

## FRANCHISE DISCLOSURE DOCUMENT

BEST BRAINS, INC.  
an Illinois corporation  
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Arlington Heights, Illinois 60005  
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# BEST BRAINS®

As a franchisee, you will operate a BEST BRAINS learning center.

For a Premium Learning Center, the total investment necessary to begin operation of a BEST BRAINS learning center is \$52,500 to \$118,400. This includes \$17,500 that must be paid to the franchisor or affiliate.

For a Teacher Learning Center, the total investment necessary to begin operation of a BEST BRAINS learning center is \$29,000 to \$77,475. This includes \$3,000 that must be paid to the franchisor or affiliate.

For a Satellite Learning Center, the total investment necessary to begin operation of a BEST BRAINS learning center is \$36,000 to \$84,475. This includes \$10,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 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 for you. To discuss the availability of disclosures in different formats, contact Elanor Smith at Best Brains, Inc. 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005 (847) 485-0000.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract 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.

Issuance Date: May 30, 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 Exhibits D and E.
<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 G 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 Best Brains 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 Best Brains franchisee?</b>	Item 20 or Exhibits D and E list 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 A.

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 Illinois. 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 Illinois than in your own state.

2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability 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.

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely

identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

The franchisor is Best Brains, Inc. For ease of reference, Best Brains, Inc. will be referred to as "we," "us," or "our" in this disclosure document. We will refer to the person or entity who buys the franchise as "you" throughout the disclosure document. "You" includes the owners of a franchisee entity. We allow only limited liability companies and corporation franchisee entities, not partnerships.

**Franchisor Company.** Best Brains, Inc. is an Illinois corporation formed on August 29, 2011. Our principal business address is 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005. We do business under the name, BEST BRAINS.

We have no predecessor or parent. We have no affiliate offering franchises in any line of business or providing products or services to franchisees of ours.

Exhibit A contains our agents for service of process.

**The Business of the Franchise.** We franchise a learning center (the "Franchised Business") under the "BEST BRAINS" trade name and service mark (the "Marks") using certain procedures, techniques, business methods, Teaching Methods, Student Worksheets Instructional Materials, Authorized Curricula, business forms, business policies and a body of knowledge pertaining to the establishment and operation of the Franchised Businesses (the "System"). Our Authorized Curricula for teaching primary and secondary students using our proprietary educational programs and teaching methods (the "Teaching Methods") is offered at each Franchised Business. The Teaching Methods use a series of worksheets, diagnostic tests, achievement tests and other devices (collectively, the "Instructional Materials") to assist students' educational advancement. The franchise offered is for the right to operate a BEST BRAINS learning center using the Marks and the System at a specific location.

We have three types of locations for our learning centers:

Our Premium Learning Center is typically located in a retail strip center.

Our Teacher learning center is typically smaller and non-retail and owned by a person who has a teaching certificate from the United States or Canada.

Our Satellite learning center is typically smaller and non-retail and located in an area that is not densely populated.

You must sign our standard franchise agreement (the "Franchise Agreement") when you purchase a franchise.

**Market.** The market for our products and services is primarily targeted to parents of young children. The market for learning centers is a growing and developing market. Sales are year-round, but heavier during the school year.

**Industry Regulations** You must comply with all local, state, and federal laws and regulations that apply to operation of your business.

Certain states may consider your business to be a "school" or "after-school program" and you may be subject to state or local licensing, permit, and ordinance laws applicable to schools. These requirements may require you to have a teaching license or certificate, separate bathrooms for boys and girls, water fountains, special exit doors equipped with panic bars, and accommodations for disabled persons. You are also subject to local zoning rules because they may limit where you can locate your Franchised Business and may affect design features, including the building facade and signs.



Some jurisdictions require, and we strongly recommend that you conduct background checks on any employee that will be in contact with children during the operation of the franchised business. You must comply with the Fair Credit Reporting Act when conducting background checks. We urge you to consult with a local attorney about state and local laws and regulations as these vary by locality.

To acquire a Teacher Learning Center, you must be a certified teacher in the United States or Canada.

The details of state, county and local laws and regulations vary from place to place. You should investigate these laws and regulations further.

**Competition.** Your competitors would include traditional schools, tutors, home studying and other learning centers including other BEST BRAINS learning centers.

**Prior Business Experience.** We began offering franchises in April 2013. We have not offered franchises in other lines of business. We have no other business activities. We have not operated a BEST BRAINS learning center; however, companies related to us have operated BEST BRAINS learning centers since 2011.

**International Franchising.** We or an affiliate, as listed below, has also offered international franchises of the same type as we offer through this disclosure document as follows:

<b>Country</b>	<b>When Began Franchising</b>	<b>Entity Offering Franchises in the Country</b>	<b>Number of Franchised Outlets as of December 31, 2021</b>
Australia	August 2020	Best Brains of Australia (PTY) LTD	0
Canada	August 2018	Best Brains of Canada, Inc	19
India	January 2020	Best Brains Education Academy Limited Private	0
Jordan	December 2018	Best Brains of Canada, Inc.	1
South Africa	April 2019	Best Brains Learning Centers of Africa (PTY) LTD	0
United Kingdom	May 2020	Best Brains of UK Limited	0

## **ITEM 2. BUSINESS EXPERIENCE**

Director: Lakshmi Boppana

Ms. Boppana has been Director of Best Brains, Inc. since its inception in August 2011. From February 2011 to the present Ms. Boppana has been President of Best Brains of Schaumburg, Inc., which operates BEST BRAINS learning centers.

Director and President: Ajay Sunkara

Mr. Sunkara has been Director and President of Best Brains, Inc. since its inception in August 2011. From June 2020 to the present, Mr. Sunkara has served as Director of American Brewcrafts/ St. Patrick's Brewing Company in in Centennial, CO. From April 2020 to the present, Mr. Sunkara has served as President

of NALA Robotics in Arlington Heights, IL. From April 2019 to the present, Mr. Sunkara has served as a Vice President for Mall of India in Naperville, IL. From August 2018 to the present, Mr. Sunkara has served as a Director of Best Brains of Canada Inc. From December 2003 to the present, Mr. Sunkara has served as Senior Manager at Advansoft International, Inc. in Arlington Heights, Illinois.

Director: Anil Sunkara

Mr. Sunkara has been Director of Best Brains, Inc. since its inception in August 2011. From January 2010 to December 2013 Mr. Sunkara was Director of Vintage Cards & Creations, a retail business in India. From April 2009 to the present, he has been a Producer at 14 Reels, a movie production business in India. From April 2009 to the present he has been a Director of A.K. Entertainments, a movie production business in India. From January 2007 to the present, he has been Secretary at Usha Rama College of Engineering in India. From April 1998 to the present, Mr. Sunkara has been CEO of Advansoft International Inc., a software company, located in Arlington Heights, Illinois.

Director and Secretary: Anil Uppalapati

Mr. Uppalapati has been Director and Secretary of Best Brains, Inc. since its inception in August 2011. From May 2009 to the present Mr. Uppalapati has been a Director at Vishwam Edutech Ltd., an education business in India. From March 2001 to the present he has been a Software Engineer at Advansoft Worldwide, an international information technology service provider, located in Arlington Heights, Illinois.

Vice President of Operations: Hana Adas

Mrs. Adas has served as our Vice President of Operations since April 2016. From October 2011 to April 2016, Mrs. Adas served as a Manager for us. From August 2018 to the present, Mrs. Adas has also served as Director at Pita Pita Rolling Meadows, a Mediterranean restaurant in Rolling Meadows, Illinois.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5. INITIAL FEES**

For a Premium Learning Center franchise, the initial franchise fee is \$10,000 and the training fee is \$2,500. For a franchisee who opens a second location, the initial franchise fee is \$5,000 on the second location.

For a Teacher Learning Center franchise, the initial franchise fee and initial training fee are \$0.

For a Satellite Center franchise, the initial franchise fee is \$2,500 and the training fee is \$2,500.

