document.

# **Exhibit A**



GIDEON MATH & READING, LLC  
FRANCHISE AGREEMENT

Effective Date: \_\_\_\_\_

Franchisee: \_\_\_\_\_

Center Director: \_\_\_\_\_

Other Owner(s): \_\_\_\_\_

Business Address: \_\_\_\_\_

FDD Receipt Date: \_\_\_\_\_

Franchise Type: \_\_\_\_\_ RETAIL / \_\_\_\_\_ NON-RETAIL

Franchise Fee: \_\_\_\_\_

\_\_\_ NEW / \_\_\_ TRANSFER

Training Fee: \$5,000 & Opening Kit Fee: \$20,000

**TOTAL FEES DUE AT SIGNING:** \_\_\_\_\_

GIDEON MATH & READING, LLC

16835 Addison Road

Addison, Texas 75001

855-344-3366

[info@gideonfranchise.com](mailto:info@gideonfranchise.com)

[gideonfranchise.com](http://gideonfranchise.com)

<b>I. DEFINITIONS</b> .....	1
<b>II. GRANT OF FRANCHISE</b> .....	6
2.1 GRANT.....	6
2.2 TIMELINE.....	6
<b>III. TERM OF THE AGREEMENT; SUBSEQUENT TERMS</b> .....	6
3.1 TERM.....	6
3.2 SUBSEQUENT TERMS.....	6
<b>IV. TERRITORY/CENTER LOCATION</b> .....	6
4.1 YOUR TERRITORY .....	6
4.2 SITE SELECTION AND ACQUISITION/LEASE .....	7
4.3 CENTER/SITE APPROVAL .....	7
4.4 PREFERRED SITE CHARACTERISTICS .....	7
4.5 SITE DEVELOPMENT/CONSTRUCTION AND REMODELING/FURNITURE .....	8
4.6 COMPUTER REQUIREMENTS .....	8
4.7 COMPETITION.....	9
4.8 BUSINESS OUTSIDE THE TERRITORY .....	9
4.9 ADDITIONAL TERRITORIES .....	9
4.10 NO OTHER RIGHTS.....	9
<b>V. FEES</b> .....	9
5.1 INITIAL FRANCHISE FEE .....	9
5.2 TRAINING FEE .....	9
5.3 OPENING KIT FEE.....	10
5.4 ONGOING GIDEON MATERIALS .....	10
5.5 ROYALTY FEES .....	10
5.6 ADVERTISING AND MARKETING FEE.....	10
5.7 TRANSFER FEE.....	11
<b>VI. ADVERTISING AND MARKETING PROGRAM</b> .....	11
6.1 ADVERTISING AND MARKETING PROGRAM .....	11
6.2 ADVERTISING OUTSIDE YOUR TERRITORY .....	11
6.3 ADVERTISING APPROVAL.....	11
6.4 AVAILABLE ADVERTISING MATERIAL .....	11
6.5 POSSIBLE ADVERTISING PROGRAMS .....	11
6.6 INTERNET ADVERTISING .....	12
6.7 PROMOTIONAL PAYMENTS .....	12
<b>VII. AFFINITY LOCATIONS</b> .....	12
7.1 AFFINITY LOCATIONS .....	12
7.2 RIGHTS AND OBLIGATIONS CONCERNING AFFINITY LOCATIONS.....	12
<b>VIII. TELEPHONE NUMBERS/ HIGH SPEED INTERNET</b> .....	12
8.1 TELEPHONE NUMBERS AND LISTINGS .....	12

8.2	TRANSFER OF TELEPHONE NUMBER .....	12
8.3	HIGH SPEED INTERNET .....	13
<b>IX. OUR OPERATING ASSISTANCE .....</b>		<b>13</b>
9.1	MANUALS .....	13
9.2	ADVERTISING ASSISTANCE .....	13
9.3	CENTER SELECTION ASSISTANCE AND APPROVAL .....	13
9.4	ADVICE AND GUIDANCE .....	13
9.5	MEETINGS AND SEMINARS .....	13
9.6	NEWSLETTERS AND BULLETINS .....	14
9.7	AUTHORIZED AND ADDITIONAL SERVICES AND PRODUCTS .....	14
9.8	SUPPLEMENTAL MATERIALS OR SERVICES.....	14
9.9	NEW GIDEON MATERIALS & METHODS.....	14
9.10	PERIODIC CONFERENCES.....	15
<b>X. FRANCHISE REWEAL AGREEMENT .....</b>		<b>15</b>
10.1	SUBSEQUENT TERMS .....	15
10.2	NOTICE OF SUBSEQUENT RENEWAL AGREEMENT/SUBSEQUENT TERMS.....	15
10.3	RENEWAL FRANCHISE AGREEMENT.....	15
<b>XI. TRAINING .....</b>		<b>16</b>
11.1	GIDEON INITIAL TRAINING .....	16
11.2	ADDITIONAL TRAINING .....	16
11.3	EMPLOYEE TRAINING .....	16
11.4	EMPLOYEE CRIMINAL BACKGROUND CHECKS .....	16
11.5	PLACE AND MANNER OF TRAINING .....	16
<b>XII. MANUALS .....</b>		<b>17</b>
12.1	THE MANUALS.....	17
12.2	MODIFICATIONS TO MANUALS .....	17
12.3	TRADE SECRETS AND CONFIDENTIAL AND PROPRIETARY INFORMATION.....	17
12.4	ACKNOWLEDGMENT REGARDING INJUNCTIVE RELIEF .....	18
<b>XIII. OPERATING REQUIREMENTS .....</b>		<b>18</b>
13.1	CENTER SITE/LOCATIONS.....	18
13.2	CENTER APPEARANCE.....	18
13.3	FRANCHISEE/CENTER DIRECTOR'S PARTICIPATION.....	18
13.4	OPENING .....	18
13.5	MINIMUM HOURS .....	19
13.6	CENTER EMPLOYEES.....	19
13.7	CONTRACTS WITH OTHERS.....	19
13.8	NAME OF CENTER.....	19
13.9	INDEPENDENTLY OWNED .....	19
13.10	FURNITURE, EQUIPMENT, SOFTWARE AND SUPPLIES.....	19
13.11	COMPLIANCE WITH OUR BUSINESS METHODS AND REQUIREMENTS.....	20
13.12	SIGNS.....	20
13.13	CUSTOMER SERVICE .....	20

13.14 RESTRICTIONS ON WHAT FRANCHISED BUSINESS MAY SELL .....	21
13.15 GOVERNMENT REGULATIONS.....	21
13.16 PERMITS AND CERTIFICATES .....	21
13.17 PUBLIC FIGURES.....	21
13.18 BEST EFFORTS .....	21
13.19 GUARANTY.....	21
<b>XIV. MARKS .....</b>	<b>21</b>
14.1 OWNERSHIP AND USAGE .....	21
14.2 INFRINGEMENT .....	22
14.3 INDEMNIFICATION.....	22
14.4 REPLACEMENT OR NEW MARKS.....	22
<b>XV. RECORDS AND FINANCIAL REPORTS .....</b>	<b>22</b>
15.1 FORMS AND RECORDS .....	22
<b>XVI. AUDITS AND INSPECTIONS .....</b>	<b>23</b>
16.1 RIGHT TO AUDIT.....	23
<b>XVII. YOUR COVENANTS.....</b>	<b>23</b>
17.1 OPERATE YOUR CENTER .....	23
17.2 OFFER ONLY THE GOODS AND SERVICES WE SPECIFY .....	23
17.3 MINIMUM OPERATING STANDARDS .....	23
17.4 COMPETITION.....	24
17.5 COVENANT TO PROTECT TRADE SECRETS AND CONFIDENTIAL AND PROPRIETARY INFORMATION .....	24
17.6 INJUNCTIVE RELIEF .....	24
17.7 REASONABLENESS OF RESTRICTIONS.....	24
17.8 INDEPENDENCE OF COVENANTS .....	24
17.9 INDEMNIFICATION.....	24
17.10 INSURANCE .....	25
<b>XVIII. TERMINATION .....</b>	<b>25</b>
18.1 TERMINATION BY YOU .....	25
18.2 TERMINATION BY US.....	25
18.3 OBLIGATIONS AFTER TERMINATION OR EXPIRATION.....	27
<b>XIX. ASSIGNMENT GENERALLY .....</b>	<b>28</b>
19.1 ASSIGNMENT BY US .....	28
19.2 ASSIGNMENT BY YOU .....	28
<b>XX. TRANSFER OF FRANCHISE .....</b>	<b>28</b>
20.1 REQUIREMENTS .....	28
20.2 NO WAIVER OF CLAIMS .....	29
<b>XXI. RIGHT OF FIRST REFUSAL .....</b>	<b>29</b>
21.1 ON PROPOSED SALE OR TRANSFER .....	29
<b>XXII. DEATH OR DISABILITY .....</b>	<b>29</b>

22.1	INTERIM MANAGEMENT.....	29
22.2	LONG-TERM DISABILITY.....	29
22.3	DEATH.....	30
<b>XXIII.</b>	<b>APPLICABLE LAW, MEDIATION, ARBITRATION, COURT ACTIONS .....</b>	<b>30</b>
23.1	MEDIATION.....	30
23.2	ARBITRATION.....	30
23.3	CERTAIN CLAIMS BY GIDEON.....	31
23.4	ACCEPTANCE OF AGREEMENT IN TEXAS.....	31
23.5	GOVERNING LAW AND VENUE.....	31
23.6	APPLICABLE STATE LAW.....	31
23.7	AGENT FOR SERVICE OF PROCESS.....	31
23.8	WAIVER OF JURY TRIAL.....	32
23.9	WAIVER OF PUNITIVE DAMAGES.....	32
23.10	NO CLASS ACTIONS.....	32
23.11	CONSTRUCTION AND SEVERABILITY.....	32
23.12	NOTICES.....	32
23.13	ENTIRE AGREEMENT AND MODIFICATIONS.....	33
23.14	WAIVER.....	33
23.15	INDEPENDENT CONTRACTORS.....	33
23.16	SURVIVAL OF OBLIGATIONS.....	33
23.17	DAMAGES FOR SERVICE MARK INFRINGEMENT AND OTHER VIOLATIONS.....	33
23.18	COUNTERPARTS.....	34
23.19	FORCE MAJEURE.....	34
23.20	REMEDIES.....	34
23.21	ACKNOWLEDGMENTS.....	34
23.22	AUTHORIZATION TO CONDUCT INVESTIGATION.....	35
<b>ARTICLE XXIV.</b>	<b>STATE SPECIFIC PROVISIONS.....</b>	<b>35</b>
24.1	STATE SPECIFIC PROVISIONS CONTROL.....	35

This Franchise Agreement is entered into by Gideon Math & Reading, LLC as Franchisor and as the entity or person set forth as the Franchisee on the cover page of this Agreement.

## I. DEFINITIONS

Words and phrases used frequently in this Agreement will have the meaning indicated:

“Affiliated Companies” or “Affiliate(s)” means any person that, directly or indirectly, controls, is controlled by, or is under common control with, the referenced party.

“Affinity Locations” means an authorized Franchised Business, established on a temporary basis, in a space controlled by the Group Customer but not open to the general public. We may allow a franchisee or licensee to undertake this program to encourage Non-Parent Paid enterprises (i.e. schools and educational institutions).

“Agreement” or “Franchise Agreement” means this document, all its attachments, exhibits, stipulations and schedules and written modifications.

“Center” means an after-school learning facility located at a distinct postal address such as a storefront or office or may be embedded within another business or facility where you have been approved to operate your Franchised Business. You may not use the Gideon Materials or Gideon Marks at any other location or facility, except at your Center. Upon written request, Gideon will allow you to change your Center in the future provided the new proposed Center is approved and does not encroach upon the territory of another franchised Gideon Center or other licensed Center.

“Center Director” means an individual who owns and operates the Franchised Business and will be physically present and directly supervising at the Center 75% of the time that the Center is open for class. If Franchisee is a business entity, Center Director shall mean a member of the business entity who has a controlling interest in the entity, has completed the Gideon Training, and shall be physically present and directly supervising at the Center 75% of the time that the Center is open for class.

“Collateral Agreements” means any and all agreements related to the Territory (i) for operation of a Franchised Business, (ii) any agreements with third parties, including landlords and agreements with Jackrabbitclass.com related to the Operating System, or for any program we or our affiliates sponsor or arrange, (iii) any agreement with an Affiliate, and (iv) any agreement you have with us related to any license rights you may have.

“Competing Learning Business” means any business that offers after school learning programs or other services that are the same or similar to those offered by Gideon Math & Reading Centers.

“Effective Date” means the date designated as such on the cover page by the Franchisor of this Agreement.

“Ethical Standards” means the principals that when followed promote values such as trust, good behavior, fairness, and/or kindness. Treat the customer with respect and kindness. Do not share the customer's private information with anyone outside of the company.

“Exemption Condition” when used in connection with subsequent terms, for a Retail Franchise Center with a lease, have an average of revenue to rent ratio of 2.5 in your Territory; or for a Non-Retail Franchise Center have an average of 30 monthly subjects in your Territory, and have had no violations of the Agreement or the Manuals in the one (1) year period prior to renewal.

“Franchisee” means the individual or entity on the cover page and on Schedule G.

“Franchised Business” means your Gideon Math & Reading Center operated under this Agreement.

“Gideon Booklet Shelving System” means the required shelving necessary to open a Retail Franchise Gideon Center, which currently consists of the shelving described in Schedule C hereto.

“Gideon Channels” means the Gideon student database and any Gideon marketing or social media that bears the Marks.

“Gideon Employee Training” means our online training program for all employees of your Gideon Center. We may also develop and offer from time to time through the Company intranet site as we deem necessary additional training for employees. We do not presently charge any fees for this additional online training.

“Gideon Initial Training” means our initial training program for the Center Director. This program is designed and presented by our company headquarters training staff and consists of eight (8) total days of training at our company headquarters in Addison, Texas. You must pay all costs expenses associated with attending the Gideon Initial Training, including, but not limited to, transportation expenses, room and board, and any wages you might be entitled to as an employee of the Franchised Business. We may change any aspect of this training program at any time, including its location. You understand and agree that this training fee is NON-REFUNDABLE in whole or in part under any circumstances.

“Gideon Know-How” means the procedures, policies, and training that is exclusively used at Gideon Centers in operation of the Franchised Business

“Gideon Materials” means the booklets that are developed by Gideon and made available for purchase by Franchised Businesses, as well as current licensees. These booklets prominently show the Gideon Marks and include the Gideon Learning copyright.

“Gideon Questionnaire” means the questionnaire previously completed.

“Gideon Services” means the after-school learning instruction offered at Gideon Centers and includes the use of the Gideon Materials, the Gideon Manuals, and the Gideon Know-How.

“Gideon Sign” means an approved back-lit, exterior sign, excluding banners, permanently attached to the building for the Franchised Business.

“Gross Sales” means the total of all cash received, from all sources in connection with the operation of the Center, including, without limitation, subject tuition, registration, private tutoring, and any other products or services if promoted through Gideon Channels or sold or serviced at the Center. There are no deductions other than any refunds given to a client.

“Group Advertising” means a program that we may create which will allow you to participate in group advertising with other Franchisees. We do not presently have such a program. We have the sole discretion to determine the nature and type of any media placement and the content of any advertising copy or other materials or programs with respect to Group Advertising. Notwithstanding anything herein to the contrary, we have no obligation to create any such group advertising or program, now or in the future.

“Group Customers” means any institution such as a school or other educational institution that may provide students for a Gideon Math & Reading Center.

“Intranet” means the various methods of communication, including but not limited to blogs, electronic and documents, that Gideon uses to communicate with its Franchisees and Licensees.

“Licensees” means any Gideon Center that is not subject to a Gideon franchise agreement and shall only have the rights to purchase Gideon Materials.

“Manuals” means our confidential Gideon Operating Manual & Curriculum Manual to which you have access during the term of this Agreement, and which contains the required policies and procedures for the operation of the Franchised Business. Gideon updates or modifies the Manuals from time to time, and all supplemental bulletins, memoranda, revisions and replacements posted on the Intranet are applicable and controlling once posted.

“Marks” means the service marks and trademarks “Gideon®” and “Gideon Math & Reading Center™” and any other trademarks, service marks, trade dress and logos designated in the Operating Manual for use in connection with a Franchised Business.

“Marks Standards” means standards specified in the Operating Manual for interior and exterior Mark-bearing signs, advertising, and other items and the use of these items in the Franchised Business.

“Minimum Operating Requirements” means, for a Retail Franchise Center with a lease, an average of revenue to rent ratio of 1.0 in your Territory during the second year of the Agreement, an average of revenue to rent ratio of 1.5 in your Territory during the third year of the Agreement, an average of revenue to rent ratio of 2.0 in your Territory during the fourth year of the Agreement, and average of revenue to rent ratio of 2.4 in your Territory during the fifth year of the Agreement all consistent with the standards specified in the Operating Manual for customer service, hours, required products and services, employee training, processing and after school learning center services. If a Retail Franchise Center is not in a lease, calculations will be

based on an estimated approximation of fair market rent for that Territory. For a Non-Retail Franchise Center, the Minimum Operating Requirements means an average of 10 monthly subjects in your Territory during the first year, an average of 15 monthly subjects in your Territory during the second year, and average of 20 monthly subjects in your Territory during the third year, an average of 25 monthly subjects in your Territory during the fourth year, and an average of 30 monthly subjects in your Territory during the fifth year.

“Network” means the nationwide network of company-owned and franchised Centers that operate a Gideon Franchised Business.

“Non-Parent Paid” means any supplemental educational program that is not directly paid for by the parents of the student.

“Non-Retail Franchise” means the type of franchise agreement or franchise renewal agreement where the Franchisee typically operates the Center in a non-retail space and is given the Non-Retail Franchise Territory.

“Non-Retail Franchise Territory” means the area described in Schedule A in which you may operate the Franchised Business if you sign a Non-Retail Franchise agreement. Centers may only operate in an approved location within a Non-Retail Franchise Territory, and the location is not labeled as retail by the commercial brokerage firm and is not able or not allowed to have a Gideon Sign.

“Opening Kit” means the minimum inventory of Gideon Materials that is required to open a new Gideon Center. It includes all items on Schedule B. Shipping charges will be your responsibility. You understand and agree that this Opening Kit is NON-REFUNDABLE in whole or in part under any circumstances.