We waive the training fee for an honorably discharged U.S. Veteran.

For any franchise, you also purchase your initial inventory and equipment from us for \$5,000.

You must pay the initial franchise fee and training fee to us upon signing the Franchise Agreement. You pay the initial inventory and equipment fee upon invoice.

None of the fees discussed above are refundable once paid.

**ITEM 6. OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (See Notes 1, 2, 3, 4)	<p>Monthly Royalty (Normally): 14% of Gross Sales, subject to a \$750/month minimum.</p> <p>Monthly Royalty During Probationary Period (PP): 18% of Gross Sales subject to a \$750/month minimum.</p> <p>Additional Programs incur a monthly royalty of 14% of Gross Additional Program Sales.</p> <p>Add-on Programs incur a monthly royalty of 7% of Gross Add-on Program Sales.</p>	Payable the 19 <sup>th</sup> of each month.	Minimum Royalty does not apply to a Satellite Franchisee.
Software Portal Access Fee	<p>\$35 per month for 0-100 students</p> <p>\$55 per month for 101-200 students</p> <p>\$75 per month for 200+ students</p>	Payable monthly.	The Company may require the Franchisee to utilize a computer system, including without limitation a cloud-based portal for day-to-day operations of the franchise.
Brand Development Fund	\$1 per subject per student up to \$3, subject to a \$250 per month minimum	Payable the 19 <sup>th</sup> of each month.	
Interest	2% per month, or the maximum amount allowed by law, whichever is less	Owed on past due amounts	You must pay interest on any amounts owed to us from the date due until fully paid.
Late Fee	\$100 per incident	As incurred.	Applies to each NSF check, late payment, or failure to timely provide reports and financial statements.
Renewal Fee	10% of the then current initial franchise fee.	At time of renewal.	
E-Learning Fees (See Note 5)	See Note 4	As incurred.	See Note 4.
Certification Fee	\$50 per attempt	As incurred.	You must get

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
			training/operations manual certified every 3 years and upon renewal.
Additional Assistance	Currently \$500 per day plus costs.	As incurred.	At your request, we will provide additional assistance beyond our standard support, based on our then current fee for the respective personnel performing this assistance plus other expenses including transportation, lodging and meals.
Lease Renewal Fee	Reimburse our costs. Currently does not exceed \$3,500.	Upon the execution of the lease renewal by the landlord.	
Purchase Inventory of Student Worksheets, Instructional Materials, and Abacus for Each Student.	Currently the Abacus Tool costs \$3 per student. Currently the Student Worksheets and Instructional Materials cost \$12 per student per month if enrolled in all 4 subjects. Plus any shipping and taxes.	As incurred.	
Evaluation of Suppliers	Currently \$500 per day, plus reasonable expenses	As incurred.	Applies if you want us to evaluate unapproved items or suppliers for the Franchised Business.
Fines for Non-Compliance with the Operations Manual	Currently range from \$25 to \$500.	As incurred.	Payable if you do not operate in compliance with the Operations Manual.
Insurance	Varies depending on the amount of insurance premiums and other expenses incurred by us.	As incurred.	If you do not maintain insurance on the Franchised Business as we require, we may obtain the insurance and you shall reimburse us for all premiums and other expenses incurred by us to do so.
Audit	Cost of inspection or audit; currently \$5,000.	As incurred.	Payable only if you fail to furnish reports or records or if the audit reveals you have

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
			understated your Gross Sales by more than 5%.
Telephone Service Cost	Varies depending on our costs incurred.	Monthly.	Reimburse our costs of maintaining telephone service at the Franchised Business, if applicable.
Ongoing Training	Currently \$500 per day.	As incurred.	
Annual Conference Fee	\$500 per year	\$100 per month in January – May of each year	You shall attend annual training conferences and seminars as we specify. You agree that we can charge you \$100 per month from January through May of each year for an annual conference fee. If you attend our annual conference, we will refund this amount to you in full.
Regional Advisory Franchisee Council	None Currently.	As incurred.	The Regional Advisory Council would choose its own assessments.
Management Fee	To be determined under circumstances. Currently \$500 per day, plus reasonable expenses.	As incurred.	Payable during period that our appointed manager manages the Franchised Business upon your default, death, or disability.
Indemnity	Actual amount of loss or expense incurred.	At time incurred.	You agree to reimburse us if we are held liable for certain claims.
Liquidated Damages (See Note 6)	\$15,000	As incurred.	
Transfer Fee	\$2,500	At time of transfer.	If you transfer your franchise to an entity, we charge for our legal expenses and related costs but no transfer fee is due.
Fee for Assignment to Entity	Actual costs incurred	As incurred	You shall pay our legal and other expenses incurred if you assign the

Type of Fee	Amount	Due Date	Remarks
			franchise agreement to an entity.
Assistance in the Event of Death or Disability	Actual costs incurred	As incurred	You must pay our compensation and expenses in running your Franchised Business in the event of death or disability.
Costs and Attorney Fees	Will vary under circumstances.	As incurred.	Payable if we substantially prevail in any litigation between you and us.

**Note 1- Royalty Fees.** You must pay to us a “Royalty Fee” of 14% of Regular Gross Sales by the 19<sup>th</sup> of each month, or more frequently as the Company may designate, subject to a \$750/month minimum:

(1) "Regular Gross Sales" means all sales or revenues (other than Additional Program Sales and Add-On Program Gross Sales), derived directly or indirectly from the Franchised Business, including on and off premises (e.g., E-Learning). Regular Gross Sales also includes registration fees for any program and business interruption insurance proceeds. Regular Gross Sales does not include:

- (i) sales taxes collected from customers and paid to the appropriate taxing authority, and
- (ii) the amount of all coupons redeemed at the Franchised Business (but only if the coupons have been previously approved by the Company as provided in this Agreement and only if such coupons have been included in Regular Gross Sales)

(2) Additional Program Sales. You shall pay us 14% of Additional Program Sales throughout the term of this Agreement. Additional Programs include but are not limited to: Public Speaking, Creative Writing and Test Prep Courses.

(3) Add-on Programs Sales. You shall pay us 7% of Regular Gross Sales earned by providing aftercare services and/or camp services.

(4) 6-12 months after enrolling the first student, and at any time thereafter, the franchise will be audited. Upon a poor review, royalty fees will increase to 18% and the franchised location will enter a Probationary Period for up to 6 months. Upon subsequent audits, conducted at random, if the franchise has a poor review, the royalty will remain at 18% and reestablish a Probationary Period. The additional 4% added to the royalty will be used toward Brand Development Fund. Upon a successful re-audit, the additional royalty fee may be removed and the franchised location will no longer be under a probationary period.

Minimum Royalty does not apply to Satellite Center franchises.

**Note 2-** All fees are uniformly imposed by, collected by and payable to us via EFT and are non-refundable. You must complete the ACH Authorization Form attached as Schedule 3 to the Franchise Agreement when you enter into the Franchise Agreement with us.

**Note 3-** All specified fees, contributions and dollar amounts referred to in the franchise agreement may be increased from time to time by us, but in no event more than once during any fiscal year of ours, to reflect increases in the Metropolitan Area Consumer Price Index for Urban Consumers - All Items (1982-1984 = 100) (“Consumer Price Index”) from the date of the franchise agreement, as published by the U.S. Department of Labor, or in a successor index. The initial increase will be based solely on any increase of the Consumer Price

Index from and after July 1, 2011. Any such increase will be uniform as to all BEST BRAINS learning center franchisees.

**Note 4-** We normally collect fees from clients on your behalf and then disburse the appropriate funds to you less any Royalty Fees, Brand Development Fund, or other amounts that you may owe us.

**Note 5- E-Learning Fees.** You agree to offer E-Learning pursuant to the guidelines that we adopt in the Operations Manual or otherwise furnish to you and you agree to pay to us the following associated fees:

<b>Fee</b>	<b>Amount</b>
E-Training Certification	\$375 to be equipped to offer e-learning; \$75 for each additional course required
Subject Material Fee	\$5 per month per subject for the availability and distribution of e-learning material
Teaching Time	If we reasonably feel that you are not meeting our quality standards for E-Learning, we reserve the right to take over the provision of E-Learning for your franchise and you agree to pay to us \$20 per hour for teaching time in addition to the royalties due on E-Learning Fees.