“Operating System” means the plan and system as updated and revised from time to time for operation of a Center, including the use of Jackrabbitclass.com web-based management software for the class management and QuickBooks Online accounting software in your Franchised Business. You must be a licensed user of Jackrabbitclass.com web-based management and QuickBooks Online accounting software. We will be entitled to access both web-based software to survey your students and their parents for satisfaction and advertising purposes and review your accounting.

“Owners” means but is not limited to the following individuals the other member, directors, partners, subsidiaries, associates that have an interest in the entity recognized as Franchisee in this Agreement.

“Retail Franchise” means the type of franchise agreement or franchise renewal agreement where the Franchisee operates the Center in a retail space and is given the Retail Franchise Territory.

“Retail Franchise Territory” means the area as defined in Schedule A in which you may operate the Franchised Business if you sign a Retail Franchise Agreement. Centers may only operate in an approved location within a Retail Franchise Territory, and the location must be

labeled retail by the commercial brokerage firm used in the search for the property and is able to have a Gideon Sign.

“Subjects” means the number of subjects a student is enrolled in. For example, one child taking both math and reading equals two (2) Subjects.

“Supplemental Materials” means math and reading curriculum not published by Gideon Math & Reading, LLC

“Technology Standards” means the standards specified in the Operating Manual for technology to be used in the Franchised Business, including the telephone communications services, the Gideon Math & Reading Intranet, computer hardware and software, records maintenance, marketing data, accounting, and budgeting programs.

“Term” means five (5) years from the Effective Date.

“Territory” means the area defined in Schedule A of your Franchise Agreement or Franchise Renewal Agreement in which you may operate the Franchised Business, and which is categorized as a “Retail Franchise Territory,” or “Non-Retail Franchise Territory”. You will operate from one Center and must receive our permission before relocating. Gideon will not place another Gideon Center within your Territory.

“Trade Secret” and “Confidential and Proprietary Information” means our trade secrets and confidential and proprietary information, including but not limited to the following: the identities of the customers served by the Franchised Business including their names, addresses and phone numbers, customer lists, any other documents related to services performed on behalf of customers, the contents of the Manuals and all of the operating procedures, specifications, standards and rules that we prescribe for the franchised system, our training materials, and any other or different items so designated in the Manuals. Trade Secrets and Confidential Information shall not include any of the following:

(a) such information in the public domain at the time of the disclosure, or subsequently comes within the public domain without fault of the receiving party;

(b) such information which was in the possession of receiving party at the time of disclosure that may be demonstrated by business records of receiving party and was not acquired, directly or indirectly, from Gideon; or

(c) such information which receiving party acquired after the time of disclosure from a third party who did not require receiving party to hold the same in confidence and who did not acquire such technical information from Gideon.

“We”, “us” or “our” means Gideon Math & Reading, LLC, a Texas limited liability company, the Franchisor, our successors, and assigns.

“You”, “your” or “yourself” means the Franchisee named on the cover page.

## II. GRANT OF FRANCHISE

**2.1 Grant.** We grant you the right, and you assume the obligation, to own and operate a Franchised Business solely at the Center in the Territory (defined in Schedule A), subject to and in accordance with the terms and conditions of this Agreement. Neither we nor any of our Affiliates will operate or license others to operate a Franchised Business located in the Territory, except as provided in §7.

**2.2 Timeline.** Upon receiving the franchise fee payment in full to hold your Territory, you must sign a lease for the Center in the Territory, if applicable, or if not using a space requiring a lease, schedule your opening kit delivery within 90 days from the Effective Date of this Agreement in order to guarantee the Center and Territory that has been approved by us. **However, you may not sign a lease without written approval from Gideon. Gideon reserves the right to cancel this Agreement with no refund if you sign a lease without written approval from Gideon.** Whether you have a Retail Franchise Territory or a Non-Retail Franchise Territory, you must open your Center within one (1) year from the Effective Date or you will be required to attend the Gideon Initial Training again and pay the then-current training fee again in order to retain your Franchise. Gideon shall withhold the Opening Kit until you have satisfactorily completed Gideon Initial Training. You must maintain the Minimum Operating Requirements at your Center and follow the policies and procedures in the Manuals.

## III. TERM OF THE AGREEMENT; SUBSEQUENT TERMS

**3.1 Term.** The term of this Agreement and the grant of Franchise is five (5) years beginning on the Effective Date.

**3.2 Subsequent Terms.** You may be offered a renewal if you satisfy the “Exemption Condition” defined. The Exemption Condition will be satisfied when you maintain an average revenue to rent ratio of 2.5 in your Retail Franchise Territory during the fifth year of the term of the Agreement, and are consistent with the standards specified in the Operating Manual for customer service, hours, required products and services, employee training, processing and after school learning center services, one (1) year preceding expiration of the Term of this Agreement and have had no violations of the Agreement or the Manuals in the one (1) year period prior to renewal. For Non-Retail Franchise Centers, you must maintain an average of 30 monthly subjects in your Territory during the fifth year of the term of the Agreement. Subsequent terms shall be five (5) years each. However, meeting the Exemption Condition does not constitute an automatic renewal for subsequent terms. Renewal for subsequent terms is solely at our discretion.

## IV. TERRITORY/CENTER LOCATION

**4.1 Your Territory.** The area within which you may operate the Franchised Business is described on Schedule A to this Agreement, as you are designated a Retail or Non-Retail Franchise. It consists of a dynamic territory. This territory will be determined first at the time

the Agreement is signed and confirmed when the Center is approved or a lease is signed. As needed, Gideon will update your territory. You will operate from the Center and must receive our permission before relocating. We will not operate Centers or grant franchises for a similar or competitive business within your Territory. You may not operate the Franchised Business at any location outside the Territory. You expressly acknowledge and agree that we may operate or grant a license or franchise to others to operate a Franchised Business at any location outside the Territory.

**4.2 Site Selection and Acquisition/Lease.** You acknowledge and you agree that it is your sole responsibility to select and acquire a location for the Center which meets Gideon's criteria for site approval and to follow Gideon's procedures in obtaining site approval. We will not permit any activity other than the operation of a Franchised Business at the Center, unless with prior written approval. **In the event that Gideon does assist in the site selection process, you agree and acknowledge that any such assistance or any recommendation, approval, or advice must not be considered as any assurance or guarantee of success for the Center at such site.** Further, the exterior sign installation can be expensive if your landlord requires you to use certain vendors or other measures. You should check with your landlord to see if there are any particular measures you must take to install a sign before you sign your lease. On average, installation of an exterior sign costs between \$300 and \$500.

**4.3 Center/Site Approval.** You must obtain our prior written approval of the address where you will operate your Center before you sign a lease or sublease for, or a purchase agreement for, or begin any remodeling or construction of, the facilities or any finish out for your Center. **Gideon reserves the right to cancel this Agreement with no refund if you sign a lease without written approval from Gideon.** Our approval of the Center is based and made in reliance upon information you furnish and representations you make to us (all of which we assume you have carefully and fully considered in selecting the site and proposing the site to us) with respect to the size, appearance and other physical characteristics of the site, photographs of the site, and demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics (including the purchase price, rental obligations, and other lease terms). Our approval of the Center indicates only that we believe that it falls within our site criteria as of the time period encompassing the evaluation. **Our approval of the Center, as well as any information communicated to you regarding the site does not constitute an express or implied representation or warranty of any kind as to the suitability of the site for a Center or for any other purpose.**

**4.4 Preferred Site Characteristics.** Although there are additional factors that go into selecting and approving new Center locations, these are the basic Gideon preferred site characteristics:

#### Retail Franchise Territory

- Typical size of Center: 1,200 to 1,800 sq. ft.
- High visibility from major arteries
- Located in mixed use "major tenant" community shopping center with national or regional tenants

- In proximity to other children-related businesses
- Easy ingress and egress
- Adequate parking

#### Non-Retail Franchise Territory

- Typical size of Center: 250 to 500 sq. ft.
- Located in homes, schools, churches, or office spaces
- Access to clean, working bathrooms
- Adequate lighting

Both you and we acknowledge that the application criteria that have been effective with respect to other sites may not predict the potential results for a specific site and that, subsequent to our approval of a site, demographic and/or economic factors, circumstances or situations may change, including the competition described in ¶4.7 herein. The uncertainty and instability of the factors included in the criteria are beyond our control and we will not be responsible to you for the failure of a site to meet expectations as to potential revenue or operational criteria. We may have rendered certain assistance in connection with you obtaining the site, including identifying one or more sites that we believe are available for development, recommending a real estate or business broker, or utilizing any information, contacts, databases and referral networks to which we may have access. Notwithstanding any such assistance, you acknowledge that you have conducted your own diligent review of the site, and your acceptance of a Franchise for the operation of a Center at the site is based on your own independent investigation of the suitability of the site.

**4.5 Site Development/Construction and Remodeling/Furniture.** You acknowledge and you agree that it is your sole responsibility to select and acquire a site which has the facilities, finish out, and furniture to meet Gideon's criteria for site approval. You agree to run your Center with adequate lighting, working and clean bathrooms, clean student work rooms, a clean waiting room, adequate and appropriate furniture, and in a safe manner. Each proposed site must be specifically approved by Gideon in writing. The approval process requires that the interior of the site and the furniture meet certain criteria that we believe creates an environment conducive for instruction and teaching. Gideon will assist you with setting up your Center by creating a floor plan based on your site's blueprints (provided you are able to provide them to us). Our approval of the interior design, furniture or layout indicates only that we believe that the site falls within our criteria as of the time period encompassing the evaluation. **Our approval of the interior design, furniture or layout of your Center and any information communicated to you regarding such does not constitute an express or implied representation or warranty of any kind as to the suitability of the site for a Center or for any other purpose.**

**4.6 Computer Requirements.** You must have a computer and a tablet as described in Schedule D. You are required to keep your Center's student information in JackrabbitClass.com, a web-based class management software program, and your financial records in QuickBooks Online, a web-based accounting software program. You must also have Microsoft Word, Publisher, and Excel programs. We will have the right, via internet interface, to

access your JackrabbitClass.com and QuickBooks Online data in order to ensure the quality and uniformity of the services offered under the Marks, accurately calculate royalty payments, and to ensure you have met all obligations contained in this Agreement and all Collateral Agreements.

**4.7 Competition.** You will face competition for your services as Gideon's services and materials are generally marketed as supplements to traditional education for children. The supplemental educational market for children continues to experience increasing competition. Your competitors include educational services offered on the Internet, tutoring institutes, tutoring centers, learning centers, test prep centers, cram schools, individual tutors, self-tutoring programs, other Gideon Centers, and other individuals, companies, and organizations. In addition, there are many self-help workbooks and materials that are offered for sale without any service commitment or agreement.

**4.8 Business Outside the Territory.** You may not locate your Center at any location outside the Territory and may only relocate your Center from its approved location to a place inside the Territory with our written approval, subject to territory restrictions of current Gideon Centers. You may offer the Gideon Materials and perform the Gideon Services in your Territory for customers who reside outside the Territory, but you may not travel outside your Center to offer the Gideon Materials or perform the Gideon Services authorized by this Agreement.

**4.9 Additional Territories.** We are under no obligation to permit you to purchase any other additional Territories. We may decline your application for any additional Territories for any reason or no reason. We may require you to execute a general release of any and all claims against us in consideration for our grant of any additional Territory.

**4.10 No Other Rights.** There are no other rights between you and us or between you and our Affiliated Companies concerning the Territory.

## V. FEES

**5.1 Initial Franchise Fee.** Once your Agreement is executed, you will be granted a franchise to operate a Franchised Business. You must pay us the initial franchise fee in the amount set forth on the cover page of this Agreement. You understand and agree that this initial franchise fee is NON-REFUNDABLE in whole or part under any circumstances.

If you have a Non-Retail Franchise, you may upgrade your Non-Retail Franchise to a Retail Franchise if we are then offering Retail Franchises in your Territory and you (and each of your owners) have substantially complied with your Agreement during its terms, agree to modify your Gideon Center as we require to bring it into compliance with our operations manual, and are current in all amounts owed to us and our affiliates. The fee payable to upgrade to a Retail Franchise is five thousand dollars (\$5,000.00). The right to grant or deny a Retail Franchise is solely at our discretion.

**5.2 Training Fee.** Once your Agreement is executed, you will be required to participate in the Gideon Initial Training. You must pay all costs expenses associated with

attending the Gideon Initial Training, including, but not limited to, transportation expenses, room and board, and any wages you might be entitled to pay to an employee of the Franchised Business. We may change any aspect of this training program at any time, including its location.

The training and fee for all new franchisees is five thousand dollars (\$5,000.00). You are required to complete the online training program within the ninety (90) day period following the approval of your application to hold your Territory. The training fee includes the cost of home training materials, online training access, and eight (8) days of training sessions at our company headquarters in Addison, Texas. This onsite training will not be scheduled unless the online training has been successfully completed. You understand and agree that this training fee is NON-REFUNDABLE in whole or in part under any circumstances. In the event, that you do not open a Gideon Center within one (1) year of signing the Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Training Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

**5.3 Opening Kit Fee.** “Opening Kit” means the minimum inventory of Gideon Materials. You must pay us the opening kit fee in the amount set forth on the cover page of this Agreement, and it includes all items found on Schedule B. You understand and agree that this Opening Kit fee is NON-REFUNDABLE in whole or in part under any circumstances. **The Opening Kit will not be shipped until the Dallas Trainings I & II are satisfactorily completed.**

**5.4 Ongoing Gideon Materials.** You will be required to purchase Gideon Materials from Gideon once your supply of Gideon Materials runs out and on an on-going basis thereafter. The average cost for ongoing Gideon Materials is subject to change but is currently \$21.50 on average per Subject Student per month (accurate as of 12/31/2022).

**5.5 Royalty Fees.** Starting with your 1st full month of center operation, you must pay 5% if a Retail Franchise or 10% if a Non-Retail Franchise of monthly Gross Sales from all sources as a result of operating your center, including non-Gideon products and services promoted through Gideon Channels and sold or serviced at the Center.

Beginning in the 13<sup>th</sup> month of operation of the center, the minimum monthly royalty payment is \$200. Beginning in the 37<sup>th</sup> month, the minimum monthly royalty payment is \$400. The royalty payment shall be the greater of the percentage owed or the minimum payment.

You are also obligated to purchase the ongoing Gideon Materials from Gideon when your inventory of Gideon Materials is exhausted and on an ongoing basis thereafter.

**5.6 Advertising and Marketing Fee.** After the initial opening marketing of \$5,000 required to be spent in the 1<sup>st</sup> year, there is no advertising or marketing fee to support national, regional, and local advertising. Further, we have no obligation to do any national, regional, or local advertising on your behalf.

**5.7 Transfer Fee.** You must pay us a transfer fee equal to \$10,000 for a Retail Franchise or \$5,000 for a Non-Retail Franchise for each transfer. Only transfers in accordance with §§20 and 21 herein are allowed.

## **VI. ADVERTISING AND MARKETING PROGRAM**

**6.1 Advertising and Marketing Program.** You and we agree that our rights and obligations with respect to the advertising and marketing fees and all related matters are governed solely by this Agreement, and that this Agreement and the advertising and marketing fees are not in the nature of a “trust”, “fiduciary relationship” or similar special relationship, and is only an ordinary commercial relationship between independent businesspersons for their independent economic benefit.

**6.2 Advertising Outside Your Territory.** You may advertise your Franchised Business in any media of general distribution, but if you advertise or market your Franchised Business outside your Territory, all such advertising and marketing and its proposed distribution must be approved in advance by us in writing and must contain the addresses and telephone numbers of all franchised and licensed offices that we determine are in your media market.

**6.3 Advertising Approval.** All advertising, promotional, and marketing activities conducted by you shall be subject to our prior approval. You must obtain our prior written consent before using any advertising or promotional program or material. We have the absolute right to use any advertising or promotional item you develop in any way we choose, for any purpose we determine, without payment to you of any kind. You must send us specimens of all proposed advertising, promotional and marketing plans and samples of all advertising materials not prepared or previously approved by us or our designated agents by certified mail, return receipt requested, facsimile, email, overnight delivery service or any other means of confirmed delivery for our prior review and approval (except for approval of the prices to be charged by your proposed vendor). If you do not receive written disapproval thereof within fifteen (15) business days after the date of receipt by us, such plans and materials shall be deemed approved. If any plans or materials previously approved by us are later disapproved, you shall discontinue their use promptly upon notice from us.

**6.4 Available Advertising Material.** Gideon offers advertising and marketing merchandise for sale to Franchisees.

**6.5 Possible Advertising Programs.** We may implement an advertising program where we match, in some proportion, your advertising dollars to prepare, produce, conduct and place advertising and promotional programs in any media we select, including any Internet-like system or protocol. We may also implement a program to provide media content and other items to use in advertising and promoting your Center. We may also implement a program for Group Advertising and allow you to participate. We have the sole discretion to determine the nature and type of any media placement and the content of any advertising copy or other materials and programs. We have the sole discretion to determine the nature and type of media and the content

of the media and programs. Notwithstanding anything herein to the contrary, we have no obligation to create any such advertising or programs now or in the future.

**6.6 Internet Advertising.** You must abide by our technology standards in connection with all use of and advertising on the internet. We will provide you with a website, including a page for the Franchised Business. You may not conduct any internet advertising without our prior written approval of its appearance and its content. You may not advertise or promote your Franchised Business by unsolicited e-mail advertising without our prior written approval. You may not use our Marks in any advertising, website, signage, or publication without our prior written approval. Any approval of internet advertising is in our sole and absolute discretion.

**6.7 Promotional Payments.** If we receive any promotional allowance or rebate from any provider of goods or services, you hereby assign any interest in any such payment, rebate, or promotional allowance to us.

## VII. AFFINITY LOCATIONS

**7.1 Affinity Locations.** We may allow a Franchisee or Licensee to undertake a program to encourage Non-Parent Paid enterprises such as schools and educational institutions (“Group Customers”) to authorize a Franchised Business to be established on a temporary or permanent basis in space controlled by the Group Customer but not open to the general public (an “Affinity Location”). An Affinity Location may only serve customers affiliated with the Group Customer who have access to the Affinity Location by virtue of their affiliation. An Affinity Location does not have any exclusive territory as defined throughout this Agreement. You must apply for our consent to pursue an Affinity Location, which consent will not be unreasonably withheld or delayed. Your Franchised Business must meet the Minimum Operating Requirements before you may request an Affinity Location.

**7.2 Rights and Obligations Concerning Affinity Locations.** If we secure the opportunity to operate an Affinity Location in your Territory, we may advise you of and discuss this Affinity Location with you.

## VIII. TELEPHONE NUMBERS/ HIGH SPEED INTERNET

**8.1 Telephone numbers and listings.** You must obtain dedicated telephone numbers for all Centers. We have the right to the telephone number(s) and online business listing(s) when your franchise terminates. You may not transfer, assign, or disconnect any telephone number(s) or online business listing(s) used in connection with the Franchised Business without our prior written consent. No personal cell phone may be used as the Center phone.

**8.2 Transfer of Telephone Number.** You hereby appoint us your attorney-in-fact to transfer any telephone numbers or online business listings used or advertised in connection with the Franchised Business on the records of the issuing and listing telephone or other companies.

**8.3 High Speed Internet.** You must obtain and have access to a high-speed internet connection at your Center.

## **IX. OUR OPERATING ASSISTANCE**

**9.1 Manuals.** The Operating Manual and the Curriculum Manual to which you have access during the term of this Agreement, contain the required policies and procedures for the operation of the Franchised Business. Gideon updates or modifies the Manuals from time to time, and all supplemental bulletins, memoranda, revisions, and replacements to the Manuals posted on the Intranet are applicable and controlling once posted.

**9.2 Advertising Assistance.** We will assist you in the development of local sales promotion and advertising programs upon request. This assistance will include advice about the recommended form and content of your advertising programs. We cannot guarantee and we do not warrant any specific level of success from any particular advertising advice or program.

**9.3 Center Selection Assistance and Approval.** Although the primary responsibility for selecting a location for the Franchised Business falls on you, we must review and approve the Center before you sign any leases or purchase agreements related thereto. Once approved, these locations are referred to herein as “Centers.” You may not open new Centers or relocate your Franchised Business to a new address within the Territory without our prior written consent. **Gideon reserves the right to cancel this Agreement with no refund if you sign a lease without written approval from Gideon.** Our approval of the location of your Center is not a guaranty or warranty of any kind, either express or implied, that your Franchised Business will be successful at any given location, that the location is suitable for the Franchised Business, or that your proposed location complies with the Americans With Disabilities Act, local building codes, fire codes, or any other law or ordinance applicable to the proposed location or to the Franchised Business. Further, in the event that we allow you to operate at a Center outside your Territory as a result of incorrect address data furnished to us by or on behalf of you or your landlord, upon discovery of any such error, you must vacate the Center in question and turn over to us or our designee the customer files and related computer databases as well as all future rights to solicit such customers without receiving compensation therefore. If another Franchisee erroneously locates in your Territory, upon discovery of such error, we have a reasonable time to correct such error.

**9.4 Advice and Guidance.** We provide reasonable operating assistance and guidance as we determine to be necessary for the operation of the Franchised Business, including new developments and improvements in operation and business methods. We do not guarantee or warrant any specific level of success from any particular advice or assistance. We will telephone or email you each week for the first 90 days after you open your Center to discuss any issues or problems.

**9.5 Meetings and Seminars.** We may provide you with additional group training and communications. We may charge fees for any additional training programs and group seminars.

**9.6 Newsletters and Bulletins.** We may provide you with newsletters and bulletins as we develop them from time to time, but we may discontinue these items at any time without notice.

**9.7 Authorized and Additional Services and Products.** You must offer, or facilitate the sale of, only those products that are authorized by us. You must obtain those products or services from us or from a third-party that we agree upon. We may add additional authorized products that you must offer, and we may discontinue any products that we presently offer. We may introduce, add, or delete products without incurring any liability to you.

**9.8 Supplemental Materials or Services.** If you decide you want to offer additional products or services as part of your Franchised Business and you are in full compliance with this Agreement and all Collateral Agreements and have had no violations of this Agreement or the Manuals in the one (1) year period prior to your request; then we will entertain your request to allow Supplemental Materials or services in your Center; however you must follow the procedures in the Operating Manual to obtain approval. You must request and submit the Supplemental Educational Materials/Services Approval Request Form found in the Operating Manual. Based on the information and samples you supply to us and your payment of a \$25 fee per booklet or workbook, we will provide you with written approval or denial of the materials. Our decision may take up to thirty (30) days. We may grant or withhold approval at our sole discretion.

If we approve of the supplemental materials, they will be added to a supplemental educational materials list for all Gideon Franchisees to consider. Any materials on the approved list are approved for any Franchisee to purchase for their Center. If a Franchisee purchases supplemental materials on the approved list, he or she is required to send written notice via email of the purchase and use at each Center where the materials will be used. The supplemental educational materials list may be revised at any time and materials may be deleted in our sole discretion if Gideon produces a like substitute. If any materials are removed from the supplemental educational materials list, franchisees that have previously purchased the materials and notified Gideon of the purchase may continue to use the materials. Franchisees who use unapproved supplemental educational materials at the Center are in breach of this Agreement.

Any additional products and services offered at your Center may not be displayed on any signs seen from the exterior, including an interior sign on a window showing through to the exterior. However, they are allowed on the interior of the Center. Any additional products and services may be included in the Gross Sales and subject to a royalty payment, if promoted through Gideon Channels or sold or serviced at the Center.

**9.9 New Gideon Materials & Methods.** Gideon will from time to time develop new Gideon Materials and methods for its Franchised Centers. As new Gideon Materials and methods are developed, Gideon will inform you of the new materials and/or methods and make them available to you for purchase as you are required to offer them.

**9.10 Periodic Conferences.** Gideon will hold periodic conferences for all Franchisees to discuss sales techniques, personal training, bookkeeping, accounting, inventory control, performance standards, advertising programs, and best practices for parent interaction. You will be responsible for your travel and living expenses incurred in connection with attending the conferences.

## **X. FRANCHISE REWEWAL AGREEMENT**

**10.1 Subsequent Terms.** Before the expiration of the Term of this Agreement, you may request a subsequent term if: (a) you are not in default of this Agreement or any Collateral Agreement; (b) if your Center is in a lease, you provided an average revenue to rent ratio of 2.4 in the Territory during the one year preceding the expiration of the Term of this Agreement; or if you have a Non-Retail Franchise Center, you provided an average 30 monthly subjects in the Territory during the one year preceding the expiration of the Term of this Agreement; (c) you are displaying our Gideon Sign, if applicable, and promotional materials; (d) your Center meets our then-current requirements for equipment and furnishings; (e) you release us from any and all claims against us; and (f) you are in full compliance with this Agreement and any collateral Agreements and have had no violations of this Agreement or the Manuals in the one (1) year period prior to renewal. This list is not meant to be exhaustive, and Gideon retains the right to grant or withhold approval of subsequent terms. If the law in your state requires us to give you notice of a decision not to permit you to sign a new agreement for our then-current term, or you have not signed a new agreement before the expiration date but you continue to operate the Franchised Business thereafter, this Agreement shall remain in effect beyond its Term, but only on a month to month basis until we either give you the required notice, you execute our then-current agreement, or this Agreement is terminated.

**10.2 Notice of Subsequent Renewal Agreement/Subsequent Terms.** You must notify us of your intention to execute a new agreement for our then-current additional term by giving us written notice not less than three (3) or more than six (6) months before the expiration of the existing Agreement. We will send you our then-current agreement to review upon receipt of your notice. If you fail to notify us within the time specified in this paragraph, the Term of this Agreement will convert to a month to month with either party having an option to terminate on thirty (30) days' notice, without further opportunity to sign a new agreement for a subsequent term.

**10.3 Renewal Franchise Agreement.** To renew your Franchised Business, you must sign our then-current form of renewal agreement and all other agreements that we require new Franchisees or you to sign. Our then-current agreement may provide: (i) for higher advertising fees, transfer fees, royalties, and other fees not included in this Agreement; and (ii) different performance standards, and terms and conditions materially different from the terms of this Agreement. You must return your fully signed then-current agreement within thirty (30) days from the date of the letter that accompanies the new agreement. If we do not receive your new agreement and other required documents within thirty (30) days, then the Term of your Agreement will convert to a month to month with either party having the option to terminate on thirty (30) days' notice, without further opportunity to sign a new agreement for a subsequent term.

## XI. TRAINING

We provide the Gideon Initial Training, and such other programs described in this Agreement or similar or substitute training programs.

**11.1 Gideon Initial Training.** You must attend and successfully complete the Gideon Training program. We currently offer the Gideon Initial Training at our training facility in Addison, Texas. This program is designed and presented by our company headquarters training staff and consists of eight (8) days of training at our company headquarters in Addison, Texas. All subsequent owners must attend and satisfactorily complete the Gideon Initial Training. You must pay a five thousand dollars (\$5,000.00) training fee for the Center Director at that time and you will be required to complete the online training program within the ninety (90) day period to hold your Territory. The training fee includes the cost of home training materials, online training access, and the Gideon Initial Training. You must have opened your Center within one year of the completing the training or you must retrain and pay a then-current training fee. You must pay all costs expenses associated with attending any of our training programs, including, but not limited to, transportation expenses, room and board, and wages for any of your employees who attend. We may change any aspect of this training program at any time, including its location. In the event that you do not open a Center within one (1) year of signing the Training Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Training Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

**11.2 Additional Training.** We may require you to complete online training classes/seminars that we may develop and offer from time to time through the company Intranet site as we deem necessary. We do not presently charge any fees for this additional online training.

**11.3 Employee Training.** You must have your employees complete our online training program within two (2) months of the employee's first day of work. We do not presently charge any fees for this additional online training.

**11.4 Employee Criminal Background Checks.** You must have all prospective employees over 18 years old submit to a criminal background check. Due to the sensitive nature of working with children, should any allegation of impropriety toward any student(s) or client(s) arise, you must immediately investigate the matter, terminate employee(s) as needed to prevent any further improprieties, and in the case of criminal behavior, immediately report the incident to the proper authorities. Failure to act in a timely manner will expose you to civil and criminal liability.

**11.5 Place and Manner of Training.** We reserve the right to specify where and in what manner we offer initial or ongoing training. The delivery of training can be in any place and in any fashion we specify, such as live in-person, online, or on a flash drive.

## XII. MANUALS

**12.1 The Manuals.** We will provide you with confidential access to our Manuals (Operations & Curriculum) via Intranet. The Manuals are our sole property. The Manuals contain the mandatory standards, specifications, and requirements of the franchised system that we prescribe from time to time to ensure the quality and uniformity of the services offered under the Marks. The entire contents of the Manuals plus our mandatory specifications, procedures and rules prescribed from time to time will constitute provisions of this Agreement just as if they were written on these pages. If there is a dispute about the contents of the Manuals, the then-current terms of the master copy available online will control. In the event that you do not open a Center within one (1) year of signing the Agreement, then you must return all copies and originals of Gideon materials, however stored, including but not limited to, Operations and Curriculum Training Manuals, at your own expense, to our corporate office in Addison, Texas, within thirty (30) days.

**12.2 Modifications to Manuals.** We have the right to exercise our reasonable business judgment to modify the Manuals to maintain the quality and uniformity of operations, to change, modify, delete, supplement or enhance our operations or any of our procedures, or to change, maintain or enhance the operations or the Marks or to enhance the reputation, efficiency, and quality of the system or the goodwill associated with our Marks, or to adapt the system to new conditions, materials or technology, or better serve the public, or to meet competition, even if these changes and improvements require you to incur expenses.

**12.3 Trade Secrets and Confidential and Proprietary Information.** You agree that the following are our trade secrets and confidential and proprietary information, including but not limited to the following: the identities of the customers served by the Franchised Business, including their names, addresses and phone numbers, customer lists, any other documents related to services performed on behalf of customers, the contents of the Manuals and all of the operating procedures, specifications, standards and rules that we prescribe for the franchised system, our training materials, and any other or different items so designated in the Manuals. You must maintain both during and after the term of this Agreement, absolute confidentiality of such items. You may give this information to your employees only to the extent necessary for the operation of the Franchised Business in accordance with this Agreement. You may not use the Confidential Information or any part thereof as a basis for the design or creation of any method, system, apparatus, or device similar to any method, systems, apparatus, or device embodied in the Trade Secrets and Confidential Information unless expressly authorized in writing by Gideon. You promise that you will not at any time, without our prior written approval, disclose, use, permit the use of, copy, duplicate, record, transfer, transmit or otherwise reproduce our software or other trade secret, confidential or proprietary information, in any form or by any means, in whole or in part, or otherwise make it available to any unauthorized person, entity or source. Upon termination, we do not bar you from competing except that you will no longer be entitled to use the Gideon name, the Gideon Marks, the Gideon Signs, the Gideon Materials, the Gideon Services and the Gideon trade secrets and confidential and proprietary information, including but not limited to the Gideon Know-How. You agree to report the unauthorized use of the Gideon Materials, the Gideon Services, or the Gideon Marks to us when you first learn of it. Trade Secrets and Confidential Information shall not include any of the following:

(a) such information in the public domain at the time of the disclosure, or subsequently comes within the public domain without fault of the receiving party;

(b) such information which was in the possession of receiving party at the time of disclosure that may be demonstrated by business records of receiving party and was not acquired, directly or indirectly, from Gideon; or

(c) such information which receiving party acquired after the time of disclosure from a third party who did not require receiving party to hold the same in confidence and who did not acquire such technical information from Gideon.

**12.5 Acknowledgment Regarding Injunctive Relief.** You acknowledge that the unauthorized use or disclosure of our trade secrets and confidential and proprietary information will cause irreparable injury and that damages are not an adequate remedy, and you agree that injunctive relief is appropriate and necessary should you disclose or use our trade secrets or confidential or proprietary information in violation of this Agreement.

### **XIII. OPERATING REQUIREMENTS**

**13.1 Center Site/Locations.** You are solely responsible for selecting the location for the Franchised Business. However, you must comply with the procedures specified in the Manuals to obtain our approval for the location of your Center before you sign any lease or purchase agreement for a Center. Our approval of the location will be based upon our then existing criteria. We will not permit any activity other than the operation of a Gideon Math & Reading Center (including private tutoring using outside materials or school homework help class) at the approved Center without our prior written approval.

**13.2 Center Appearance.** In order to maintain a uniform and professional appearance, you must get all Gideon Signs approved for outside of your Center from Gideon.

**13.3 Franchisee/Center Director's Participation.** Franchisee who has completed the Gideon initial training and any other required training must be physically present and directly supervise the Franchised Business at the Center at least 75% of the time the Center is open for class. If the Franchisee is a business entity, then the members of the entity must designate a Center Director, who has a controlling interest in the business entity, and who will complete the training and be physically present and directly supervise the Franchised Business at the Center for 75% of the time the Center is open for class.

**13.4 Opening.** You must comply with the pre-opening activity deadlines set forth in the Manual. You must open your Center within one year of the completing the training or you must retrain and pay a then-current training fee. You must be open and fully operational in all subsequent years. You may open a Center only if the Center meets the opening standards set forth in the Manual.

**13.5 Minimum Hours.** You must be open such hours as we specify in the Operating Manual.

**13.6 Center Employees.** As an independent contractor, you alone have the sole right to select, hire, and discharge your employees. You alone are responsible for all decisions regarding hiring, firing, training, supervising, disciplining, scheduling, and paying wages to and withholding and paying taxes for your employees. You alone are responsible for complying with all applicable local, state, and federal laws, including pertaining to the employment of your employees (such as minimum wage, federal and state withholding taxes, overtime compensation, child labor, and workers compensation insurance laws). Neither you nor your employees shall be considered or represented as our employees or agents. We have no relationship with your employees, and you have no relationship with our employees. We do require each employee to complete the online training within 2 months of employment. The online training for new Employees usually takes about 2 hours. You should conduct a criminal background check on all your employees over 18, and you should always supervise your employees with access to children.

**13.7 Contracts with Others.** Neither you, nor your employees are authorized to enter into any contract or Agreement with any third party on our behalf.

**13.8 Name of Center.** You agree to adopt “Gideon Math & Reading – [LOCATION]” or such other name as we may specify, as your trade or fictitious name. Unless not required by your local law, you agree to file and maintain a Fictitious or Assumed Name Certificate or comparable instrument and furnish to us evidence of such filing (DBA, “Doing Business As”) as specified in our Operating Manual. You agree to terminate any filing upon termination of this Agreement.

**13.9 Independently Owned.** You acknowledge that, as franchisee of Gideon, you are the owner and operator of an independent business and not an employee or agent of Gideon. Neither this Agreement nor any conduct by either party shall create a fiduciary or other special relationship or render you or us as an agent, legal representative, joint venturer, partner, joint employer, employee, or servant of each other for any purpose. You agree to always hold yourself out to the public as an independent contractor operating your Center under license from us. You must use in a posting at each of your Centers, and such other or substitute ways as we may specify, the statement that your entity is independently owned and operated. You must enter into all business bank accounts, purchase orders, leases, utility arrangements and all other contracts and agreements in your entity’s legal name. You may not use “Gideon,” or “Gideon Math & Reading Center,” as part of your legal name or to contract with third parties. Gideon will provide you a sign designating your Center as an independently owned and operated, which you must display in an area visible to all your clients.

**13.10 Furniture, Equipment, Software and Supplies.** To maintain uniformity and customer service standards, you must furnish and equip and upgrade your Center in accordance with the rules, specifications, and standards contained in the Operating Manual and that we

develop from time to time. We must approve any furniture purchase in advance, if the furniture is replaced after our initial Center approval.

**13.11 Compliance with Our Business Methods and Requirements.** To maintain the uniformity and integrity of services offered under our Marks, you must operate your business in full compliance with all our rules, specifications, standards, and procedures, including, but not limited to, those found in this Agreement, in the Manuals, and any other materials we provide. You agree to make repairs or replacements or upgrades, as we require in order to conform to our standards. We will not approve your application to open an additional Center in the Territory, or a new territory, if you do not comply with all our then-current standards as set forth in the Agreement, in the Manuals, and any other materials we provide.

**13.12 Signs.** If you have a Retail Franchise Territory, you must purchase and display one exterior sign as we specify (the “Gideon Sign”). The installation can be expensive if your landlord requires you to use certain vendors or other measures. You should check with your landlord to see if there are any particular measures you must take to install a sign before you sign your lease. On average, installation of an exterior sign costs between \$300 and \$500.

### **13.13 Customer Service.**

**13.13.1 Customer Contact.** You acknowledge that during this agreement we or our designee are free to contact the parents of the students who contract for services at your Franchised Business. You acknowledge that these parents and their students are customers of Gideon and that we have a legal interest and right to contact them periodically.