**Note 6- Liquidated Damages.** If you terminate the franchise agreement other than in accordance with the terms of Section 7.A. of the franchise agreement, or if we terminate the franchise agreement pursuant to the terms of Section 7.B. of the franchise agreement, then you shall pay us by the effective date of such termination, as liquidated damages, \$15,000.

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**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT  
FOR A  
PREMIUM LEARNING CENTER**

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$10,000	\$10,000	Check or electronic transfer	Upon signing the Franchise Agreement	Us
Training Fee (Note 2)	\$2,500	\$2,500	Check or electronic transfer	Upon signing the Franchise Agreement	Us
Initial Inventory & Equipment (Note 3)	\$5,000	\$5,000	Check or credit card	Upon signing the Franchise Agreement	Us
Transportation and Living Expenses During Training (Note 4)	\$500	\$1,400	Check or credit card	Before opening	Airlines, hotels and restaurants
Lease Security Deposit (Note 5)	\$1,000	\$6,000	Check	Before opening	Landlord
Utility Security Deposits (Note 6)	\$0	\$500	Check, credit card or electronic transfer	Before opening	Utilities
First Month's Rent (Note 7)	\$1,500	\$5,800	Check	Before opening	Landlord
Leasehold Improvements (Note 8)	\$1,000	\$20,000	Check or credit card	Before opening	Other suppliers
Signage (Note 9)	\$2,500	\$4,000	Check or credit card	Before opening	Other suppliers
Furniture and Fixtures (Note 10)	\$4,000	\$12,000	Check or credit card	Before opening	Other suppliers
Office Equipment and Supplies (Note 11)	\$1,000	\$2,000	Check or credit card	Before opening	Other suppliers
Business Licenses and Permits (Note 12)	\$200	\$500	Check or credit card	Before opening	Other suppliers
Professional Fees (Note 13)	\$500	\$1,000	Check or credit card	Before opening	Other suppliers
Business Insurance (Note 14)	\$100	\$200	Check or credit card	Before opening	Other supplier
Grand Opening Advertising (Note 15)	\$6,000	\$9,000	Check or credit card	Within one month of the opening of your	Other suppliers



Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
				Franchised Business	
Additional Funds for First 3 Months (Note 16)	\$16,700	\$38,500	Check or credit card	As incurred	Third parties
TOTAL (Note 17)	\$52,500	\$118,400			

**YOUR ESTIMATED INITIAL INVESTMENT  
FOR A  
TEACHER LEARNING CENTER**

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Inventory & Equipment (Note 3)	\$3,000	\$3,000	Check or credit card	Upon signing the Franchise Agreement	Us
Transportation and Living Expenses During Training (Note 4)	\$500	\$1,400	Check or credit card	Before opening	Airlines, hotels and restaurants
Lease Security Deposit (Note 5)	\$1,000	\$4,000	Check	Before opening	Landlord
Utility Security Deposits (Note 6)	\$0	\$500	Check or credit card	Before opening	Utilities
First Month's Rent (Note 7)	\$1,500	\$4,375	Check	Before opening	Landlord
Leasehold Improvements (Note 8)	\$500	\$10,000	Check or credit card	Before opening	Other suppliers
Signage (Note 9)	\$1,000	\$4,000	Check or credit card	Before opening	Other supplier
Furniture and Fixtures (Note 10)	\$3,000	\$8,000	Check or credit card	Before opening	Other suppliers.
Office Equipment and Supplies (Note 11)	\$1,000	\$2,000	Check or credit card	Before opening	Other suppliers
Business Licenses and Permits (Note 12)	\$200	\$500	Check or credit card	Before opening	Other suppliers
Professional Fees (Note 13)	\$500	\$1,000	Check or credit card	Before opening	Other suppliers
Business Insurance (Note 14)	\$100	\$200	Check or credit card	Before opening	Other supplier
Additional Funds for First 3 Months (Note 16)	\$16,700	\$38,500	Check or credit card	As incurred	Third parties.

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
16)					
TOTAL (Note 17)	\$29,000	\$77,475			

**YOUR ESTIMATED INITIAL INVESTMENT  
FOR A  
SATELLITE LEARNING CENTER**

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$2,500	\$2,500	Check or electronic transfer	Upon signing the Franchise Agreement	Us
Training Fee (Note 2)	\$2,500	\$2,500	Check or electronic transfer	Upon signing the Franchise Agreement	Us
Initial Inventory & Equipment (Note 3)	\$5,000	\$5,000	Check or credit card	Upon signing the Franchise Agreement	Us
Transportation and Living Expenses During Training (Note 4)	\$500	\$1,400	Check or credit card	Before opening	Airlines, hotels and restaurants
Lease Security Deposit (Note 5)	\$1,000	\$4,000	Check	Before opening	Landlord
Utility Security Deposits (Note 6)	\$0	\$500	Check or credit card	Before opening	Utilities
First Month's Rent (Note 7)	\$1,500	\$4,375	Check	Before opening	Landlord
Leasehold Improvements (Note 8)	\$500	\$10,000	Check or credit card	Before opening	Other suppliers
Signage (Note 9)	\$1,000	\$4,000	Check or credit card	Before opening	Other supplier
Furniture and Fixtures (Note 10)	\$3,000	\$8,000	Check or credit card	Before opening	Other suppliers.
Office Equipment and Supplies (Note 11)	\$1,000	\$2,000	Check or credit card	Before opening	Other suppliers
Business Licenses and Permits (Note 12)	\$200	\$500	Check or credit card	Before opening	Other suppliers
Professional Fees (Note 13)	\$500	\$1,000	Check or credit card	Before opening	Other suppliers
Business Insurance (Note 14)	\$100	\$200	Check or credit card	Before opening	Other supplier

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds for First 3 Months (16)	\$16,700	\$38,500	Check or credit card	As incurred	Third parties.
TOTAL (Note 17)	\$36,000	\$84,475			

**Explanatory Notes to All Three (3) Tables Above:**

**Note 1-Initial Franchise Fee.** We base the above tables on your purchase of one franchise. We do not offer financing directly or indirectly for any part of the initial investment for a Premium or Satellite Learning Center. For a Teacher Learning Center, we will finance up to \$30,000 of your initial investment over 24 months at 0% interest. For a \$24,000 loan, for example, you would pay to us \$1,000 per month for 24 months.

**Note 2-Initial Training Fee.** This is the fee to attend our initial training.

**Note 3-Initial Inventory & Equipment.** You will need inventory and equipment to stock your learning center with books and learning materials.

**Note 4-Transportation and Living Expenses During Training.** You will incur transportation, lodging, and meal expenses during initial training. These costs will vary depending upon how far you travel, the time of year, the level of accommodations you select, and other factors.

**Note 5-Lease Security Deposit.** You will be required to pay a security deposit on your leased location. These costs vary considerably in different parts of the country.

**Note 6-Utility Security Deposits.** Utility companies such as gas and electric normally require security deposits to begin service.

**Note 7-First Month's Rent.** We estimate the cost for your first month's rent for your learning center. Real estate leasing costs vary in different areas of the country.

**Note 8-Leasehold Improvements.** You will need to build out your learning center to our specifications. You may incur little expense if the premises were previously used for a similar concept and more expense if you must remodel premises from scratch or which were previously built out for another business format.

**Note 9-Signage.** You must use signage pursuant to our specifications. Your costs will vary.

**Note 10-Furniture and Fixtures.** You must obtain chairs, desks, and other items to complete your learning center.

**Note 11-Office Equipment and Supplies.** You will need basic office equipment and supplies for the back office support of your learning center.

**Note 12-Business Licenses and Permits.** You must obtain needed state and local licenses and permits to operate. Your costs will vary.