**13.13.2 Assistance Program.** We reserve the right to establish customer service assistance programs that we deem appropriate for the benefit of our Network of Franchisees.

**13.13.3 Customer Refunds.** You must conduct your Franchised Business in accordance with all rules, procedures and specifications that apply to customer service and that are designed to ensure the quality and uniformity of the services offered under the Marks. These customer service standards include, but are not limited to, payment of any damages, and interest thereon, incurred by a customer that results from any mistake you made (we make this determination), and providing a refund to any dissatisfied customer without delay, unless we determine in our sole discretion, that a refund is not warranted. If we determine, by exercising our reasonable business judgment, that a refund is warranted, then you agree to be bound by and comply with our determination.

**13.13.4 No Security Deposits or Last Month Prepayments** You may not request or require a security deposit and/or a last month prepayment for a new student. You may require a full month payment for initial payment if you prorate the second month. You may not require more than 30 days’ notice of student stopping classes and/or stopping autopayment.

**13.13.5 Goodwill and Reputation.** You must conduct your Franchised Business in a manner that reflects favorably on you, our affiliates, our Network, and us. You must protect the good name, goodwill and reputation of the Marks, and avoid all deceptive, misleading and

unethical practices. You may offer the Gideon Materials and perform the Gideon Services in your Territory for customers who reside outside the Territory without violating this provision, but you may not travel outside your Territory to offer the Gideon Materials or perform the Gideon Services authorized by this Agreement.

**13.14 Restrictions on what Franchised Business May Sell.** We require you to offer and sell only those goods and services that we have approved. You must receive written approval to offer supplemental educational materials or services at your Center. You must offer all goods and services that we designate as required for all Franchisees. These required services are math and reading instruction and teaching in the primary and secondary education market. You are required to offer the Gideon Services and the Gideon Materials, and to purchase the Gideon Materials from Gideon. We have the right to add additional authorized services or materials that a franchisee is required to offer. There are no limits on our right to do so.

**13.15 Government Regulations.** You must secure and maintain in full force and effect all government required licenses, permits, and certificates. You must operate your Franchised Business in compliance with all applicable state, federal and local laws, and regulations. You are solely responsible for ensuring that your offices comply with the Americans with Disabilities Act, with any similar state law, and with any local law or ordinance that applies to your office locations.

**13.16 Permits and Certificates.** If we request them, you must send us copies of all the permits and certificates required by law to open and operate the Franchised Business.

**13.17 Public Figures.** You may not, without our prior written approval, use or employ any public figure or any other person to represent or advertise or promote your Franchised Business.

**13.18 Best Efforts.** You must use your best efforts to recommend, promote and encourage the use of all products and services offered by the Franchised Business.

**13.19 Guaranty.** If you are a corporation, limited liability company, partnership, or any other type of entity, we may require that all of your owners sign the Guaranty of Franchisee's Undertakings, attached hereto as Schedule G, in which case your owners will personally guarantee, and will be personally bound by, the obligations under this Agreement.

#### XIV. MARKS

**14.1 Ownership and Usage.** You acknowledge that we or one of our Affiliates is the sole owner of the Marks:

The logo features the word "GIDEON" in a bold, black, sans-serif font. A stylized '@' symbol is positioned above the letter 'I' and another is integrated into the letter 'O'. A registered trademark symbol (®) is located to the right of the word.The logo features the word "GIDEON" in a bold, black, sans-serif font, with a stylized '@' symbol above the 'I' and another integrated into the 'O'. Below "GIDEON" are the words "MATH & READING CENTER" in a smaller, black, sans-serif font. A trademark symbol (™) is located to the right of the word "GIDEON".

and all other marks used in connection with Gideon Math & Reading Center Businesses, including the Franchised Business, and that we have exclusive rights or license to use the Marks, and to license and sublicense the use of the Marks. Your right to use the Marks arises solely from this Agreement, and you may only use the Marks according to the rules that we prescribe from time to time and publish in our Operating Manual. Using our Marks in any way after termination or expiration of this Agreement constitutes infringement. You further acknowledge that all the goodwill associated with our Marks belongs to us and that when this Agreement is terminated or expires, you will receive no compensation for goodwill. You may not use the Marks except in the manner we specify in this Agreement and the Operating Manual.

**14.2 Infringement.** You must notify us immediately if you become aware of any infringement or challenge to our rights to the Marks. You may not communicate directly or indirectly concerning any infringement with anyone other than our attorneys or us. We have the sole right to take whatever action we deem appropriate, and we have the exclusive right to control any litigation, any patent and trademark office proceeding, or other administrative proceeding concerning the Marks. You must execute all instruments and documents, render assistance and do all things that, in our or our attorney's opinion, are necessary and advisable to protect and maintain our interests in the Marks.

**14.3 Indemnification.** We will reimburse you for any expenses you incur to protect the Marks if you act at our written direction. We will not reimburse you for any expenses you incur if you act without our prior written approval. We are under no obligation to take any affirmative action in response to infringement of the Marks, or to reimburse you for your own defenses.

**14.4 Replacement or New Marks.** We may exercise our reasonable business judgment in selecting one or more new or modified or replacement Marks for use by the Network, in addition to, or in lieu of, any previously designated Marks, which you must adopt and use. Any expenses you incur as a result of any such change (replacing stationery, advertising brochures, or other material bearing the Marks) are your sole responsibility and you are not entitled to any compensation from us.

## **XV. RECORDS AND FINANCIAL REPORTS**

**15.1 Forms and Records.** You are required to use the forms and reports specified in the Manuals in the operation of the Franchised Business. These forms and reports must be submitted to us in the format and frequency and by the means we specify in the Manuals. You must be a licensed user of Jackrabbitclass.com, a web-based class management software and a licensed user of QuickBooks Online accounting software to maintain the Center's Franchised Business's basic accounting of income and expenses. You must input the student information and data into the Jackrabbit account within three days of student signing up via online registration. You must allow Gideon access to your Jackrabbitclass and QuickBooks Online data.

## XVI. AUDITS AND INSPECTIONS

**16.1 Right to Audit.** We have the right, but not the obligation, during business hours, without prior notice, to audit and inspect your Center(s), all other places associated with the Franchised Business, including, but not limited to, QuickBooks Online data, JackRabbitClass.com data via corporate user access, student folders and record sheets, and other related documents, in order to ensure the quality and uniformity of the services offered under the Marks, and to ensure you have met all obligations contained in this Agreement and all Collateral Agreements. We may perform all or part of an audit by asking you to send documents or items to us and you agree to comply with all reasonable requests. Our standards are designed to grow your Franchised Business and non-compliance with our standards may jeopardize your ability to renew the franchise term.

## XVII. YOUR COVENANTS

**17.1 Operate Your Center.** You must operate a Gideon Math & Reading Center at the Center during the term of this Agreement in an environment that is safe, clean, and well-kept with sanitary and operating bathroom facilities. Your Center must have adequate lighting and furniture to carry out the Franchised Business in an effective manner. You may not operate any other business at the Center except for a Gideon Math & Reading Center, unless you obtain prior written approval.

**17.2 Offer Only the Goods and Services We Specify.** You must only use the products and perform the services that we have approved in the operation of your Franchised Business. Until we have approved a third-party learning product or service in writing, you are not allowed to offer the product or service or use the product in connection with your Gideon Math & Reading Center.

**17.3 Minimum Operating Standards.** “Minimum Operating Requirements” means, for a Retail Franchise Center with a lease, an average of revenue to rent ratio of 1.0 in your Territory during the second year of the Agreement, an average of revenue to rent ratio of 1.5 in your Territory during the third year of the Agreement, an average of revenue to rent ratio of 2.0 in your Territory during the fourth year of the Agreement, and average of revenue to rent ratio of 2.5 in your Territory during the fifth year of the Agreement all consistent with the standards specified in the Operating Manual for customer service, hours, required products and services, employee training, processing and after school learning Center services. If a Retail Franchise Center is not in a lease, calculations will be based on an estimated approximation of market rent for that Territory. For a Non-Retail Franchise Center, the Minimum Operating Requirements means an average of 10 monthly subjects in your Territory during the first year, an average of 15 monthly subjects in your Territory during the second year, and average of 20 monthly subjects in your Territory during the third year, an average of 25 monthly subjects in your Territory during the fourth year, and an average of 30 monthly subjects in your Territory during the fifth year.

Each year if you do not contract to maintain the Minimum Operating Standards for that year, you must (i) allow a Gideon representative to discuss ways for growth; (ii) implement the Gideon representative's strategies to assist your Center to meet and exceed these goals; and (iii) allow a Gideon representative to return to ensure proper implementation of previously discussed strategies. If you do not satisfy all these conditions, we may, in our discretion, not offer a renewal agreement.

**17.4 Competition.** During the term of this Agreement, neither you nor any of your Affiliates, shareholders, partners, members or other persons who have a direct or indirect legal or beneficial interest in you (collectively, "Owners") may, directly or indirectly, be employed by, advise, assist, own, engage in, operate, purchase, invest in (except to purchase stock in a publicly traded company listed on a national stock exchange), franchise, lend money to, lease or sublease to or from, agree to sell or sell all or a majority of the assets of the Franchised Business to, or have any other interest in, whether financial or otherwise, any other business, wherever located, which is a Competing Business as defined herein.

**17.5 Covenant to Protect Trade Secrets and Confidential and Proprietary Information.** Both during and after the term of this Agreement, neither you nor your owners shall, directly or indirectly, communicate or give to any other person or entity, for your own or the benefit of any other person or entity, without our prior written approval, any of our trade secrets or Confidential or Proprietary Information, knowledge, or Know-How.

**17.6 Injunctive Relief.** If you or any of your owners violate any of the covenants described above, we are entitled to preliminary and permanent injunctive relief and all monies and other consideration you received as a result of any violation of these covenants, as well as all other damages. These provisions are not exclusive remedies, but cumulative to any and all other remedies available to us in law or equity.

**17.7 Reasonableness of Restrictions.** You acknowledge that the restrictions contained in these covenants are reasonable and necessary to protect us and our franchised system, and that they will not impose any undue hardship on you since you have other skills, experience, or education that will afford you the opportunity to derive income from other endeavors.

**17.8 Independence of Covenants.** You agree that these covenants are independent of any other in this Agreement, and that you agree to be bound by an unappealed final decision of any court with jurisdiction upholding any part of these covenants or arbitration, and that you will not raise as a defense to these covenants, any claim you may have against us.

**17.9 Indemnification.** If we or any of our current or former affiliates, assigns, subsidiaries, officers, directors, employees, agents or successors are subjected to any claim, demand, penalty, or become a party to any suit or other judicial or arbitration or administrative proceeding or investigation (whether formal or informal), or enter into any settlement, by reason of any claimed act or omission by you, your customers, your current or former employees, your officers or directors, or agents, by reason of any act or omission occurring in the Franchised Business, or by any act or omission with respect to the Franchised Business, you shall indemnify,

defend, and hold us, our current and former affiliates, assigns, subsidiaries, officers, directors, employees, agents and successors harmless against all judgments, arbitration awards, pre-suit investigation costs, settlements, penalties and expenses, including attorneys' fees, court costs, and other expenses of the litigation, arbitration, or administrative proceeding. You must give us notice of any action, suit, proceeding, claim, demand, inquiry, or investigation as soon as possible. We may voluntarily, but under no circumstances are we obligated to, assume the defense or settlement of the proceeding or claim. We have the sole discretion to choose our own attorneys, and to consent to judgment or agree to settlement, if we so choose.

**17.10 Insurance.** During the Term of this Agreement, you must maintain the insurance coverage specified in the Operating Manual. Currently, you must have a general liability policy for a commercial business with a single bodily injury and property damage liability in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate. If these minimums do not satisfy your state requirements, you must obtain insurance to meet your state's requirements. We may change the amount of insurance and add additional kinds of insurance coverage as we decide are necessary to protect our Network. This insurance does not relieve you of any liability to us under the indemnity provision found in this Agreement or in any other agreement with us. You must provide us with proof of the insurance coverage required by this Agreement within 60 days of opening your franchised Centers. Your policies must name us, our affiliates, any Affinity Location if your sites are in Affinity Locations, and anyone else so specified in the Operating Manual, as additional insureds and be endorsed to give all additional insureds thirty (30) days prior written notice of any cancellation, termination, or change.

## **XVIII. TERMINATION**

**18.1 Termination by You.** You may terminate this Agreement if you have given us sixty (60) days' notice in writing. You must surrender any Gideon Materials and any Manuals or portions thereof that you are in possession of, the Gideon Sign, and any other information or material given to you by Gideon or that bear the Gideon Mark at the time of termination.

**18.2 Termination by Us.** We may terminate this Agreement for good cause. Good cause includes, but is not limited to, the defaults listed below.

**18.2.1** This Agreement may terminate immediately upon delivery of termination notice to your last known address if:

- (a) You discontinue the active conduct of the Franchised Business in the Territory for more than two (2) consecutive weeks during the year without written approval from us; or,
- (b) You fail to fully cooperate with any audit or inspection conducted pursuant to ¶16.1; or,
- (c) You fail to meet the Minimum Operating Standards set forth in this Agreement; or,

(d) You make any material misrepresentation on the franchise application or on any written report you provide to us; or,

(e) You conduct any advertising in another Franchisee's territory that does not meet our requirements for such advertising, or you conduct any unapproved advertising anywhere more than one time; or,

(f) You or any of the owners violates any of the covenants found in §19 of this Agreement; or,

(g) You fail on three (3) separate occasions during any one (1) year period to comply with any one or more provisions of this Agreement, any Collateral Agreement or any Manual provision, regardless of whether these failures were corrected after notice; or,

(h) You or any of the owners plead guilty, plead no contest, or are convicted of any felony, or any criminal offense related to children or the Franchised Business; or,

(i) An employee is convicted, or pleads guilty or no contest to, any felony or any criminal offense related to children or the Franchised Business (or any related business such as an accounting practice), and you do not remove him or her from their duties immediately; or,

(j) You become insolvent, make an assignment for the benefit of creditors, are unable to pay debts as they come due, or a petition in bankruptcy is filed by or against you; or,

(k) You fail to notify us within the time and manner provided by this Agreement that you want to sign a new agreement, or you fail to comply with all the requirements to sign a new agreement.

**18.2.2** We have the right to terminate this Agreement immediately upon expiration of the listed cure period if:

(a) Any person required to attend and successfully complete any training programs that we require fails to do so within thirty (30) days after delivery of notice; or,

(b) You use products or perform services that we have not approved in the operation of your Franchised Business within five (5) days after delivery of notice; or,

(c) You fail to operate a Gideon Math & Reading Center at your location as provided in this Agreement or our Operating Manual within thirty (30) days after delivery of notice; or,

(d) You fail to use and update Jackrabbitclass.com for class management or QuickBooks Online within thirty (30) days after delivery of notice; or,

(e) you fail to comply with Minimum Operating Standards at any Center within a Sign Territory within thirty (30) days after delivery of notice during the year; or,

(f) you fail to close any locations you establish outside your Territory and remove all signs from those locations within five (5) days after delivery of notice; or,

(g) you fail to pay any sums due under this or any Collateral Agreement within five (5) days after delivery of notice; or,

(h) you fail, within five (5) days after delivery of notice, to stop any activity designed to solicit another licensee's or franchisee's customers, or you fail to transfer any telephone numbers used in connection with any location established in another licensee's or franchisee's territory, to that licensee or franchisee, and pay all fees associated with that number up to the date of transfer; or,

(i) you commit any act within or without the Franchised Business that would tend, in our reasonable business judgment, to reflect poorly on the goodwill of our name or any of our Marks, our ethical standards, or our Network, and you fail to cease this activity or cure this breach within five (5) days after delivery of notice; or,

(j) you fail to comply with any other provision of this Agreement, any Collateral Agreement, any Manual provision applicable to the Territory, or any law or regulation pertaining to the Franchised Business within the Territory, and you do not rectify the violation within five (5) days after written notice is delivered.

(k) you fail to discontinue your unauthorized duplications or reproductions of our Gideon Materials or Marks within ten (10) days after delivery of notice.

**18.3 Obligations after Termination or Expiration.** After the expiration or termination for any reason, including the sale of the Franchised Business or a majority of its assets, you must comply with all the following obligations:

(a) immediately pay all amounts owed under this Agreement and all Collateral Agreements; and,

(b) immediately pay all money due and owing to third parties in connection with the Franchised Business; and,

(c) return to us without retaining any copies, the originals and all copies of all trade secret, confidential and proprietary materials and curriculum and provide access to us or our designee to remove all copies of any such items from your offices, hard drive and to delete them from any other computer data storage media; and,

(d) return to us or destroy at your expense and according to our direction, all literature, sign facings, unused advertising materials bearing the Marks; and,

(e) stop all use of our Marks and any colorable imitation of them in any business; and,

(f) notify the telephone company and all listing agencies and advertising directories where the numbers are listed, that you no longer have the right to use any telephone numbers, listings, and advertisements used with our Marks, authorize on appropriate documents the transfer of all such telephone numbers, listings and advertisements to us or our designee, and deliver to us a copy of such documents of transfer; and,

(g) immediately cease identifying yourself as a present or former Gideon Math & Reading Franchisee or franchise owner including but not limited to any online profiles; and,

(h) comply with the post-term covenants found in §17 of this Agreement, and with any other covenant that requires your performance after you are no longer our Franchisee; and,

(i) cancel all fictitious or assumed name filings; and,

(j) return to us or our designee on demand, at your sole expense, all leased equipment from any leasing program we or our affiliates arrange or sponsor, with such equipment in good working condition with all its databases and software installed and operational.

## **XIX. ASSIGNMENT GENERALLY**

**19.1 Assignment by Us.** This Agreement is fully assignable by us.

**19.2 Assignment by You.** This Agreement and the franchise it grants is personal to you, and you may only transfer or assign this Agreement, the franchise, or any stock or interest in an entity owing the franchise, with our prior written approval, and according to the provisions described in §20 and §21 below. You may not grant a lien or security interest in this Agreement or in the accounts receivable of the Franchised Business to any other person or entity. We reserve the absolute right to disapprove any proposed transfer, transferee, shareholder, interest holder or partner that does not meet our standards.

## **XX. TRANSFER OF FRANCHISE**

**20.1 Requirements.** You may not, directly or indirectly, assign or attempt to assign any of your rights or obligations hereunder, in whole or in part, by operation of law or otherwise except with the prior written consent of Gideon. The proposed new transferee will have to be approved as a franchisee.

If we approve the proposed transfer you must comply with the following provisions:

(a) you give us written notice of the proposed transfer, and provide us with complete details of all transfer terms;

(b) the proposed transferee completes our application, meets our then-current standards for franchisees, passes the then-current proficiency exam, and successfully completes our required training and pays all applicable training fees; and,

(c) the proposed transferee executes our then-current Agreement for our then-current term, and executes all other Agreements we customarily require of new franchisees; and,

(d) the transfer fee as specified in ¶5.7 is paid to us; and,

(e) the transferee agrees to assume and honor any contractual and legal commitments arising from or relating to the Franchised Business before the date of the transfer, including, but not limited to, bills for the telephone number, for Yellow Pages advertising and for internet website used in the Franchised Business, and equipment leased through any program we arrange or sponsor; and,

(f) you execute a general release.

**20.2 No Waiver of Claims.** When we consent to a transfer, we are not waiving any claims we have against you or our right to demand that you strictly comply with this Agreement including post termination covenants in this Agreement.

## **XXI. RIGHT OF FIRST REFUSAL**

**21.1 On Proposed Sale or Transfer.** If under any of the provisions of §20 you propose to sell your ownership interest in the Franchised Business or a majority of its assets, you must give us a copy of the offer along with all documents expected to be signed either by you or the transferee. We have thirty (30) days after we receive those documents to exercise our right to purchase the Franchised Business or its assets on the same terms contained in the offer, except that we do not have to match any non-monetary provision. We may substitute cash for any form of payment, and we may substitute a creditworthy substitute purchaser. If we do not exercise our right of first refusal, you may accept the bona fide offer, subject to our prior approval of the person or entity you propose as a new Franchisee as provided in this Agreement, and subject to the provisions found in §20 and §21 above.

## **XXII. DEATH OR DISABILITY**

**22.1 Interim Management.** In the event of your death or disability of any kind which impairs the smooth management, operation, or customer service of any of your Centers, we have the right at any time to install appropriate personnel of our choosing, even those of another franchisee, to manage or operate the Franchised Business, and you agree to pay us or our designee reasonable compensation for such services.

**22.2 Long-term Disability.** If you are unable to actively participate in the operation of the Franchised Business for a period of thirty (30) days, and such inability impairs the smooth management, operation or customer service at any of your Centers, You must within sixty (60) days of the commencement of such disability either: (1) engage and install appropriate management personnel who attends and passes our next available training required at the time for new franchisees who can be assigned all operations normally handled by Franchisee for periods no longer than two (2) consecutive months without written approval; or (2) assign this

Agreement to a buyer subject to §20, §21, and §22 herein; or else we have the right to terminate this Agreement at the conclusion of the sixty (60) day period.

**22.3 Death.** Within one hundred eighty (180) days of your death, your executor, or your other lawful successor in interest may transfer your interest in this Agreement by will, shareholder agreement or other appropriate instrument, subject to §20, §21, and §22 herein. No transfer fee need be paid on a transfer on death. If no transfer has been approved by us within the one hundred eighty (180) day period after your death, we have the right to terminate this Agreement.

### **XXIII. APPLICABLE LAW, MEDIATION, ARBITRATION, COURT ACTIONS**

**23.1 Mediation.** Subject only to ¶23.3, the parties agree to submit all disputes, controversies, claims, causes of action and/or alleged breaches or failures to perform arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement (collectively, "Disputes") to non-binding mediation prior to filing any action in court with respect to the Dispute. The mediation shall be conducted in Dallas County, Texas through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of disputes in the franchise business, agreed upon by the parties and, failing such agreement, within a reasonable period of time after either party has notified the other of its desire to seek mediation of any Dispute (not to exceed ninety (90) days), through the American Arbitration Association ("AAA") in accordance with its rules governing mediation, at the office of the AAA located nearest to Gideon's corporate headquarters in Addison, Dallas County, Texas. The costs and expenses of mediation, including compensation and expenses of the mediator, shall be borne by the parties equally. If the parties are unable to resolve the Dispute within ninety (90) days after the mediator has been appointed, then either party may submit such Dispute to binding arbitration in accordance with ¶23.2 below.

**23.2 Arbitration.** Subject only to ¶23.1 and ¶23.3, all Disputes which shall not be resolved through mediation in accordance with ¶23.1 shall be submitted for binding arbitration to the office of the AAA located nearest to Gideon's corporate headquarters in Addison, Dallas County, Texas, on demand of either party. Such arbitration proceedings shall be conducted in accordance with the then current commercial arbitration rules of the area. The arbitrator(s) shall have the right to award or include in their award any relief which they deem proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. Provided, that, to the fullest extent permitted by law, the parties stipulate and agree that the arbitrators shall not provide for, and no arbitration award shall include, any punitive or exemplary damages, all of which are hereby waived by the parties. The award and decision of the arbitrator(s) shall be conclusive and binding upon all parties and adjustment may be taken on the award notwithstanding the termination or expiration of this Agreement. Gideon and you agree that arbitration shall be conducted on an individual, not a class-wide basis.

**23.3 Certain Claims by Gideon.** Notwithstanding anything herein to the contrary, Gideon may bring an action (a) for monies owed, (b) for injunctive relief or other extraordinary relief, or (c) involving the possession or disposition of, or other relief relating to real property, in any court having jurisdiction and without first submitting such action to mediation or arbitration.

**23.4 Acceptance of Agreement in Texas.** You have signed this Agreement and submitted it to Gideon for acceptance and execution by Gideon at Gideon's corporate headquarters in Addison, Dallas County, Texas. You shall make all payments and perform other obligations arising hereunder at Dallas County, Texas, and this Agreement is made and entered into at Dallas County, Texas.

**23.5 GOVERNING LAW AND VENUE.** THIS AGREEMENT IS EXECUTED AND DELIVERED IN CONNECTION WITH A TRANSACTION NEGOTIATED AND CONSUMMATED IN DALLAS COUNTY, TEXAS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. YOU, FOR YOURSELF AND YOUR SUCCESSORS AND ASSIGNS, HEREBY IRREVOCABLY (A) SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS IN TEXAS, (B) WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE DISTRICT COURT OF DALLAS COUNTY, TEXAS, OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION, (C) WAIVE ANY OBJECTION YOU MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN SUCH COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM, AND (D) AGREE THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY TO THIS AGREEMENT ARISING OUT OF OR IN CONNECTION WITH ANY OF THE LOAN DOCUMENTS SHALL BE BROUGHT IN ONE OF THE FOREGOING COURTS (EXCEPT AS PROVIDED IN ¶27.3). YOU HEREBY IRREVOCABLY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU IN ANY LEGAL PROCEEDING RELATING TO ANY DISPUTE BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW.

**23.6 Applicable State Law.** You and Gideon acknowledge that the parties' agreement regarding applicable state law and forum are set forth in ¶23.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any Dispute. You and Gideon further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

**23.7 Agent for Service of Process.** We appoint Quezada, Larmond, & Brignac, PLLC, 106 E. Willowick Ave., Friendswood, TX 77546 as our agent for service of process. You appoint as your true and lawful agent, to receive service of process in any litigation or arbitration arising under this Agreement and all Collateral Agreements, the person identified as Center Director. Service upon your agent has the same force and validity as if

personal service had been obtained on you, provided that we send you notice of service and a copy of the matter served, via certified mail, or overnight delivery service, addressed to you at the address specified on the Signature Page of this Agreement or any other address you have given us. If you want to change your agent for service of process after the Effective Date of this Agreement, you must notify us by certified mail, return receipt requested, addressed to our Registered Agent.

**23.8 Waiver of Jury Trial.** In any action or suit brought by or against you or us (including our present or former agents and employees, our Affiliates, and our Affiliates' present or former agents and employees), that in any way arises out of or relates to your franchise relation with us, including but not limited to, any and every aspect of the process of entering into such relation, this Agreement, any guaranty or other Collateral Agreements with us or our Affiliates, our performance in connection with the franchise relation, any termination, rescission, cancellation or nonrenewal of the franchise relation, and conduct post-termination or post-expiration of this Agreement, you and we agree that in the event that such action is resolved through a court proceeding, such action shall be tried to a court without a jury.

**23.9 Waiver of Punitive Damages.** You and we hereby waive to the fullest extent permitted by law, any right or claim for punitive or exemplary damages against the other party (including any claims against our present or former agents and employees, our Affiliates, and our Affiliates' present or former agents and employees), as to any action, suit or claim (whether in court or before any other tribunal) that arises out of or relates to your franchise relation, including, but not limited to, any and every aspect of the process of entering into the franchise relation, this Agreement, any guaranty or other Collateral Agreements with us or our Affiliates, our performance in connection with the franchise relation, any termination, rescission, cancellation or nonrenewal of this franchise relation, and conduct post-termination or post-expiration of this Agreement. However, our Affiliates and we are entitled to punitive and exemplary damages, and any other rights and remedies provided by law, if you infringe any of the Marks.

**23.10 No Class Actions.** You agree that for our Network to function properly, we cannot be burdened with the costs of litigating network-wide disputes. You agree that any dispute between you and us is unique as to its facts, and you shall not institute, join or participate in any class action against us or our Affiliates.

**23.11 Construction and Severability.** All references in this Agreement to the singular shall apply to the plural where it applies. If any part of this Agreement is declared invalid, this decision shall not affect the validity of any other part, which shall remain in full force and effect.

**23.12 Notices.** All written notices permitted or required by the terms of this Agreement or the Manuals, shall be deemed delivered when actually received or when delivered if delivered by hand, telefax, email, or three (3) days after having been placed in the U.S. mail, certified, return receipt requested, or one (1) day after having been left with an overnight delivery service or one (1) day after being sent by our e-mail system. Notices to us shall be addressed "Attention:

Stephanie Coppedge” at our current home office business address or to you at the most current address of which we have been notified in writing. If you refuse to sign for or accept any notice as provided above, or you have moved without giving us a good address, notice will be effective by any means described above to whatever addresses we have on the date of attempted delivery.

**23.13 Entire Agreement and Modifications.** This Agreement constitutes the entire understanding and agreement between the parties and supersedes all earlier and contemporaneous representations, understandings, oral and written agreements about us, all of the subject matters in this Agreement, and the Franchised Business, including, but not limited to, any and all oral or written representations concerning cost or profitability. All prior negotiations, understandings or discussions shall merge into this Agreement. No modification or change to this Agreement shall have any effect unless it is in writing and signed by you and our authorized representative. Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

**23.14 Waiver.** No waiver by us of any breach or series of breaches of this Agreement shall constitute a waiver of any additional breach or waiver of the performance of any of your obligations under this Agreement, and no custom or practice of the parties that varies from this Agreement shall prevent us from demanding strict compliance with any term of this Agreement. Our acceptance of any payment from you or our failure, refusal or neglect to exercise any right under this Agreement to insist upon full compliance with your obligations under this Agreement, or with any specification, standard or operating procedure or rule, will not constitute a waiver of any provision of this Agreement.

**23.15 Independent Contractors.** You acknowledge that you are an independent contractor and that no principal-agent, partnership, employment, joint venture, or fiduciary relation exists between you and us. You are solely liable for any damages to any person or property arising directly or indirectly out of the operation of your Franchised Business. You are solely liable for any taxes levied on you, utility obligations, contractual and other obligations. You are not authorized to make any contract, warranty or representation, or incur any obligation on our behalf. This Agreement is solely a license to use our Marks in a Franchised Business.

**23.16 Survival of Obligations.** The obligations in this Agreement that by their terms require or may require performance after the expiration or termination of this Agreement, including contract interpretation and governing law, any personal guaranty, post-termination covenants, and indemnities, remain enforceable after the expiration or termination, for any reason, of this Agreement, including the sale of the Franchised Business or a majority of its assets.

**23.17 Damages for Service Mark Infringement and Other Violations.** If you violate our federal or common law trademark or service mark rights, our right to injunctive relief shall not preclude our recovery of money damages from you as provided by federal, state or common law. We or our designee may obtain without bond, temporary and permanent injunctions and orders of specific performance to enforce our exclusive rights in our Marks, to enforce your post-termination or expiration obligations, to prevent an unauthorized assignment or transfer of your

franchise, to prevent the unauthorized use or disclosure of our trade secret, proprietary or confidential information, and to prohibit any act or omission by you or your employees that constitutes a violation of any law or regulation, is dishonest or misleading to any current or prospective customers of the Franchised Business, constitutes a danger to any other Franchisees, employees, customers, or to the public, or that may impair the goodwill of our Marks or Network.

**23.18 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original.

**23.19 Force Majeure.** We shall not be responsible or liable for delay or failure in the performance of this Agreement, if such delay or failure is due to any cause beyond our control, such as, but not limited to, strikes, scarcity of labor, fires, floods, storms, earthquakes, pandemics, explosions, accidents, breakage of computers, scarcity of materials, fuel or transportation, and delays or defaults caused by public carriers that cannot reasonably be forecast or provided against, embargoes, governmental regulations or orders, perils of navigation, acts of public enemies, mobs or rioters and acts of God.

**23.20 Remedies.** Remedies specified in this Agreement are cumulative and do not exclude any remedies available at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees and court costs, incurred by the prevailing party to enforce this Agreement or any Collateral Agreement including collection of amounts owed under this Agreement or a Collateral Agreement.

**23.21 Acknowledgments.**

**23.21.1** You acknowledge that we and our agents have not made any warranty, or guaranty, express or implied, as to the potential volume, profit, income, or the likely success of your franchise, or as to the quality of software, advertising, support, the Minimum Operating Requirements, the Operating System, the business contemplated by this Agreement, or any other matter. You acknowledge that you have conducted an independent investigation about the franchise described in this Agreement and in the Franchise Disclosure Document, and you recognize that it involves business risks, and that the success of this venture is largely dependent upon your business ability, market conditions and laws and regulations. You acknowledge that our attorneys, accountants or other advisers have not advised or represented you in connection with this Agreement. You acknowledge that no salesperson has made any promise or provided any information to you about projected sales, revenues, income, profits or expenses from the Territory except as stated in Item 19 of the Franchise Disclosure Document or in a writing that is attached to this Agreement.

**23.21.2** You acknowledge that in granting this franchise, we have relied on the representations contained in your application, and that you represent that all information contained in the application and in any accompanying materials is true and correct and contains no misleading statements or any material omissions.

**23.21.3** You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have been given the opportunity to clarify any provision that you do not understand and seek the advice of legal counsel or other professional advisor. The terms, conditions, and promises contained in this Agreement are necessary to maintain our high standards of customer service and to maintain the uniformity of those standards at all Centers.

**23.21.4** You acknowledge that you received from Gideon a complete copy of its Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed and the date on which you first made any money or other consideration.

**23.21.5** You acknowledge that you received a copy of this Agreement and the related attachments and agreements in the form executed by you at least seven (7) calendar days prior to the date on which this Agreement was executed.

**23.21.6** You acknowledge that you have conducted an independent investigation of the franchised business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will largely depend upon your ability, effort, and resources. Gideon expressly disclaims making, and you acknowledge that you have not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

**23.22 Authorization to Conduct Investigation.** You acknowledge that, in order to enable Gideon to evaluate your application to acquire the license and franchise herein granted, you have authorized Gideon and its agents and representatives to conduct such investigations concerning you and your Principals as Gideon deems necessary, in its sole discretion, including, without limitation, credit reports and references, financial and personal references and civil and criminal references.

## **ARTICLE XXIV. STATE SPECIFIC PROVISIONS**

**24.1 State Specific Provisions Control.** You acknowledge that the laws of various states may have jurisdiction over you and may modify certain of your rights and obligations hereunder. Accordingly, you acknowledge and agree that the laws of such states (including those, if any, set forth in the State Cover Page applicable to your state, which is attached hereto, (collectively, "Controlling Law") shall govern and control any contrary or inconsistent provisions of this Agreement (collectively, "Inconsistent Provisions") and such Inconsistent Provisions are hereby modified and amended, where applicable, so that any Inconsistent Provisions of this Agreement comply with Controlling Law; **PROVIDED HOWEVER, THIS AGREEMENT SHALL ONLY BE MODIFIED AND AMENDED ONLY TO THE EXTENT: (A) SUCH CONTROLLING LAW IS BINDING ON THE PARTIES TO THIS AGREEMENT; (B) SUCH CONTROLLING LAW IS NOT PERMITTED UNDER APPLICABLE LAW TO BE WAIVED OR MODIFIED BY THE TERMS OF THIS AGREEMENT; (C) SUCH CONTROLLING LAW IS APPLICABLE TO THE MATTERS SET FORTH IN THIS AGREEMENT; (D) REQUIRED BY SUCH CONTROLLING LAW; AND (E) REQUIRED**

**UNDER APPLICABLE LAW TO RENDER ANY INCONSISTENT PROVISION LEGAL, VALID AND ENFORCEABLE, AND ANY AND ALL PROVISIONS OF THIS AGREEMENT (OR ANY PORTIONS THEREOF) WHICH ARE OTHERWISE LEGAL, VALID AND ENFORCEABLE SHALL NOT BE AFFECTED THEREBY. ALL OTHER TERMS AND CONDITIONS OF THIS AGREEMENT WILL REMAIN THE SAME. As used herein, (a) "Laws" means any statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the applicable state or Tribunal, and (b) "Tribunal" means any applicable governmental department, commission, board, bureau, agency, or instrumentality of such state.**

**YOU REPRESENT THAT YOU HAVE READ THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT IN THEIR ENTIRETY, AND THAT YOU HAVE BEEN GIVEN THE OPPORTUNITY TO CLARIFY ANY PROVISIONS AND INFORMATION THAT YOU DID NOT UNDERSTAND, AND TO CONSULT WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISER. YOU FURTHER REPRESENT AND WARRANT THAT YOU UNDERSTAND THE TERMS, CONDITIONS, AND OBLIGATIONS OF THIS FRANCHISE AGREEMENT AND AGREE TO BE BOUND BY THEM.**

GIDEON MATH & READING, LLC

FRANCHISEE:

By:

By:

\_\_\_\_\_  
J. BOSTON COPPEDGE, VP of Franchise  
Development

\_\_\_\_\_

Date:

Date:

\_\_\_\_\_

\_\_\_\_\_

**Schedule A**  
**TERRITORY**

If you are a Retail Franchise, your Territory is dynamic and will approximate a ten (10) minute driving radius around your Center using Google Maps (or such mapping software that is widely used and is accessible on the internet in the event Google Maps does not exist at that time).