**Note 13-Professional Fees.** You may incur professional fees to assist with this franchise purchase and the set up of your franchisee entity.

**Note 14-Business Insurance.** You must obtain insurance pursuant to our specifications. We estimate your costs for the first 90 days only. Your costs will vary.

**Note 15-Grand Opening Advertising.** You must engage in Grand Opening Advertising to promote the opening of your business pursuant to our guidelines.

**Note 16-Additional Funds for First 3 Months.** This item estimates additional start-up expenses such as payroll and miscellaneous expenses. These expenses do not include any draw or salary for you nor any repayment of debt obligations. We relied on our shareholder's learning center experience since 2011 to compile these estimates.

**Note 17-Total.** Amounts paid to us or the Brand Development Fund are not refundable. Amounts paid to others may or may not be refundable depending upon the policies of the third parties. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

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

### **The Goods or Services Required to be Purchased or Leased**

#### *Advertising Material.*

You must either use advertising templates which we make available or specify or obtain our approval before placing any advertising.

#### *Computer Hardware and Software.*

You must purchase the computer hardware and software that we specify.

#### *Furniture, Fixtures, Equipment and Signs.*

You must purchase furniture, fixtures, equipment, and signs pursuant to our specifications or prior written approval.

#### *Instructional Material.*

You are required to purchase Abacuses and Student Worksheets, Merchandise, and Instructional Materials solely from us.

#### *Insurance.*

You must purchase insurance in the types and amounts of coverage that we specify and we reserve the right to specify designated broker(s) or insurance carrier(s). At present, we require franchisees to purchase the following minimum insurance requirements:

1. Commercial general liability insurance policy, including products liability, combined single limit for bodily injury and property damage liability in the minimum amount of \$1,000,000 per occurrence and \$2,000,000 aggregate.
2. Workers' compensation insurance as required by local law.
3. Best Brains, Inc. must be listed as an additional insured and provide for written communication at least 30 days in advance of a cancellation of the policy.
4. It is recommended but not required that franchisees acquire sexual misconduct liability insurance for themselves and employees.

### *Lease and Leasehold Improvement.*

You may lease from any landlord but your site selection is subject to our approval. You must build out your premises pursuant to our standards.

### *Teacher Licensure.*

To acquire a Teacher Learning Center, you must be a certified teacher in the United States or Canada.

### *Training Services.*

You must purchase or use the training services that we offer.

### **Whether We or Our Affiliates Are Approved Suppliers**

We are an approved supplier of advertising material, instructional materials, and training services and the only approved supplier of instructional materials and training services.

### **Officer Interests in Suppliers**

Our officers, Lakshmi Boppana, Ajay Sunkara, Anil Sunkara, and Anil Uppalapati, own an interest in us.

Our officer, Ajay Sunkara, owns an interest in A1 Kaiser, Inc., a supplier of information technology services to our franchisees.

Our officer, Anil Sunkara, own an interest in Advansoft International Inc., a supplier of information technology services to our franchisees. Anil Sunkara also owns an interest in Opportunity Media, a supplier of print and design material to our franchisees.

### **Approval of Alternate Suppliers**

To have an alternate supplier approved, you must first notify us in writing, submit sufficient specifications, samples and information, along with our then current fee (which is currently \$500 per day) for each person we provide for this determination plus reasonable expenses. Our criteria for approving suppliers is confidential and is not available to franchisees. You may contract only with suppliers whom we have approved. We will notify you of our approval or disapproval within 30 days of our receiving all requested information. We may revoke our approval of a supplier at any time for any reason and will notify you through the Operations Manual or other written bulletin.

### **Specifications**

We issue specifications to franchisees. We issue and modify the specifications by updating the confidential Manual.

### **Revenue from franchisee purchases**

We derive revenue from required purchases by franchisees.

In the fiscal year ending December 31, 2021, our revenues from selling Training Services, Abacuses and Student Worksheets and Instructional Materials to franchisees was \$1,336,531.12, or 27.4% of our total revenues of \$4,878,717.21.

### **Required Purchases and Leases as a Proportion of Costs**

We estimate your required purchases and leases will represent 25-50% of your overall purchases and leases in establishing and operating the Franchised Business.

### **Supplier Payments to Us**

At present, suppliers do not make payments to us from franchisee purchases, but we reserve the right to enter into such arrangements.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Purchase Arrangements**

We may negotiate purchase price arrangements with suppliers, including price terms, for the benefit of franchisees.

### **Material benefits**

We do not provide material benefits to you based on your use of a particular supplier. However, in order to renew your franchise agreement, you must be in compliance with it, including supplier standards, and we can terminate your franchise agreement if you breach it.

## **ITEM 9. FRANCHISEE'S OBLIGATIONS**

### **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.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	Section 5(C)	Item 11
b. Pre-opening purchases/leases	Sections 5(F) and 5(G)	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Section 5(D)	Items 5, 7, 8 and 11
d. Initial and ongoing training	Sections 5(A) and 5(O)	Items 5, 6, 7 and 11
e. Opening	Sections 5(B) and 5(L)(4)	Item 11
f. Fees	Sections 1, 2, 4, 5, 6, 7, 9, and 10	Items 5, 6, 7, 8, and 11
g. Compliance with standards and policies/Operations Manual	Section 5	Items 8 and 11
h. Trademarks and proprietary information	Sections 5(M) and 5(R)	Items 13 and 14
i. Restrictions on products/services offered	Section 5(F)	Items 8, 11, 12 and 16
j. Warranty and customer service requirements	Section 5	Not Applicable
k. Territorial development and sales quotas	Sections 5(C), 5(D), and 5(K)	Item 12
l. On-going product/service	Sections 5(F) and 5(S)	Items 6, 8 and 11

Obligation	Section in Agreement	Item in Disclosure Document
purchases		
m. Maintenance, appearance and remodeling requirements	Sections 5(D) and 5(E)	Item 8
n. Insurance	Section 5(I)	Items 6, 7, and 8
o. Advertising	Section 5(L)	Items 6, 7, 8 and 11
p. Indemnification	Sections 7(D), 8(E), and 10(O)	Item 6
q. Owner's participation/management/staffing	Section 5(G)(1)	Item 15
r. Records and reports	Section 5(J)	Item
s. Inspections and audits	Section 5(J)	Item 6
t. Transfer	Section 9	Item 17
u. Renewal	Section 6	Item 17
v. Post-termination obligations	Sections 7(E), 7(F), and 7(G)	Item 17
w. Non-competition covenants	Section 8	Item 17
x. Dispute resolution	Section 10	Item 17

## **ITEM 10. FINANCING**

We offer the following financing program:

Item Financed	Startup costs up to \$30,000 will be offered to Teacher Centers. This can include but is not limited to: furniture, build out, contractor pay, rent etc.
Source of Financing	Us
Down Payment	Minimum of \$3,000
Amount Financed	Up to \$30,000
Interest Rate/Finance Charge	0%
Period of Repayment	24 months
Security Required	None
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt	No
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.

Exhibit C contains the form of Promissory Note that you must sign for us to extend financing to you.

We do not guarantee your notes, leases, or obligations. We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so. We do not receive any direct or indirect payments or other consideration for placing financing.

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

**Except as listed below, we are not required to provide you with any assistance.**

**Our Support Services Prior to Opening.** Before you open your Franchised Business, we will:

(1) Use our reasonable best efforts to review a site you have selected. We review the site in order to evaluate and approve the location of your Franchised Business within thirty days after you provide us the information about the site. Additional sites are considered until our approval is reached. You must obtain our approval of the site location and the lease. The factors which we may (but are not required to) consider for our approval include demographic radius characteristics and growth factors in the area, traffic patterns, ease of access, parking, visibility, allowed signage, competition from other businesses providing similar products and services, the proximity to other businesses, the nature of the businesses in proximity to the proposed site, and other commercial characteristics (including rental obligations and other lease terms for the proposed site) and the size, appearance and other physical characteristics of the proposed site location. We recommend that the size of the location be 1,000 to 1,500 square feet. We approve or disapprove locations or leases by a written notice which is delivered to you. We use our reasonable best efforts to deliver this notification to you within thirty days after the location evaluation or lease information is available.

You must lease the premises for your location in the form and manner required by us and deliver a copy of the signed lease to us immediately after its signing. You must not sign any lease which has not been approved in writing by us. If your business premises is to be leased, you must submit the lease to us for written approval at least fifteen days before it is scheduled to be executed. If you lease your business premises, the lease must include language contained in the Lease Rider which is attached to your Franchise Agreement as Schedule 2. The lease shall give us, our agents or designees the right to enter the premises to conduct inspections at any time during regular business hours, the right to receive notices of default directly from the lessor and the right, but not the duty, to assume the lease for all or any part of the term, if you default under the lease, are evicted or if your Franchise Agreement expires or is terminated. You must not lease or sublet all or any part of your business premises to others or use any portion of the premises for any purpose other than conducting business pursuant to your Franchise Agreement without our prior written consent. You must not sign or agree to any modification of the lease without our prior approval. You must agree that any new, amended, restated, extended or renewed lease for the location will include the above terms and conditions required to be included in a lease for a location. If you want to relocate, you must notify us in writing 60 days before the relocation. We reserve the right to refuse to approve a proposed relocation if we believe that the proposed relocation is for any reason not acceptable to us. Our judgment may be based on factors such as the proximity to existing or proposed locations owned by other franchisees or us, the suitability of the proposed facilities, compliance with our then current franchise location requirements, the competitiveness within the market place or other factors. We recommend that you employ the services of a real estate attorney for legal advice regarding the terms of the lease. (Franchise Agreement - Sections 5.C and D.)

(2) Provide an initial training program for the operation of the Franchised Business. (Franchise Agreement - Section 4.A.)

(3) Provide pre-opening and opening assistance. (Franchise Agreement – Section 4.B.)

(4) Provide access to our confidential Operations Manual. (Franchise Agreement – Section 4.D.)

(5) Provide you with your inventory of Student Worksheets Instructional Materials and Abacuses for purchase as described in Item 6. (Franchise Agreement – Section 5.F.) We ship the inventory to you; no installation is required. As described in Item 8, we do not sell you or install other items.



**Time Until Commencement of Operation.** The typical length of time between the signing of the Franchise Agreement and the start of your Franchised Business is eight to twelve weeks. Some of the factors affecting this length of time include franchisee training, completion of leasehold improvements, delivery and installation of equipment and signage, weather conditions, holidays and school breaks, employee hiring and training, and your own timetable. You must commence operating the Franchised Business within 90 days after the date of the Franchise Agreement, otherwise the Franchise Agreement will automatically terminate. (Franchise Agreement - Section 5.B.)

**Our Support Services During Operation.** During the operation of your Franchised Business, we will:

- (1) Provide you a continuing advisory service electronically or at our Corporate office concerning the operation of your Franchised Business. (Franchise Agreement - Section 4.B).
- (2) Furnish you, at your request, additional assistance beyond our standard support. (Franchise Agreement - Section 4.B.).
- (3) Provide you with access to the advertising and marketing materials we may develop by using the Brand Development Fund fees. (Franchise Agreement - Section 4.E.).
- (4) Provide you with your inventory of Student Worksheets Instructional Materials and Abacuses for purchase as described in Item 6. (Franchise Agreement – Section 5.F.)

**Brand Development Fund.** We will administer an advertising and marketing fund (the "Brand Development Fund") for the advertising and marketing programs as we may deem necessary or appropriate. You must contribute to the Brand Development Fund \$1 per subject per student per month up to \$3, subject to a \$250 per month minimum, payable together with the Royalty Fee due under the Franchise Agreement.

We will direct all advertising and marketing programs financed by the Brand Development Fund, with sole discretion over the creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. Currently the source of our marketing and advertising programs is our in-house personnel. The Brand Development Fund may be used to pay the costs of preparing advertising materials and administering national, regional and local advertising programs and public relations activities including creating direct mail and media materials which may include print, television, radio and billboards, formulating advertising and marketing programs, developing and maintaining website and internet based advertising and marketing programs, intranet development and ongoing operation, toll-free locator services, employing advertising agencies, providing brochures and other advertising and marketing materials, and participating in national or regional trade shows.

The Brand Development Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Brand Development Fund and its advertising and marketing programs including conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all learning centers to the Brand Development Fund in that year and the Brand Development Fund may borrow from us or other lenders to cover deficits or invest any surplus for future use. If we do not spend all Brand Development Funds in the year in which they accrue, we will retain the money in the Brand Development Fund to spend in the future. We will furnish to you upon written request an unaudited annual report of the Brand Development Fund.

Although we will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all learning centers, we undertake no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area

are proportionate or equivalent to the contributions to the Brand Development Fund by learning centers operating in that geographic area or that any learning centers will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials or the placement of advertising. We are not required to spend any amount of the franchisor's money on advertising in your area or territory.

We will have the right, in our sole discretion, to suspend contributions to and operation of the Brand Development Fund for one or more periods that we determine to be appropriate and the right to terminate the Brand Development Fund upon 30 days' written notice to you. All unspent monies on the date of termination will be distributed to us, our affiliates and our franchisees in proportion to their respective contributions to the Brand Development Fund during the preceding 12-month period. We will have the right to reinstate the Brand Development Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days prior written notice to you.

Learning centers owned by us or companies related to us by common ownership contribute on the same basis to the Brand Development Fund as franchisees.

For the fiscal year ending December 31, 2022, the Brand Development Fund spent approximately 1% on production, 1% on media placement, 97% for promotional expenditures, and 1% on administrative expenses. Currently we do not use any part of the Brand Development Fund principally to solicit new franchise sales.

**Local Advertising and Promotion.** You must spend quarterly for local advertising and promotion of the Franchised Business and the Marks at least \$250 per month. We may review your books and records periodically to determine your expenditures for advertising and promotion. If we determine that you have not spent the requisite amount, we may require you to pay the unexpended amounts to the Advertising Fund.

You must list and advertise the Franchised Business in such print or online directories as we specify utilizing our standard forms of listing and advertisements. We may, at our option, maintain one or more telephone numbers for the Franchised Business and, if we do maintain this number(s), you will be authorized and required to use this number(s) during the term of the Franchise Agreement. You must acknowledge that we have the sole rights to and interest in all these telephone number(s). We will notify you monthly of the cost of the telephone service and you must, within five days of your receipt of this bill, reimburse us for our costs in maintaining telephone numbers for the Franchised Business. If you do not so reimburse us, we may, at our option, instruct the telephone service provider to terminate or transfer this telephone number(s) to us or our designee.

**Franchisee Use of Own Advertising Material.** You may only use advertising material not prepared or previously approved by us, by submitting it to us for approval. If you do not receive written approval within fourteen days after the date of receipt by us of the materials, we will be deemed to have disapproved. You will have access to corporate provided social media and the ability to use and post pursuant to our guidelines, but we will have master rights on such social media, and can change and edit your posts. You also must abide by our guidelines with respect to any digital chat communication tools that you use.

**Websites.** You are not allowed to create or manage their own websites or domains associated with their Best Brains business. Each location has a part of our website dedicated to them, and you are obligated to provide new content for this section from time to time pursuant to our guidelines.

**Grand Opening Advertising.** For a Premium Learning Center, within one month of the opening of your Franchised Business, you must spend a minimum of \$6,000 - \$9,000 on local advertising and promotion of the opening of the Franchised Business in accordance with an opening marketing plan approved by us. These grand opening expenditures are in addition to the Brand Development Fund contributions specified above. We may require you to pay to the Brand Development Fund at the time of the "open house" before the

scheduled opening of the Franchised Business these amounts which we will then spend for local advertising and promotion of the opening of the Franchised Business in accordance with an opening marketing plan developed by us.