If you are a Non-Retail Franchise, your Territory is dynamic and will approximate a two (2) minute driving radius around your Center using Google Maps (or such mapping software that is widely used and is accessible on the internet in the event Google Maps does not exist at that time).

Therefore, your Territory may change over time to account for traffic patterns and population growth. Gideon will not place another Gideon Center within your Territory but reserves the right to place a Gideon Center outside of your Territory.

Your Territory shall be approximated at the time Gideon receives payment in full for franchise fee. This Territory shall be reserved for you for a period of ninety (90) days, whereby Gideon shall not offer this territory to any other Franchisee. Gideon will confirm your Territory when we approve of your location, and you sign your lease. Your Territory will be based upon the address listed in your lease or if not in a lease, the postal address.

Retail Franchise Territory \_\_\_\_\_ or Non-Retail Franchise Territory \_\_\_\_\_

Current Address for Center:

## Schedule B

### LIST OF MATERIALS IN OPENING KIT – Page 1/4

#### **MATH**

615 booklets total

Beginning Math 1-10 + Number Tracing x 5 each

Horizontal Addition 1-12 x 10

Horizontal Subtraction 1-12 x 10

Vertical Addition & Subtraction 1-10 x 10

Horizontal Multiplication & Division 1-15 x 5

Vertical Multiplication & Division 1-10 x 5

Fractions 1-12 x 5

Decimals & Percents 1-10 x 5

Pre-Algebra 1-10 x 5

Algebra 1-5 + 31-35 x 5

#### **MATH WORD PROBLEMS**

450 booklets total

MWP K: A-J x 5

MWP 1: A-J & AA-JJ x 5

MWP 2: A-J & AA-JJ x 5

MWP 3: AA-JJ x 5

MWP 4: AA-JJ x 5

MWP 5: AA-JJ x 5

MWP 6: AA-JJ x 5

#### **SET OF TESTS**

All tests x 10 each

Math: BM—PA all

Reading: CB-WB all

Set of Oral Facts x 25

## **Schedule B**

### **LIST OF MATERIALS IN OPENING KIT – Page 2/4**

#### **READING**

685 booklets total (excluding storybooks)

Codebusters 1-12 x 5

Letter Learners 1 x 2

Fast Track Phonics A x 2

Word Builders A-DD + storybooks x 5

Ready Readers A-L + storybooks x 5

Rocket Readers A-L x 5

Word Whiz 1 & 2: A-H x 5

Discovery Readers 1–3: A-D x 5

Beginner Detectives A-D x 5

Story Detectives A-H x 5

Test Takers 2: A-D x 5

Word Whiz 3: A-L x 5

Test Takers 3: A-H x 5

Beginner Novels 4: A-D x 5

Handwriting x 2 types x 5

#### **GRAMMAR**

300 booklets total

Grammar 1: A-T x 5

Grammar 2: A-T x 5

Grammar 3: A-T x 5

#### **EMPLOYEE TRAINING KIT**

Basic Grading Training x 5

All Other Trainings x 2

All Training Ans Keys x 1

## Schedule B

### LIST OF MATERIALS IN OPENING KIT – Page 3/4

#### MERCHANDISE

48 HW Cases  
25 Timers  
50 Folders  
70 Keytags  
30 Grippers  
300 Pencils with Logo  
50 Red Gold Star t-shirts - various sizes  
6 Blue employee t-shirts - various sizes  
2 polos  
10 Nametags  
Stamps—Set of 3

#### GENERAL CENTER ITEMS

1 children's dictionary  
1 pencil sharpener  
1 pair of scissors  
1 hole-punch  
2 wall clocks  
50 hanging files - legal  
1 label maker & tape  
1 cash receipt booklet  
1 Appt schedule binder  
2 of each pad: Game Plan, Checkout, New Student  
1 Record Sheet + Diag. Test. Holder  
15 Hanging files - letter  
150 Record Sheets & 300 diagnostic tests  
2 of each answer key: GRM 1-2-3-4  
1 of each answer key: DP-PA-ALG-GEO  
1 of each solution manual: DP-PA-ALG-GEO

## **Schedule B**

### **LIST OF MATERIALS IN OPENING KIT – Page 4/4**

#### **TECHNOLOGY**

1 Barcode Scanner

1 Automated Time Clock

#### **TABLE SET x 6**

trash can

organizer

pencils, erasers, pens

highlighter, markers

answer key set: math & reading

#### **DECOR**

1 Front Door Decal

1 Logo Wall Decal

1 Banner: 3x5 or 5x3

1 Banner 4x8

2 Vinyl Window Clings

6 Catch Up - Keep Up - Stay Ahead Posters + Frames

#### **MARKETING**

200 Brochures for GO

100 Curriculum Lists Booklets & 10 Sample Curriculum Booklets

100 Why Master Lower Levels & Other Flyers

1 Tablecloth with Logo

1 Pop-Up Banner

## Schedule C

### GIDEON SHELVING SYSTEM

Required for a Retail Franchise

- 1 x Large for YL Reading (left)
- 1 x Small for Grammar (right)



- 4 x Medium for YL Math, IL Math, IL MWP, & IL Reading (below)



## Schedule D

### COMPUTER & TABLET REQUIREMENTS

#### Computer – Minimum Requirements

- Core i5 CPU
- 4 GB RAM
- 256 GB SSD
- 14 in screen
- Internet access
- Windows: U.S. version, *Natively installed*
- Microsoft Office – including Publisher and Excel
- Laptop preferred

#### Tablet – Minimum Requirements

- WIFI internet access
- 7.9 in. screen

## Schedule E

### GUARANTEE OF OBLIGATIONS UNDER THE FRANCHISE AGREEMENT

As an inducement to Gideon Math & Reading, L.L.C., a Texas limited liability company, to execute a Gideon Franchise Agreement (the "Agreement") with \_\_\_\_\_ ("Company"), a \_\_\_\_\_ organized under the laws of the state of \_\_\_\_\_, the undersigned owners of the Company (collectively, the "Guarantors"), jointly and severally, hereby unconditionally guarantee to Gideon Math & Reading, L.L.C., its affiliates, and their successors and assigns (collectively, "Gideon") that all of the Company's obligations under the Agreement, and under other agreements or arrangements between the Company and Gideon, will be punctually paid and performed.

Upon demand by Gideon, the Guarantors will immediately make each contribution or payment required of the Company under the Agreement and under other agreements or arrangements between the Company and Gideon. Each Guarantor waives any right to require Gideon to: (a) proceed against the Company or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Company or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Company or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, Gideon may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of the Company, or settle, adjust, or compromise any claims against the Company. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment by the Company and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors agree to hold harmless and indemnify Gideon against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by the Company to perform any obligation under the Agreement or any other agreement between the Company and Gideon.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on transfer of interest contained in the Agreement. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement or of Gideon's goodwill. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from Gideon, their involvement in the business, or their ownership interest in the Company.

This Guarantee will continue after the expiration of the Agreement for all obligations and liabilities of the Guarantors which arose from events which occurred on or before the

effective date of termination and will remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the expiration of the Agreement will remain in force according to their terms.

Upon the death of a Guarantor, the Guarantor's estate will be bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

**All Guarantors (Partnership and Corporation Instructors) must sign, and date, and enter the percentage of their ownership.**

**For Corporations, all shareholders of the corporation must also sign, date, and enter the percentage of their ownership.**

**GUARANTORS:**

**% OWNERSHIP**

**By:** \_\_\_\_\_

\_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**By:** \_\_\_\_\_

\_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**By:** \_\_\_\_\_

\_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**Schedule F**

**GENERAL RELEASE OF LIABILITY FOR GIDEON MATH & READING  
FRANCHISE AGREEMENT**

This General Release (“Release”) is made and entered into between **GIDEON MATH & READING, LLC** (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) on this day \_\_\_\_\_.

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to the Gideon Math & Reading Franchise Agreement (“Agreement”) dated \_\_\_\_\_, granting Franchisee the right to operate a math and reading Center under Franchisor’s proprietary marks and system.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasors”), irrevocably and absolutely release and forever discharge Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries, and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions, or causes of action (however denominated), whether in law or equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Agreement, the business operated under the Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the above-written date.

**FRANCHISOR:**

**FRANCHISEE:**

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Printed name

## Schedule G

### RECURRING ACH AUTHORIZATION

You authorize DEBITS to your checking account. A receipt for each payment will be provided to you and the charge will appear on your bank statement as an "ACH Debit". We will provide you with a notification prior to the debit.

I, \_\_\_\_\_

(Full Name of Franchisee)

authorize Gideon Math & Reading, LLC to debit my bank account indicated below for monthly royalties, booklet purchases, late fees, violation fees, and other authorized amounts, when applicable. I understand Gideon Math & Reading, LLC will debit my account for the monthly royalty on or after the 10<sup>th</sup> day of the next month for the previous month's royalties.

#### Bank Details

Checking    Savings

Account Name \_\_\_\_\_ Account Number \_\_\_\_\_

Bank Name \_\_\_\_\_ Routing Number \_\_\_\_\_

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify Gideon Math & Reading in writing of any changes in my account information or termination of this authorization at least 15 days prior to the next billing date. If the above noted payment dates fall on a weekend or holiday, I understand that the payments may be executed on the next business day. For ACH debits to my checking/savings account, I understand that because these are electronic transactions, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. In the case of an ACH Transaction being rejected for Non-Sufficient Funds (NSF) I understand that Gideon Math & Reading may at its discretion attempt to process the charge again within 30 days and agree to an additional \$30 charge for each attempt returned NSF which will be initiated as a separate transaction from the authorized recurring payment. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law. I certify that I am an authorized user of this bank account and will not dispute these scheduled transactions with my bank; so long as the transactions correspond to the terms indicated in this authorization form.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

# **Exhibit B**

**GIDEON MATH & READING, LLC**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

**GIDEON MATH & READING, LLC**

December 31, 2022 and 2021

TABLE OF CONTENTS

Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheets	3
Statements of Operations	5
Statement of Changes in Members' Equity (Deficit)	6
Statements of Cash Flows	7
Notes to the Financial Statements	8

# FARMER, FUQUA & HUFF P.C.

Accountants and Consultants



2435 N. Central Expy, Suite 700  
Richardson, Texas 75080  
P - 214.473.8000  
F - 214.473.8007

105 Decker Ct, Suite 870  
Irving, Texas 75062  
P - 972.650.1900  
F - 972-619-6111

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Gideon Math & Reading, LLC

### Opinion

We have audited the financial statements of Gideon Math & Reading, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gideon Math & Reading, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gideon Math & Reading, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gideon Math & Reading, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gideon Math & Reading, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gideon Math & Reading, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Fau, Aug 17th, 2023*

Richardson, Texas  
August 15, 2023

**GIDEON MATH & READING, LLC**  
**BALANCE SHEETS**  
December 31,

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 41,325	\$ 26,630
Accounts receivable	18,124	22,909
Contract receivable	40,000	---
Contract asset	<u>8,100</u>	<u>2,250</u>
Total current assets	107,549	51,789
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	463,963	333,521
Accumulated depreciation	<u>(259,648)</u>	<u>(182,428)</u>
Net property and equipment	204,315	151,093
<b>RIGHT OF USE ASSET – OPERATING LEASE</b>	117,995	---
<b>OTHER ASSETS</b>		
Contract asset, net of current portion	24,925	7,650
Intangible assets, net of accumulated amortization of \$33,071 and \$28,374, respectively	<u>17,768</u>	<u>11,045</u>
Total other assets	<u>42,693</u>	<u>18,695</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>472,552</u></b>	<b>\$ <u>221,577</u></b>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**BALANCE SHEETS**  
December 31,

**LIABILITIES AND MEMBERS' EQUITY (DEFICIT)**

	<u>2022</u>	<u>2021</u>
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 38,327	\$ 15,789
Accounts payable	86,476	37,163
Accrued expenses	3,467	11,485
Operating lease liability – current	124,788	---
Deferred franchise revenue	66,049	53,358
Deferred tutoring revenue	<u>26,967</u>	<u>34,603</u>
Total current liabilities	346,074	152,398
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	117,866	58,245
Deferred franchise revenue net of current portion	159,862	72,826
Deferred rent	<u>---</u>	<u>11,119</u>
Total long-term liabilities	<u>277,728</u>	<u>142,190</u>
Total liabilities	623,802	294,588
<b>MEMBERS' EQUITY (DEFICIT)</b>		
Members' deficit	<u>(151,250)</u>	<u>(73,011)</u>
Total members' deficit	<u>(151,250)</u>	<u>(73,011)</u>
<b>TOTAL LIABILITIES AND MEMBERS' DEFICIT</b>	<u>\$ 472,552</u>	<u>\$ 221,577</u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENTS OF OPERATIONS**  
Years ended December 31,

	<u>2022</u>	<u>2021</u>
NET REVENUES		
Tutoring	\$ 773,655	\$ 727,104
Educational material sales	523,885	395,783
Franchise income	95,273	59,526
Sign leasing to franchisees	5,600	7,746
Royalties	<u>5,401</u>	<u>---</u>
Total net revenues	1,403,814	1,190,159
COST OF REVENUES	<u>304,616</u>	<u>207,432</u>
GROSS PROFIT	1,099,198	982,727
OPERATING EXPENSES		
Selling	115,729	99,221
General and administrative	279,133	182,254
Rent	242,215	242,414
Salaries and wages	397,840	381,624
Guaranteed payments to members	54,294	32,378
Depreciation and amortization	<u>37,913</u>	<u>27,702</u>
Total operating expenses	<u>1,127,124</u>	<u>965,593</u>
INCOME (LOSS) FROM OPERATIONS	(27,926)	17,134
OTHER INCOME (EXPENSE)		
Gain on extinguishment of debt	---	123,603
Interest expense	(6,251)	(2,107)
Other	<u>(1,843)</u>	<u>(1,261)</u>
	<u>(8,094)</u>	<u>120,235</u>
NET INCOME (LOSS)	\$ <u><u>(36,020)</u></u>	\$ <u><u>137,369</u></u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**  
Years ended December 31, 2022 and 2021

Balance at January 1, 2021	\$ (207,431)
Net income	137,369
Contributions by members	39,126
Distributions to members	<u>(42,075)</u>
Balance at December 31, 2021	\$ (73,011)
Net loss	(36,020)
Distributions to members	<u>(42,219)</u>
Balance at December 31, 2022	\$ <u><u>(151,250)</u></u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31,

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (36,020)	\$ 137,369
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	81,917	44,274
Gain on the extinguishment of debt	---	(123,603)
Non-cash rent expense	6,793	---
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(35,215)	(22,909)
(Increase) decrease in employee advances	--	807
(Increase) decrease in contract asset	(23,125)	(5,400)
Increase (decrease) in accounts payable	49,313	(4,295)
Increase (decrease) in accrued expenses	(8,018)	1,589
Increase (decrease) in deferred revenue	92,091	7,536
Increase (decrease) in deferred rent	<u>(11,119)</u>	<u>(1,896)</u>
Net cash provided by operating activities	116,617	33,472
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Website additions	(11,420)	---
Proceeds from property and equipment sales	---	2,449
Purchases of property and equipment	<u>(19,052)</u>	<u>(38,222)</u>
Net cash used for investing activities	(30,472)	(35,773)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	---	61,802
Repayments of notes payable	(29,231)	(12,134)
Distributions	<u>(42,219)</u>	<u>(42,075)</u>
Net cash provided by (used for) financing activities	<u>(71,450)</u>	<u>7,593</u>
Net increase in cash	14,695	5,292
Cash at the beginning of the year	<u>26,630</u>	<u>21,338</u>
Cash at the end of the year	<u>\$ 41,325</u>	<u>\$ 26,630</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for the following items:		
Interest	<u>\$ 6,251</u>	<u>\$ 2,107</u>
Income taxes	<u>\$ ---</u>	<u>\$ ---</u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Gideon Math & Reading, LLC was formed on October 23, 2003 as a Texas sole proprietor. On October 14, 2010, the Company incorporated as a Texas limited liability company. The Company provides math and reading tutoring services in the Dallas/Fort Worth area. It operates a tutoring center in Coppell, Texas. Effective January 1, 2021, the Company began producing and selling the education workbooks and materials to the tutoring centers that were previously produced by Gideon Learning, LLC, a related company. Gideon Learning continues to hold the Gideon trademarks.

The Company sells franchises of the business to individuals in the Dallas/Fort Worth area as well as in other states. See Note F. Additionally, there 8 licensee owners that operate 11 centers which are not franchises but enjoy the right to purchase educational materials from the Company and to use the Gideon trademarks and signs. The licensees are not monitored or controlled by the Company. The Company ceased granting licenses after it began selling franchises in 2011.

Basis of Accounting

The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

Preparing the Company's financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less. The Company had no cash equivalents at December 31, 2022 or 2021.

Accounts and Contracts Receivable

Accounts receivable consist of amounts due from franchisees and licensees for educational materials sales. Accounts receivable are stated at the amount that management expects to collect based on an evaluation of specific accounts considering existing economic conditions and the financial stability of the customer. There was no allowance for uncollectible accounts deemed necessary by management at December 31, 2022.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Accounts and Contracts Receivable – cont.

Contracts receivable consist of amounts due under franchise agreements that have been signed but for which the payments under the agreement have not been received. The contract receivable of \$40,000 at December 31, 2022 consists of one franchise agreement that was signed in December 2022. The related contract revenues are included in deferred franchise revenue as of December 31, 2022 on the accompanying balance sheet.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

Furniture and fixtures	5 and 7 years
Office equipment	4 and 5 years
Vehicles	5 years

Intangible Assets

Intangible assets consist of website costs which are being amortized over 15 and 3 years using the straight-line method and are stated at cost, net of accumulated amortization.

Impairment of Long-Lived Assets

The Company assesses potential impairments of long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of the long-lived asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. There were no such adjustments for impairment during the years ended December 31, 2022 or 2021.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Adoption of New Accounting Standards

Effective January 1, 2022, the Company adopted the Financial Accounting Standards Board's Standard, *Leases* (Topic 842), as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The Company used a transition method that applies the new lease standard at January 1, 2022. The Company applied a policy election to exclude short-term leases from balance sheet recognition, use of a risk-free interest rate and also elected certain practical expedients at adoption. This accounting change applicable to leases existing at January 1, 2022 did not have a significant impact on the Company's financial statements. There was no cumulative earnings effect adjustment.

Revenue Recognition

*Franchise Revenues*

The franchise arrangement between the Company and each franchise owners is documented in the form of a franchise agreement ("agreement"). The franchise agreement specifies that the Company will grant the franchisee the right to own and operate a franchised business in a territory specified in the agreement at a location that has been approved by the Company. The Company will also provide advertising and center site selection services if desired and provide on-going operating assistance and guidance as deemed necessary. The Company provides a mandatory initial training program for all new franchisees and supplies an opening kit consisting of primarily proprietary materials to each franchisee after the training has been completed. The Company has identified these as performance obligations in addition to the license. The franchise agreements are subject to termination with required notice. Franchise fees of \$20,000 are non-refundable and are paid in advance when the agreement is entered into. Opening kit fees of \$25,000 are due one week after the franchisee has executed its center lease. Fees allocated to the franchise license and the opening kit are recognized over time on a straight-line basis over the term of the respective agreement which is typically 5 years. The Company records unearned revenue for the portion of the fees that have been received in advance but for which revenue has not yet been recognized. The pre-opening training fee is recognized when the training is completed at the stand-alone selling price of \$5,000 under the practical expedient provided in ASU 2022-02.

Cost Recognition

Costs directly related to obtaining a franchise agreement are capitalized and amortized on a straight-line basis over the 5-year franchise period. These amounts are presented in current assets and non-current other assets as contract assets and are primarily commissions.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Tutoring Revenue

Tutoring services are billed monthly in advance. Tutoring revenue is recognized in the month as the tutoring services are provided. Unearned tutoring revenue collected in December is not material to the financial statements. The Company offers its tutoring students the option of paying for three or eight months of tutoring services in advance with an additional free month added. Accordingly, deferred revenue in the amount of \$26,967 and \$34,603 as of December 31, 2022 and 2021, respectively, has been recorded and will be recognized when the services are performed. Tutoring revenue is recorded net of discounts.

Product Sales Revenue

Revenue from sales of education workbooks and materials is recognized upon the transfer of control of promised goods to the franchisees and licensees. The Company expenses the cost of producing the workbooks and materials which primarily consist of paper and costs of in-house printing.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$90,754 and \$75,076, respectively. The amount for 2022 included \$26,219 related to franchisee advertising.

Income Taxes

The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as a partnership. In lieu of corporation income taxes, the members are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company, however, is subject to Texas Franchise Tax. The Financial Accounting Standards Board (FASB) issued guidance on accounting for uncertainty in income taxes. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE B – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. As of December 31, 2022, the Company had no uninsured cash balances.

One single account comprises 93% of the accounts receivable balance at December 31, 2022.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2022	2021
Furniture and fixtures	\$ 143,051	\$ 143,051
Office equipment	245,166	139,114
Vehicles	68,670	44,280
Leasehold improvements	7,076	7,076
Total property and equipment	\$ 463,963	\$ 333,521

Total depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$77,220 and \$40,633 respectively. Depreciation expense in the amount of \$44,004 and \$16,572 has been included in cost of goods sold for 2022 and 2021, respectively, on the accompanying statements of operations.

The members contributed property and equipment in 2021 with a net book value of \$45,366 that was owned previously by Gideon Learning and used in its operations of producing and selling learning materials to franchisees and licensees of the Company.

**NOTE D – INTANGIBLE ASSET**

Intangible asset and accumulated amortization consist of the following:

	2022	2021
Website	\$ 50,839	\$ 39,419
Less: accumulated amortization	(33,071)	(28,374)
	\$ 17,768	\$ 11,045

No significant residual value is estimated for this intangible asset. Amortization expense for the years ended December 31, 2022 and 2021 amounted to \$4,697 and \$3,641, respectively.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE E – CONTRACT BALANCES**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract Receivable	\$ 40,000	\$ ---
Contract Assets	\$ 33,025	\$ 9,900
Deferred Revenue	\$ 225,911	\$ 126,184

**NOTE F – FRANCHISES**

The following is an analysis of changes in the number of franchisees during 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Number at beginning of year	13	12
New during the year	5	1
Closed during the year	<u>--</u>	<u>--</u>
Number at end of year	<u>18</u>	<u>13</u>

**NOTE G – PAYCHECK PROTECTION PROGRAM LOANS**

In 2021 and 2020, the Company was granted two loans from a bank that totaled \$123,603 pursuant to the Paycheck Protection Program (the PPP). The PPP which was established as a part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided for loans to qualifying businesses. The PPP loans bore interest at 1% per annum and were scheduled to mature two years from the date of the notes. Payments on the notes were deferred for six months. Funds from the loans could only be used for payroll costs, group health care benefits, mortgage payments, rent utilities and interest on certain debt obligations. Under terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described by the CARES Act. Both loans in the aggregate amount of \$123,603 plus accrued interest were forgiven in 2021.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE H – NOTES PAYABLE**

The Company entered into a bank loan in the amount of \$92,000 for the purchase of a printer in May 2022. The loan bears interest at 5.49%, is payable in monthly principal and interest installments of \$1,763 and matures in April 2027. The loan is collateralized by the printer. The outstanding balance as of December 31, 2022 was \$81,247.

In May 2022, the Company purchased a vehicle and entered into a loan in the amount of \$19,390 for the purchase. The loan bears interest at 2.49%, is payable in monthly principal and interest payments of \$425 and matures May 2026. The note is secured by the vehicle. The balance outstanding as of December 31, 2022 was \$16,685.

The Company entered into a loan agreement for \$23,928 for the purchase of a vehicle in April 2021. The note bears interest at 4.59%, is payable in monthly principal and interest payments of \$491 and matures in October 2025. The note is collateralized by the vehicle. The outstanding balance as of December 31, 2022 and 2021 was \$15,651 and \$20,680, respectively.

In August 2021, the Company purchased a printer and entered into a finance agreement for \$56,000. The note bears interest at 2.35%, is payable monthly at \$990 and matures in September 2026. The loan is secured by the equipment. The outstanding balance as of December 31, 2022 and 2021 was \$42,610 and \$53,354, respectively.

Scheduled principal repayments on the notes are as follows:

2022	\$	38,327
2023		39,744
2024		40,428
2025		31,123
2026		<u>6,571</u>
	\$	<u><u>156,193</u></u>

**NOTE I – LEASES**

Under the new lease standard, ASC 842, *Leases*, right of use assets and lease liabilities are established on the balance sheet for leases with an expected term greater than a year by discounting the amount of fixed rent payments in the lease agreement for the duration of the lease, which is reasonably certain, considering the probability of exercising any early termination and extension options.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE I – LEASES – cont.**

The Company has an operating lease for its Coppell, Texas tutoring center. The fourth amendment of the lease began January 1, 2019 and expires December 31, 2023. The monthly lease payments started at \$9,717 and escalate each year until 2023 when the monthly lease payments are \$10,518. The lease also includes a provision for the Company to pay its portion of prorated taxes, insurance and CAM charges. At the date of adoption of the new lease accounting standard on January 1, 2022, an operating lease liability of \$244,067 and a right of use asset of \$232,951 were calculated and recorded using a risk-free discount rate of 2.49%. There was no cumulative earnings effect adjustment. At December 31, 2022, the balance sheet included a right of use asset of \$117,995 and a related lease liability of \$124,788. Operating lease costs associated with this lease were \$119,422 plus additional rents of \$37,743 for building expense allocations for the year ended December 31, 2022.

Future minimum lease payments under the operating lease are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 126,216
2024	---
2025	---
2026	---
2027	---
Thereafter	---
Total minimum lease payments	126,216
Less: amount of lease payments representing interest	(1,428)
Present value of future minimum Lease payments	124,788
Less: current liabilities under leases	(124,788)
Long-term lease liabilities	\$ ---

The Company also leases its corporate office space located in Addison, Texas on a month to month basis. Total rent expense for 2022 amounted to \$85,050. The Company is currently in negotiations with the lessor to enter into a long-term lease agreement for this location.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE J – LEASING REVENUE ON OPERATING LEASES**

The Company has two lease agreements with franchisees for sign rental which are accounted for as operating leases. The total monthly rental payments under these lease agreements is \$509. Both leases expire in 2023. At December 31, 2022 and 2021, the total cost of the signs on lease, which are included in the balance of Furniture and Fixtures, was \$14,269 and \$14,269 with related accumulated depreciation on those signs amounting to \$5,324 and \$2,470, respectively.

Minimum future rentals to be received on non-cancelable leases as of December 31, 2022 are as follows:

2023	\$	3,256
2024		---
2025		---
2026		---
2027		---
Thereafter		---
	\$	3,256

**NOTE K – DISAGGREGATION OF CONTRACT REVENUE**

The following is an analysis of revenue recognized:

	2022	2021
At a point in time		
Initial training fee	\$ 20,000	\$ 10,000
Over a period of time		
Franchise fees	36,418	22,182
Opening kit fees	38,855	27,344
	\$ 95,273	\$ 59,526

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE L – NON-CASH FINANCING AND INVESTING ACTIVITIES**

The Company purchased a printer in 2022 with a total cost of \$102,000 through a direct financing loan in the amount of \$92,000 and cash payments of \$10,000.

In 2022, a vehicle with a total cost of \$24,390 was purchased by the Company with a direct financing loan of \$19,390 and \$5,000 cash down payment.

The members of the Company contributed office equipment, a vehicle and leasehold improvements previously held by Gideon Learning with a combined net book value of \$45,366 to the Company in 2021. The members also contributed a note payable for office equipment with a balance of \$6,240.

In 2021, office equipment and a vehicle were purchased through loan direct financing of \$79,928. A vehicle with a cost of \$14,234 and related accumulated depreciation of \$14,234 was traded-in on a new vehicle.

**NOTE M – SUBSEQUENT EVENTS REVIEW**

The Company evaluated subsequent events through August 15, 2023 the date the financial statements were available to be issued.

**GIDEON MATH & READING, LLC**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020

**GIDEON MATH & READING, LLC**

December 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheets	3
Statements of Operations	5
Statement of Changes in Members' Equity (Deficit)	6
Statements of Cash Flows	7
Notes to the Financial Statements	8

# FARMER, FUQUA & HUFF P.C.

Accountants and Consultants



2435 N. Central Expy, Suite 700  
Richardson, Texas 75080  
P - 214.473.8000  
F - 214.473.8007

105 Decker Ct, Suite 870  
Irving, Texas 75062  
P - 972.650.1900  
F - 972-619-6111

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Gideon Math & Reading, LLC

### Opinion

We have audited the financial statements of Gideon Math & Reading, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gideon Math & Reading, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gideon Math & Reading, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gideon Math & Reading, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gideon Math & Reading, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gideon Math & Reading, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Fau, Anja J Hoff, LLC*

Richardson, Texas  
October 5, 2022

**GIDEON MATH & READING, LLC**  
**BALANCE SHEETS**  
December 31,

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 26,630	\$ 21,338
Accounts receivable	22,909	---
Employee advances	---	807
Contract asset	<u>2,250</u>	<u>900</u>
Total current assets	51,789	23,045
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	333,521	186,688
Accumulated depreciation	<u>(182,428)</u>	<u>(156,029)</u>
Total property and equipment	151,093	30,659
<b>OTHER ASSETS</b>		
Contract asset, net of current portion	7,650	3,600
Intangible assets, net of accumulated amortization of \$28,374 and \$24,733, respectively	<u>11,045</u>	<u>14,686</u>
Total other assets	<u>18,695</u>	<u>18,286</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>221,577</u></u></b>	<b>\$ <u><u>71,990</u></u></b>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**BALANCE SHEETS**  
December 31,

**LIABILITIES AND MEMBERS' EQUITY (DEFICIT)**

	<u>2021</u>	<u>2020</u>
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 15,789	\$ ---
Accounts payable	37,163	41,458
Accrued expenses	11,485	9,896
Deferred franchise revenue	53,358	46,859
Deferred tutoring revenue	<u>34,603</u>	<u>37,541</u>
Total current liabilities	152,398	135,754
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	58,245	---
Deferred franchise revenue, net of current portion	72,826	68,851
Deferred rent	11,119	13,015
Paycheck Protection Program loan payable	<u>---</u>	<u>61,801</u>
Total long-term liabilities	<u>142,190</u>	<u>143,667</u>
Total liabilities	294,588	279,421
<b>MEMBERS' EQUITY (DEFICIT)</b>		
Members' deficit	<u>(73,011)</u>	<u>(207,431)</u>
Total members' deficit	<u>(73,011)</u>	<u>(207,431)</u>
<b>TOTAL LIABILITIES AND MEMBERS' DEFICIT</b>		
	\$ <u><u>221,577</u></u>	\$ <u><u>71,990</u></u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENTS OF OPERATIONS**  
Years ended December 31,

	<u>2021</u>	<u>2020</u>
NET REVENUES		
Tutoring	\$ 727,104	\$ 578,561
Educational material sales	395,783	---
Franchise income	59,526	46,484
Sign leasing to franchisees	7,746	12,185
Royalties	<u>---</u>	<u>15,000</u>
Total net revenues	1,190,159	652,230
COST OF REVENUES	<u>207,432</u>	<u>84,619</u>
GROSS PROFIT	982,727	567,611
OPERATING EXPENSES		
Selling	99,221	73,402
General and administrative	182,254	106,731
Rent	242,414	158,095
Salaries and wages	381,624	303,500
Guaranteed payments to members	32,378	1,681
Depreciation and amortization	<u>27,702</u>	<u>13,278</u>
Total operating expenses	<u>965,593</u>	<u>656,687</u>
INCOME (LOSS) FROM OPERATIONS	17,134	(89,076)
OTHER INCOME (EXPENSE)		
Gain on extinguishment of debt	123,603	---
Interest expense	(2,107)	---
Other	<u>(1,261)</u>	<u>---</u>
	<u>120,235</u>	<u>---</u>
NET INCOME (LOSS)	<u>\$ 137,369</u>	<u>\$ (89,076)</u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**  
**Years ended December 31, 2021 and 2020**

Balance at January 1, 2020	\$	(111,695)
Net loss		(89,076)
Distributions to members		<u>(6,660)</u>
Balance at December 31, 2020	\$	(207,431)
Net income		137,369
Contributions by members		39,126
Distributions to members		<u>(42,075)</u>
Balance at December 31, 2021	\$	<u><u>(73,011)</u></u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31,

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 137,369	\$ (89,076)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	44,274	13,278
Gain on the extinguishment of debt	(123,603)	---
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(22,909)	---
(Increase) decrease in employee advances	807	1,201
(Increase) decrease in prepaid expense	---	12,880
(Increase) decrease in contract asset	(5,400)	(4,500)
Increase (decrease) in accounts payable	(4,295)	28,463
Increase (decrease) in accrued expenses	1,589	6,564
Increase (decrease) in due to related party	---	(319)
Increase (decrease) in deferred revenue	7,536	8,594
Increase (decrease) in deferred rent	<u>(1,896)</u>	<u>483</u>
Net cash provided by (used for) operating activities	33,472	(22,432)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Website additions	---	(4,094)
Proceeds from property and equipment sales	2,449	
Purchases of property and equipment	<u>(38,222)</u>	<u>(9,270)</u>
Net cash used for investing activities	(35,773)	(13,364)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	61,802	61,801
Repayments of notes payable	(12,134)	---
Distributions	<u>(42,075)</u>	<u>(6,660)</u>
Net cash provided by financing activities	<u>7,593</u>	<u>55,141</u>
Net increase in cash	5,292	19,345
Cash at the beginning of the year	<u>21,338</u>	<u>1,993</u>
Cash at the end of the year	<u>\$ 26,630</u>	<u>\$ 21,338</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for the following items:		
Interest	<u>\$ 2,107</u>	<u>\$ ---</u>
Income taxes	<u>\$ ---</u>	<u>\$ ---</u>

The accompanying notes are an integral part of these statements.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Gideon Math & Reading, LLC was formed on October 23, 2003 as a Texas sole proprietor. On October 14, 2010, the Company incorporated as a Texas limited liability company. The Company provides math and reading tutoring services in the Dallas/Fort Worth area. It operates a tutoring center in Coppell, Texas. On June 13, 2011, Gideon Learning, LLC (Gideon Learning), a related party under common ownership and control, was formed to sell math and reading educational materials to the Company and its franchisees and licensees. Effective January 1, 2021, the Company began producing and selling the education workbooks and materials to the tutoring centers. Gideon Learning continues to hold the Gideon trademarks.

The Company sells franchises of the business to individuals in the Dallas/Fort Worth area as well as in other states. See Note F. Additionally, there 10 licensees that operate 13 centers which are not franchises but enjoy the right to purchase educational materials from the Company and to use the Gideon trademarks and signs. The licensees are not monitored or controlled by the Company. The Company ceased granting licenses after it began selling franchises in 2011.

Basis of Accounting

The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

Preparing the Company's financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reports amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2021 statement of operations have been reclassified to conform to the 2021 presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Accounts Receivable

Accounts receivable consist of amounts due from franchisees and licensees for educational materials sales. Accounts receivable are stated at the amount that management expects to collect based on an evaluation of specific accounts considering existing economic conditions and the financial stability of the customer. There was no allowance for uncollectible accounts deemed necessary by management at December 31, 2021.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

Furniture and fixtures	5 and 7 years
Office equipment	4 and 5 years
Vehicles	5 years

Intangible Assets

Intangible assets consist of website costs which are being amortized over 15 years using the straight-line method and are stated at cost, net of accumulated amortization.

Impairment of Long-Lived Assets

The Company assesses potential impairments of long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of the long-lived asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. There were no such adjustments for impairment during the years ended December 31, 2021 or 2020.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Adoption of New Accounting Standards

Effective January 1, 2020, the Company has adopted ASC 606, *Revenue from Contracts with Customers* which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. For contracts involving multiple performance obligations, the selling price is allocated based on relative standalone selling prices of the goods or services. If a standalone selling price is not directly observable, it is estimated by management using prices for similar services and making adjustments to such prices to reflect the Company's specific operations.

The Company has adopted ASU 2021-02, *Franchisors – Revenue from Contracts with Customers: Practical Expedient* which permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with a specific list included in the ASU. Management believes that it meets the requirements and has elected to early adopt the ASU with respect to pre-opening training provided to franchisees.

ASC 606 and ASU 2021-02 were applied using the full retrospective approach to all franchise contracts. The impact of applying the new standard in 2020 was to defer franchise and opening kit fees received of \$45,000 for recognition over the life of the franchises, defer training fees received of \$5,000 until the training has been completed and recognize deferred franchise income from prior years of \$41,484 with a net impact of an increase in members' deficit of \$8,516.