**Advertising Councils or Cooperatives.** There are currently no advertising councils or local or regional advertising cooperatives.

**Computer Systems.** You will need high speed internet access, email, and a desktop or laptop computer with Google Chrome or Microsoft Edge browser, Microsoft 365 or Office 365, and antivirus software. We require your computer system have high-speed internet access in order to access our BEST BRAINS Educational Assistant internet portal (“BEA Portal”) on which your business information such as student enrollment and performance reports is maintained. The primary function of the computer system is for communicating with customers / parents via email, for office management, preparing weekly and monthly reports and updates, and for advertising on social networking sites. Your computer system may cost approximately \$2,000 - \$3,000.

We are not obligated to repair your computer system. No organization has the contractual right or obligation to provide maintenance, repairs, upgrades or updates. We recommend that you obtain a maintenance contract with a reputable organization for your computer system. You may be required to upgrade or update any computer hardware or software program during the term of the Franchise Agreement. There are no contractual limitations on the frequency or costs associated with this obligation. Upgrades, support and maintenance could cost \$1,000 to \$2,000 or more annually.

We have independent access to the information and data you maintain, which is customer and operational data; and there are no contractual limitations on our right to access the information and data.

**Operations Manual.** The Operations Manual currently has 326 pages and the table of contents is as follows:

<b>Subject</b>	<b>Number of Pages</b>
Operations Manual Introduction	4
Owner Expectations	15
Orientation Dialogue	8
Core Subjects	40
Staff and Teachers	28
Center Setup	29
Classroom Routine	13
Student Data Management	13
Material & Inventory	7
Advertising	14
Marketing Platforms	8
Open House	11

<b>Subject</b>	<b>Number of Pages</b>
Events	6
Placement Tests	21
Enrollment Process	17
Administrative Forms	33
Additional Programs Corporate roles and resources	46
Corporate Roles and Resources	13
Total	326

**Training Program.** Before the start of your Franchised Business, we will provide fourteen days of initial training on the operation of a Franchised Business to you. If you purchase a Premium Learning Center, you must pay to us a \$2,500 initial training fee and you must pay for all travel and living expenses which you incur in connection with training. You must pass the training program to our satisfaction.

We expect that training will be conducted for you and your employee at one of the BEST BRAINS learning centers in the Chicagoland area in the weeks preceding the opening of your learning center approximately one to ten weeks after you sign your Franchise Agreement. We plan to be flexible in scheduling training to accommodate our personnel, you and your personnel. There currently are no fixed (i.e., monthly or bimonthly) training schedules. The training program consists of the following:

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Center Selection & Development	2	0	Chicagoland area
Human Resources	2	0	Chicagoland area
Marketing	2	2	Chicagoland area
Financial	2	0	Chicagoland area
Administrative Training	2	2	Chicagoland area
Technical Training	48	48	Chicagoland area

The training is provided by Sakino Bano and Dorothy Pieta. We describe the nature and length of experience of the Instructors below:

*Sakina Bano, Abacus Trainer.* Ms. Bano has served as a Center Director/Owner for her franchised location in Algonquin, Illinois since July 2016. From October 2014 to the present, Ms. Bano has served as an Abacus Program Director for us. From July 2011 to March 2015, Ms. Bano served as an Abacus Teacher for us.

*Dorothy Pieta, On-Site Trainer.* From October 2022 to the present, Ms. Pieta has served as an Onsite Trainer for us. From April 2012 to the present, Ms. Pieta has worked for us as a curriculum staff member and center director for us., Ms. Pieta has served as a Center Director/Owner for her franchised location in Palatine, Illinois since April 2016.

The Operations Manual will be used as the principal instructional manual.

In addition to the above training, we provide you pre-opening and opening on-the-job supervision and assistance at the premises of your Franchised Business for approximately three days near the time of the opening of your Franchised Business.

**Ongoing Training.** You must participate, if we require, in up to five days per calendar year of refresher training in the operations and marketing of the Franchised Business. The refresher training will be at a location we chose or may be electronic. Currently, we do not charge a fee, but you must pay all travel and living expenses to attend training.

## **ITEM 12. TERRITORY**

The franchise is for the operation of one Franchised Business to be located at a site to be approved by both you and us within the state specified in your Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may franchise or operate anywhere any other learning center using the same Marks as licensed to you in your franchise agreement. We are allowed to operate and franchise anywhere any business under trademarks different from the Marks licensed to you in your franchise agreement and are allowed to conduct anywhere any business using the Marks or System on the Internet or by any other alternate channel of distribution. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises.

We have used and reserve the right to use other channels of distribution, such as by the Internet, mail order, catalog sales or offerings at school, to make sales anywhere using the franchisor's principal trademarks. We have used and reserve the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales anywhere of products or services under trademarks different from the ones the franchisees will use under the franchise agreement. There is no compensation that we must pay for soliciting or accepting orders from near your location.

You must focus your marketing efforts on promoting and enhancing the Franchised Business. You are prohibited from selling products or services by the Internet or by mail order or catalog, unless we first provide written approval. You may accept orders from anywhere. You do not have the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales.



Neither the franchisor nor any affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which sells or will sell goods or services similar to those the franchisee will offer.

If you want to relocate the learning center, you must notify us in writing 60 days before the relocation. We reserve the right to refuse to approve a proposed relocation if we believe that the proposed relocation is for any reason not acceptable to us. Our judgment may be based on factors such as the proximity to existing or proposed locations owned by other franchisees or us, the suitability of the proposed facilities, compliance with our then current franchise location requirements, the competitiveness within the market place or other factors.

Continuation of your franchise rights does not depend on your achieving a certain sales volume, market penetration, or other contingency.

## **ITEM 13. TRADEMARKS**

**BEST BRAINS Service Mark.** The franchise agreement licenses to you the right to use the following principal trademarks ("Marks") registered or applied for with the U.S. Patent and Trademark Office ("USPTO"):

Description of Mark	Principal or Supplemental Register of the USPTO	Registration Number	Registration Date
BEST BRAINS	Principal	4312681	April 2, 2013
	Principal	4831219	October 13, 2015
	Principal	5696167	March 12, 2019
BE YOUR BEST	Principal	5696442	March 12, 2019

We have filed all required affidavits and renewals.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There is no pending infringement, opposition or cancellation action, nor any pending material federal or state court litigation regarding the franchisor's use or ownership rights in the trademark. There are no agreements which significantly limit our right to use or license the use of the principal trademark in any manner material to the franchise.

**Use of Service Mark.** You must use the Marks as the sole identification of the Franchised Business, provided that you must identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any Mark as part of any company or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized service or product or in any other manner not expressly authorized in writing by us. You must prominently display the Marks on or in connection with, signs, posters, displays, service contracts, stationery, and other forms we designate. You must, in the manner we prescribe, give notices of trademark and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. All bank accounts, licenses, permits or other similar documents must contain the actual name of the person or entity owning the Franchised Business and may contain "d/b/a BEST BRAINS." Any sign face bearing the Marks will remain our property even though you may have paid a third party to make the sign faces.

**Infringements.** You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We and our affiliates will have sole discretion to take action as we deem appropriate and the right to exclusively control any litigation or USPTO or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you must sign any and all instruments and documents, render assistance and actions as may, in the opinion of our or our affiliates' counsel, be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or to otherwise protect and maintain our interests in the Marks.

We will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark, pursuant to and in compliance with the Franchise Agreement,

is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by you in the defense of any claim brought against you or in any proceeding in which you are named as a party, provided that you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement. We, in our discretion, will be entitled to defend any proceeding arising out of your use of any Mark pursuant to the Franchise Agreement, and, if we undertake the defense of the proceeding, we will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue use of any Mark, and/or use one or more additional or substitute trade or service marks, you must comply with our instructions within a reasonable time after notice by us, and our sole obligation in any event will be to reimburse you for your out-of-pocket costs of complying with this obligation.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademark.

#### **ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

No patents or registered copyrights are material to the franchise. We and our affiliates claim copyright protection of our Operations Manual and related materials although these materials have not been registered with the United States Registrar of Copyrights. The Operations Manual and related materials are considered proprietary and confidential and are considered the property of us and our affiliates and may be used by you only as provided in the Franchise Agreement. You may not use our confidential information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others.

You will be entitled to use of the copyrighted and proprietary materials during the term of the franchise. There are no currently effective material determinations of the USPTO, the United States Copyright Office, or a court regarding the copyrighted materials. There are no agreements that significantly limit our rights to use or license the use of the copyrighted or proprietary materials. There is no provision in the Franchise Agreement specifically obligating us to protect your rights to use of the proprietary or copyrighted materials, but we will respond to this information as we deem appropriate. There are no infringing uses known to us which would materially affect your use of the proprietary and/or copyrighted materials.

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

You must participate personally in the direct operation of the Franchised Business. We require your personal on-premises supervision of the Franchised Business. All your center managers and center assistances must complete any training and certification as detailed in the Operations Manual. We require that all of your center managers and center assistants sign a confidentiality and non-competition agreement.

#### **ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only those goods and services which we have approved. You must also offer all goods and services that we designate. All goods and services provided by you must be presented in accordance with our System Standards. We have the right to change the types of authorized goods or services. There are no specific limitations in the Franchise Agreement on this right. We do not impose any restrictions or conditions that limit your access to customers.

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**ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This 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	Section 6	The lesser of five (5) years or the term of your lease or sublease for the premises of the Franchised Business.
b. Renewal or extension of the term	Section 6	If you have substantially complied with the Franchise Agreement, you can renew for another term equal to the lesser of five (5) years or the term of your lease or sublease for the premises of the Franchised Business.
c. Requirements for franchisee to renew or extend	Section 6	Written notice of intent to renew, sign new franchise agreement and release, pay renewal fee, refurbish or remodel the premises, and replace the equipment to be in compliance with our then current standards. The new franchise agreement may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	Section 7.A	If we breach a material provision of the Franchise Agreement, and do not cure within a reasonable time, which in no event will be less than 90 days, after your notice to us, you may terminate 10 days after delivery of notice of termination. You may also terminate the Franchise Agreement by selling it pursuant to its terms or by not renewing. (Subject to applicable state law)
e. Termination by franchisor without cause	Not applicable.	Not applicable.
f. Termination by franchisor with cause	Section 7	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined – curable defaults	Sections 7.B.14.	You have 30 days to cure a breach of the Franchise Agreement, except as those defaults which provide for immediate termination in Section 7.B.(1)-(13) of the Franchise Agreement.



Provision	Section in franchise or other agreement	Summary
h. "Cause" defined – non-curable defaults	Section 7.B and 7.C	Insolvency, fail to pass initial training; failure to commence operations within 90 days after the date of the Franchise Agreement; abandonment; termination of lease; under reporting Gross Sales twice in a two year period; felony conviction; loss of business license; unauthorized transfer; repeated breaches; repeated NSF charges; failure to pay monies owed and do not cure within 10 days; fail to use certified teachers; fail to cure a default within 30 days of notice; breach of other agreements with us or our affiliates.
i. Franchisee's obligations on termination/non-renewal	Section 7.E	Pay amounts owed; return the Operations Manual and Software Program and return or destroy all other materials; stop using Marks, System and confidential information; de-identify yourself from us; cancel assumed names; return to us any signs utilizing the Marks; provide us with the names, addresses, and telephone numbers of all customers; assign to us your telephone and facsimile numbers, and e-mail and internet addresses, websites, domain names, social media sites and search engine identifiers; assign your lease to us, at our option; adhere to non-competition provisions. Pay liquidated damages. Upon our request, transfer some or all of your students to another BEST BRAINS learning center, refund tuition, and take such other actions to ensure the orderly transition of students.
j. Assignment of contract by franchisor	Section 9.A	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 9.B	Includes any type of transfer of the Franchise Agreement or assets or any ownership change.
l. Franchisor approval of transfer by franchisee	Section 9.B	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 9.B	Transferee qualifies; all amounts due are paid in full; you are not in default; the transferee complies with training requirements; transferee has received required disclosure documents; then current form of Franchise Agreement signed; transferee assumes remaining

Provision	Section in franchise or other agreement	Summary
		obligations under your agreements; transfer fee paid; assets have been refurbished, remodeled or replaced; lessor consent to lease assignment, if necessary; Releases signed; guaranty of performance may be required; and right of first refusal declined by us. (also see r below).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 9.D	We can match any offer for your business, except broker's fees are excluded. Cash may be substituted for any form of payment proposed.
o. Franchisor's option to purchase franchisee's business	Section 7.F	Option to purchase some or all equipment, supplies, inventory, advertising materials and any items with our logo, for cash at fair market value, exercisable up to 90 days after termination or expiration. If no agreement on fair market value, an appraiser appointed by us will decide.
p. Death or disability of franchisee	Section 9.E	You must assign franchise to an approved buyer within 5 months. All transfer provisions of Section 9 apply.
q. Non-competition covenants during the term of the franchise	Section 8.A	May not offer services similar to those offered by a BEST BRAINS learning center.
r. Non-competition covenants after the franchise is terminated or expires	Section 8.B. and 8.C	May not offer services similar to those offered by a BEST BRAINS learning center, or solicitation of past customers, for 2 years within 25 miles of your former learning center location or any other BEST BRAINS learning center.
s. Modification of the agreement	Sections 5.H. and 12.C	Modification by written agreement signed by you and us. The Operations Manual is subject to change.
t. Integration/merger clause	Section 12.C	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 10.I; Schedule 4	You must first mediate any claims against us before filing suit. Arbitration only applies to Illinois franchisees and if specified in State Addenda to the Franchise Agreement.
v. Choice of forum	Section 10.B	Suits must be in Illinois (subject to applicable state law).
w. Choice of law	Section 109.A	Except for federal law, Illinois law

Provision	Section in franchise or other agreement	Summary
		applies (subject to state law).

**ITEM 18. PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet 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.

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 such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. 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 Ajay Sunkara at Best Brains, Inc. 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005 (847) 485-0000, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2020 to 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2020	117	117	0
	2021	117	114	-3
	2022	114	116	2
<b>Company-Owned*</b>	2020	4	4	0
	2021	4	4	0
	2022	4	1	-3
<b>Total Outlets</b>	2020	121	121	0
	2021	118	118	0
	2022	118	113	-3

\*Includes learning centers owned and operated by principals of the franchisor.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor or an Affiliate)  
For Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Illinois</b>	2020	0
	2021	0
	2022	1
<b>Texas</b>	2020	2
	2021	3
	2022	1
<b>Totals</b>	2020	2
	2021	3
	2022	2

**Table No. 3**

**Status of Franchise Outlets  
For Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations - Other Reasons</b>	<b>Outlets at the End of the Year</b>
<b>Arizona</b>	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>California</b>	2020	13	0	0	0	0	0	13
	2021	13	1	0	1	0	0	13
	2022	13	0	0	1	0	0	12
<b>Delaware</b>	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>Florida</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
<b>Georgia</b>	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
<b>Illinois</b>	2020	13	1	2	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	3	0	0	0	0	15
<b>Indiana</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Iowa</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Kentucky</b>	2020	3	0	0	0	0	0	3
	2021	3	0	0	1	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
	2022	2	0	1	0	0	0	1
Maryland	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	1	0	0	6
Michigan	2020	8	0	0	0	0	0	8
	2021	8	0	0	1	0	0	7
	2022	7	0	0	0	0	0	7
Minnesota	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	1	0	0	0	2
New York	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
North Carolina	2020	9	0	1	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Ohio	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Pennsylvania	2020	4	2	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	1	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
South Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	31	1	2	0	0	0	30
	2021	30	0	0	1	0	0	29
	2022	29	3	0	0	0	0	32
Virginia	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	1	0	0	0	0	6
Washington	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Totals	2020	117	6	6	0	0	0	117
	2021	117	3	0	6	0	0	114
	2022	114	7	3	2	0	0	116

**Table No. 4**

**Status of Company-Owned Outlets\*  
For Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of the Year</b>
<b>Illinois</b>	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	3	1
<b>Totals</b>	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	3	1

\*Includes learning centers owned and operated by principals of the franchisor.