Revenue Recognition

*Franchise Revenues*

The franchise arrangement between the Company and each franchise owners is documented in the form of a franchise agreement ("agreement"). The franchise agreement specifies that the Company will grant the franchisee the right to own and operate a franchised business in a territory specified in the agreement at a location that has been approved by the Company. The Company will also provide advertising and center site selection services if desired and provide on-going operating assistance and guidance as deemed necessary. The Company provides a mandatory initial training program for all new franchisees and supplies an opening kit consisting of primarily proprietary materials to each franchisee after the training has been completed. The Company has identified these as performance obligations in addition to the

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Revenue Recognition – cont.

*Franchise Revenues – contd.*

license. The franchise agreements are subject to termination with required notice. Franchise fees of \$20,000 are non-refundable and are paid in advance when the agreement is entered into. Opening kit fees of \$25,000 are due one week after the franchisee has executed its center lease. Fees allocated to the franchise license and the opening kit are recognized over time on a straight-line basis over the term of the respective agreement which is typically 5 years. The Company records unearned revenue for the portion of the fees that have been received in advance but for which revenue has not yet been recognized. The pre-opening training fee is recognized when the training is completed at the stand-alone selling price of \$5,000 under the practical expedient provided in ASU 2021-02.

Cost Recognition

Costs directly related to obtaining a franchise agreement are capitalized and amortized on a straight-line basis over the 5-year franchise period. These amounts are presented in current and non-current other assets as contract assets and are primarily commissions.

Tutoring Revenue

Tutoring services are billed monthly in advance. Tutoring revenue is recognized in the month as the tutoring services are provided. Unearned tutoring revenue at the end of December is not material to the financial statements. The Company offers its tutoring students the option of paying for three or eight months of tutoring services in advance with an additional free month added. Accordingly, deferred revenue in the amount of \$34,603 and \$37,541 as of December 31, 2021 and 2020, respectively, has been recorded and will be recognized when the services are performed. Tutoring revenue is recorded net of discounts.

Product Sales Revenue

Revenue from sales of education workbooks and materials is recognized upon the transfer of control of promised goods to the franchisees and licensees. The Company expenses the cost of producing the workbooks and materials which primarily consist of paper and costs of in-house printing.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2021 and 2020 were \$75,076 and \$46,402, respectively.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont.**

Income Taxes

The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as a partnership. In lieu of corporation income taxes, the members are taxed on their proportionate share of the Company’s taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company, however, is subject to Texas Franchise Tax. The Financial Accounting Standards Board (FASB) issued guidance on accounting for uncertainty in income taxes. Management evaluated the Company’s tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**NOTE B – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. As of December 31, 2021 and 2020, the Company had no uninsured cash balances.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 143,051	\$ 129,890
Office equipment	139,114	42,563
Vehicles	44,280	14,235
Leasehold improvements	<u>7,076</u>	<u>---</u>
Total property and equipment	<u>\$ 333,521</u>	<u>\$ 186,688</u>

Depreciation expense was for the years ended December 31, 2021 and 2020 amounted to \$40,633 and \$10,798 respectively. Of the 2021 depreciation cost of \$40,633, \$16,572 has been included in cost of goods sold on the accompanying statement of operations.

The members contributed property and equipment in 2021 with a net book value of \$45,366 that was owned previously by Gideon Learning and used in its operations of producing and selling learning materials to franchisees and licensees of the Company.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE D – INTANGIBLE ASSET**

Intangible asset and accumulated amortization consist of the following:

	<u>2021</u>	<u>2020</u>
Website	\$ 39,419	\$ 39,419
Less: accumulated amortization	<u>(28,374)</u>	<u>(24,733)</u>
	<u>\$ 11,045</u>	<u>\$ 14,686</u>

No significant residual value is estimated for this intangible asset. Amortization expense for the years ended December 31, 2021 and 2020 amounted to \$3,641 and \$2,480, respectively. Amortization expense for each of the next five years is estimated to be \$3,641 per year.

**NOTE E – CONTRACT BALANCES**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract Receivables	\$ ---	\$ ---
Contract Assets	\$ 9,900	\$ 4,500
Deferred Revenue	\$ 126,184	\$ 115,710

**NOTE F – FRANCHISES**

The following is an analysis of changes in the number of franchisees during 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Number at beginning of year	12	12
New during the year	1	1
Closed during the year	<u>--</u>	<u>(1)</u>
Number at end of year	<u>13</u>	<u>12</u>

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE G – PAYCHECK PROTECTION PROGRAM LOANS**

In May 2020, the Company was granted a loan from a bank in the amount of \$61,801 pursuant to the Paycheck Protection Program (the PPP). The Company was granted an additional loan of \$61,802 in March 2021. The PPP which was established as a part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided for loans to qualifying businesses. The PPP loans bore interest at 1% per annum and were scheduled to mature two years from the date of the notes. Payments on the notes were deferred for six months. Funds from the loans could only be used for payroll costs, group health care benefits, mortgage payments, rent utilities and interest on certain debt obligations. Under terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described by the CARES Act. Both loans in the aggregate amount of \$123,603 plus accrued interest were forgiven in 2021.

**NOTE H – NOTES PAYABLE**

The Company entered into a loan agreement for \$23,928 for the purchase of a vehicle in April 2021. The note bears interest at 4.59%, is payable in monthly principal and interest payments of \$491 and matures in October 2025. The note is collateralized by the vehicle.

In August 2021, the Company purchased a printer and entered into a finance agreement for \$56,000. The note bears interest at 2.35%, is payable monthly at \$990 and matures in September 2026. The loan is secured by the equipment.

Scheduled principal repayments on the notes are as follows:

2022	\$	15,789
2023		16,286
2024		16,795
2025		16,338
2026		<u>8,826</u>
	\$	<u>74,034</u>

**NOTE I – LEASING REVENUE ON OPERATING LEASES**

The Company has lease agreements with franchisees for sign rental which expire in 2021 and 2022. At December 31, 2021 and 2020, the total cost of the signs on lease, which are included in the balance of Furniture and Fixtures, was \$14,269 and \$29,083 with related accumulated depreciation on those signs amounting to \$2,470 and \$7,907, respectively.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE I – LEASING REVENUE ON OPERATING LEASES – cont.**

Minimum future rentals to be received on non-cancelable leases as of December 31, 2021 are as follows:

2022	\$	6,109
2023		2,747
2024		---
2025		---
2026		---
Thereafter		---
	\$	<u>8,856</u>

**NOTE J – DISAGGREGATION OF CONTRACT REVENUE**

The following is an analysis of revenue recognized:

	2021	2020
At a point in time		
Initial training fee	\$ 10,000	\$ 5,000
Over a period of time		
Franchise fees	22,182	20,681
Opening kit fees	<u>27,344</u>	<u>20,803</u>
	<u>\$ 59,526</u>	<u>\$ 46,484</u>

**NOTE K – LEASE COMMITMENTS**

The Company leases its Coppel, Texas facilities under a long-term, non-cancelable operating lease agreement. The lease expires in December 2023. The agreement requires the Company to pay its portion of expenses (real estate taxes, insurance, and CAM charges). Lease expense totaled \$157,364 and \$158,095, including expenses of \$37,943 and \$38,674 for 2021 and 2020, respectively.

The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to “Deferred rent,” which is included in “Long-term liabilities” in the accompanying balance sheet.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE K – LEASE COMMITMENTS – contd.**

Minimum future rental payments under the operating lease agreement for the successive years after December 31, 2021 are as follows:

2022	\$	123,744
2023		126,219
2024		---
2025		---
2026		---
Thereafter		---
	\$	<u>249,963</u>

Beginning in January 2021, the Company paid rent for an office on a month-to-month basis that was previously paid by Gideon Learning. Total office rent paid in 2021 amounted to \$85,050.

**NOTE L – RELATED PARTY TRANSACTIONS**

The Company and Gideon Learning are entities under common ownership and control. Prior to 2021 when the Company began producing and selling learning materials, the Company purchased all learning materials used at its Coppell tutoring center from Gideon Learning. During 2020, the Company purchased approximately \$83,139 of learning materials from Gideon Learning.

Gideon Learning paid the Company a royalty fee in the total amount of \$15,000 in 2020. The royalty was based on a percentage of the sales of learning materials made by Gideon Learning to the Company, its franchisees and licensees. The royalty ceased effective January 1, 2021 when the Company began producing and selling the learning materials. As discussed previously, franchisees and licensees are required to purchase all learning materials from the Company beginning in 2021. The Company does not sell educational materials to persons or entities other than franchisees and licensees.

**NOTE M – NON-CASH FINANCING AND INVESTING ACTIVITIES**

The members of the Company contributed office equipment, a vehicle and leasehold improvements previously held by Gideon Learning with a combined net book value of \$45,366. The members also contributed a note payable for office equipment with a balance of \$6,240.

Office equipment and a vehicle were purchased through loan direct financing of \$79,928. A vehicle with a cost of \$14,234 and related accumulated depreciation of \$14,234 was traded-in on a new vehicle.

**GIDEON MATH & READING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE N – CORONAVIRUS PANDEMIC**

During 2020, a strain of coronavirus (“COVID-19”) was reported worldwide resulting in decreased economic activity and closure of businesses which has adversely affected the broader global economy. The virus has continued to affect the economy through 2021. The Company is taking all necessary steps to keep its business premises in a safe environment and is constantly monitoring the impact of COVID – 19. At this time, the extent to which COVID – 19 will impact the economy and the Company is uncertain. Pandemics or other significant public health events could have a material adverse effect on the Company and the results of its operations.

**NOTE O – SUBSEQUENT EVENTS REVIEW**

The Company evaluated subsequent events through October 5, 2022 the date the financial statements were available to be issued.

# **Exhibit C**

**EXHIBIT C**

**CHART OF CURRENT FRANCHISEES & OPEN CENTERS AS OF 12/31/2022:**

ARKANSAS	Sarika Patel (501) 607-4808 1121 S. Bowman Rd., Suite C-4, Little Rock, AR 72211
FLORIDA	Raj Sareddy (954) 453-7060 15985 Pines Blvd., Pembroke Pines, FL 33027
PENNSLYVANIA	Dr. Janine Mathesz (484) 719-6500 626 Jacksonville Rd., Warminster, PA 18974
TEXAS	Divya Arora (504) 324-1408 8031 W. University Dr., Ste #130, McKinney, TX 75071
	Katie Aycock (214) 864-5241 7522 Campbell Rd., Dallas, TX 75248
	Darin DeRita (469) 322-0411 3851 Long Prairie Road, Flower Mound, TX 75028
	Aarti Dewan (469) 305-7107 a) 7151 Preston Rd., Ste. 191A, Frisco, TX 75034 b) 8930 Hwy 121, Ste. 578, McKinney, TX 75070
	Cassandra Franks (972) 274-6284 201 E. Beltline Rd., Ste. 211, DeSoto, TX 75115
	Curry Jones (214) 771-8879 1802 Pleasant Valley Rd., Garland, TX 75040
	Neha Mehrotra (469) 296-8384 4940 W. University Dr., Suite 20, Prosper, TX 75078
	Jigna Patel (817) 398-4192 4718 Colleyville Blvd., Ste. 300, Colleyville, TX 76034
	Marites Reventar (346) 800-7254 1383 Bunker Hill Road, Houston, Texas 77055
	Maher Tamimi (214) 597-5671 10815 Ranch Rd 2222, Austin, TX 78730
	Sonal Tandale (469) 597-3843 2662 N. Josey Ln, Carrollton, TX 75007
	Fiona Yee (214) 501-8162 280 Legacy Dr., Suite 150, Plano, TX 75023

**CHART OF SIGNED FRANCHISEES, BUT NOT YET OPEN AS OF 12/31/2022:**

CALIFORNIA	Michelle Poh (415) 264-7447 1069 Gardenia Ter, Alameda, CA 94502
TEXAS	Mukta Maan (469) 656-1239 854 W. Stacy Rd., Allen, TX 75013 (Opened Jan. 20, 2023)
	Ajitha Narayanan (469) 206-4288 1640 W. Frontier Pkwy., Prosper, TX 75078 (Opened Jan. 1, 2023)

**EXHIBIT C**

**CHART OF CURRENT LICENSEES & CENTERS AS OF 12/31/2022:**

GL = Gideon Licensee / NGL = Non-Gideon Licensee

MASSACHUSETTS	May Lo (617) 965-6962 54 Lincoln St., Newton Highlands, MA 02461	GL
TEXAS	Charnella Derry (972) 329-7779 6808 Pastor Bailey Dr., Dallas, TX 75237	NGL - Beacon Hill
	Dayna Nardoza (972) 931-7187 6826 Hyacinth Lane, Dallas, TX 75252	GL
	Ardella Patterson (214) 676-9015 3110 W. Main Street, Frisco, TX 75034	GL
	Kim Vo (512) 777-3282 1311 Chisholm Trail, Ste. 202, Round Rock, TX 78681	GL
	Victor Su (817) 382-7323 2001 W. Southlake Blvd., Ste. 135, Southlake, TX 76092	NGL – Southlake Math & Reading
VIRGINIA	Bharathi Raju (703) 625-7652 a) 25954 Talmont Dr., South Riding, VA 20152 b) 13316 Braddock Rd., Clifton, VA 20124 c) 24585 Stone Carver Rd., Ste. 150, Aldie, VA 20105	GL
	Sylvia Stagman (703) 581-4387 a) 17767 Roxbury Hall Rd., Leesburg, VA 20175 b) 21030 Whitfield Pl., Sterling, VA 20165	GL

# **Exhibit D**

## EXHIBIT D

### STATE FRANCHISE ADMINISTRATOR INFORMATION

GIDEON MATH & READING, LLC,  
A TEXAS CORPORATION  
16835 Addison Road, Addison, Texas 75001  
PHONE: 855-344-3366  
[www.gideonfranchise.com](http://www.gideonfranchise.com)

#### TEXAS

Under the **Texas Business Opportunities Act**, Texas regulates many arrangements that generally may be considered franchise relationships. A business opportunity is defined as the sale or lease of any products, equipment, supplies, or services that are sold for an initial amount exceeding \$500 and that will be used to begin a business, and in which the seller represents that: the purchaser is likely to earn a profit in excess of the initial amount paid to the seller; the seller will assist in providing locations for the use or operation of the products, equipment, supplies or services; the seller will provide a marketing program; or the seller will buy back any products, supplies, or equipment purchased. The Act specifically excludes any arrangement defined as a "franchise" under the FTC regulations if the franchisor complies with the disclosure requirements and prohibitions in the FTC regulations in its operations in the state of Texas.

The franchisor also must file a notice and fee with the Texas Secretary of State prior to offering for sale or selling a franchise in the state. Sellers of business opportunities also are required to file a disclosure statement with the Secretary of State prior to the sale or offer for sale of a business opportunity. The disclosure statement must be updated at least once a year.

Call the state franchise administrator for information about the franchisor, or about franchising in your state: Texas Secretary of State P.O. Box 12887 Austin, Texas 78711-2887 (512) 463-5555

**ARKANSAS** Contact the state franchise administrator for information about the franchisor or about franchising in your state. Department of Finance and Administration, 1509 West 7th Street, Little Rock, AR 72201

**CALIFORNIA** Contact the state franchise administrator for information about the franchisor, or about franchising in your state: Dept. of Business Oversight, One Sansome Street, Suite 600, San Francisco, CA 94104. (415) 972-8559

**FLORIDA** Call the state franchise administrator for information about the franchisor, or about franchising in your state: Florida Commissioner, Dept. of Agriculture and Consumer Services, Plaza Level 10, The Capitol, 400 South Monroe Street, Tallahassee, FL 32399  
1-800-HELP-FLA

**NORTH CAROLINA** Contact NC Secretary of State, Business Opportunity Sales  
2 South Salisbury Street, Raleigh, North Carolina 27601-2903, for information about the franchisor or about franchising in your state. 919-814-5408

## EXHIBIT E

### **ADDENDUM TO GIDEON MATH & READING FRANCHISE AGREEMENT FOR CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

Neither we, nor any person or franchise broker disclosed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange. California Business and Professions Code sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.). The highest interest rate allowed by law in California for late payments is 10% annually. The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur at franchisor's headquarters with the costs being borne by as the arbitrator determines. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Gideon offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Gideon does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Texas Secretary of State P.O. Box 12887 Austin, Texas 78711-2887 (512) 463-5555.

Gideon's sales agent for this offering is J. Boston Coppedge, 16835 Addison Road, Addison, Texas 75001, 855-344-3366 Ext. 1.

Issuance date: March 9, 2023

I received a disclosure document dated March 9, 2023, that included the following Exhibits:

Exhibit A: Gideon Franchise Agreement (which includes the following agreements or authorization): Schedule A – Territory; Schedule B – Opening Kit; Schedule C – Gideon Booklet Shelving System; Schedule D – Computer and Tablet Requirements; Schedule E – Guarantee of Obligations; Schedule F – General Release; Schedule G – ACH Authorization

Exhibit B: 2020, 2021, and 2022 Audited Financial Statements of Gideon

Exhibit C: List of Franchisees & Licensees as of 12/31/2022

Exhibit D: State Franchise Administrator Information

Exhibit E: California Addendum

Date: \_\_\_\_\_ Your name (Please print): \_\_\_\_\_

Your signature: \_\_\_\_\_

Please sign as per the instructions within PandaDoc. You may also keep a copy for your records.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Gideon offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Gideon does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Texas Secretary of State P.O. Box 12887 Austin, Texas 78711-2887 (512) 463-5555.

Gideon's sales agent for this offering is J. Boston Coppedge, 16835 Addison Road, Addison, Texas 75001, 855-344-3366 Ext. 1.

Issuance date: March 9, 2023

I received a disclosure document dated March 9, 2023, that included the following Exhibits:

Exhibit A: Gideon Franchise Agreement (which includes the following agreements or authorization): Schedule A – Territory; Schedule B – Opening Kit; Schedule C – Gideon Booklet Shelving System; Schedule D – Computer and Tablet Requirements; Schedule E – Guarantee of Obligations; Schedule F – General Release; Schedule G – ACH Authorization

Exhibit B: 2019, 2020, and 2021 Audited Financial Statements of Gideon

Exhibit C: List of Franchisees & Licensees as of 12/31/2022

Exhibit D: State Franchise Administrator Information

Exhibit E: California Addendum

Date: \_\_\_\_\_ Your name (Please print): \_\_\_\_\_

Your signature: \_\_\_\_\_

Please sign as per the instructions within PandaDoc. You may also keep a copy for your records.