**Table No. 5**

**Projected Openings as of December 31, 2022**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Open</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Arizona	0	1	0
Arkansas	0	1	0
Connecticut	0	1	0
Georgia	0	1	0
North Carolina	0	2	0
Texas	2	5	0
<b>TOTALS</b>	2	11	0

Exhibit D contains a list of the names of all of our operating franchisees and the addresses and telephone numbers of their Franchised Businesses as of the end of our last fiscal year.

Exhibit E contains a list of franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within ten weeks of the issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There is no trademark-specific franchisee organization associated with the franchise system which the franchisor has created, sponsored or endorsed. There is no independent trademark-specific franchisee organization which has asked to be included in the disclosure document.



**ITEM 21. FINANCIAL STATEMENTS**

Exhibit G contains our audited financial statements for the fiscal years ending December 31, 2022, 2021, and 2020 as well as our unaudited Balance Sheet as of February 28, 2023 and our unaudited Profit & Loss Statement for the time period January 1, 2023 – February 28, 2023.

**ITEM 22. CONTRACTS**

The following exhibits to the disclosure document contain the proposed agreements regarding the franchise offering:

- |           |   |
|-----------|---|
| Exhibit B | Franchise Agreement                                     |
|           | Schedule 1-Franchise Location                           |
|           | Schedule 2-Lease Rider                                  |
|           | Schedule 3-ACH Authorization Form                       |
|           | Schedule 4-State Law Addenda to the Franchise Agreement |
| Exhibit C | Promissory Notes  |
| Exhibit F | Release   |

**ITEM 23. RECEIPTS**

Exhibit J contains two copies of detachable documents acknowledging your receipt of the disclosure document. Please sign both copies, returning one to us and retaining the other for your records.

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## EXHIBIT A

### State Administrators and Agents for Service of Process

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013  2101 Arena Boulevard Sacramento, CA 95834 (866) 275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
<b>Connecticut</b>	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
<b>Hawaii</b>	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>Illinois</b>	Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706
<b>Indiana</b>	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204
<b>Kentucky</b>	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
<b>Maryland</b>	Office of the Attorney General Securities Division 200 St. Paul Place	Maryland Securities Commissioner 200 St. Paul Place

	Baltimore, MD 21202 (410) 576-6360	Baltimore, MD 21202-2020
<b>Michigan</b>	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
<b>Minnesota</b>	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
<b>Nebraska</b>	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
<b>North Dakota</b>	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
<b>Texas</b>	Secretary of State Statutory Document Section P.O. Box 12887	

	Austin, TX 78711 (512) 475-1769	
<b>Utah</b>	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
<b>Washington</b>	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501
<b>Wisconsin</b>	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

**EXHIBIT B**

**FRANCHISE NUMBER** \_\_\_\_\_

**DATE EXECUTED** \_\_\_\_\_

**BEST BRAINS®**  
**FRANCHISE AGREEMENT**

**BEST BRAINS, INC.**

**with**

\_\_\_\_\_  
\_\_\_\_\_

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## **FRANCHISE AGREEMENT**

This Agreement ("Agreement") is made on \_\_\_\_\_, 20\_\_\_\_, between Best Brains, Inc. an Illinois corporation located at 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005 ("Company," "we," "us," or "our") and \_\_\_\_\_ of \_\_\_\_\_ ("Franchisee," "you," or "your"), for one BEST BRAINS® learning center to be located in the State of \_\_\_\_\_.

### **RECITALS**

a) We franchise a learning center (the "Franchised Business") under the "BEST BRAINS" trade name and service mark (the "Marks") using certain procedures, techniques, business methods, Teaching Methods, Student Worksheets, Instructional Materials, Authorized Curricula, business forms, business policies and a body of knowledge pertaining to the establishment and operation of the Franchised Businesses (the "System").

b) Our Authorized Curricula for teaching primary and secondary students using our proprietary educational programs and teaching methods (the "Teaching Methods") is offered at each Franchised Business. The Teaching Methods use a series of worksheets, diagnostic tests, achievement tests and other devices (collectively, the "Instructional Materials") to assist students' educational advancement.

c) You intend to enter the Franchised Business and desires access to our System pertaining to the operation of the Franchised Business. In addition, you desire access to information pertaining to new developments and techniques in our Franchised Business.

d) You desire to use the Marks in the Franchised Business.

### **AGREEMENT**

Acknowledging the above recitals, the parties agree as follows:

**1. FRANCHISE FEE.** Check either A, B, C, or D below:

**A. Premium Learning Center Franchise.** For a Premium Learning Center franchise (typically located in a retail strip center), the Franchise Fee is \$10,000 (\$1,000 renewal fee instead if a renewal). For a franchisee who opens a second location, the initial franchise fee is \$5,000 on the second location.

**B. Teacher Learning Center Franchise.** For a Teacher Learning Center franchise (typically smaller and non-retail and owned by a person who has a teaching certificate from the United States or Canada), the Franchise Fee is \$0.

**C. Satellite Learning Center Franchise.** For a Satellite Learning Center franchise (typically smaller and non-retail and owned and located in an area that is not densely populated), the Franchise Fee is \$2,500 (\$1,000 renewal fee instead if a renewal).

The Franchise Fee is due upon the signing of this Agreement. The franchise fee is fully earned when paid and is not refundable under any circumstances.

For any franchise you also purchase your initial inventory and equipment from us for \$5,000, payable upon invoicing.

**D. Transfer of a Learning Center Franchise.** For a transfer of any franchise, no Franchise Fee applies, but a transfer fee does apply.

## **2. FEES AND PAYMENTS.**

**A. Royalty Fees.** You must pay to us a “Royalty Fee” of 14% of Regular Gross Sales by the 19<sup>th</sup> of each month, or more frequently as the Company may designate, subject to a \$750/month minimum:

(1) "Regular Gross Sales" means all sales or revenues (other than Additional Program Sales and Add-On Gross Sales), derived directly or indirectly from the Franchised Business, including on and off premises (e.g., E-Learning). Regular Gross Sales also includes registration fees for any program and business interruption insurance proceeds. Regular Gross Sales does not include:

- (i) sales taxes collected from customers and paid to the appropriate taxing authority, and
- (ii) the amount of all coupons redeemed at the Franchised Business (but only if the coupons have been previously approved by the Company as provided in this Agreement and only if such coupons have been included in Regular Gross Sales)

(2) Additional Program Sales. You shall pay us 14% of Additional Program Sales throughout the term of this Agreement. Additional Programs include but are not limited to: Public Speaking, Creative Writing and Test Prep Courses.

(3) Add-on Programs Sales. You shall pay us 7% of Regular Gross Sales earned by providing aftercare services and or camp services.

(4) 6-12 months after enrolling the first student, and at any time thereafter, the franchise will be audited. Upon a poor review, royalty fees will increase to 18% and the franchised location will enter a Probationary Period for up to 6 months. Upon subsequent audits, conducted at random, if the franchise has a poor review, the royalty will remain at 18% and reestablish a Probationary Period. The additional 4% added to the royalty will be used toward Brand Development Fund. Upon a successful re-audit, the additional royalty fee may be removed and the franchised location will no longer be under a probationary period.

Minimum Royalty does not apply to a Satellite Center franchise.

For a Satellite Center, after the enrollment of 49 students, the location is deemed to be a Premium Center franchise and Minimum Royalty will apply. The franchise will remain a Premium Center Franchise from this point forward regardless of future enrollment numbers.

**B. Training Fee.** For a Premium or Satellite Learning Center franchise, you shall pay us a training fee of \$2,500. The training fee is due upon the signing of this Agreement and is not refundable. We waive the training fee for an honorably discharged U.S. Veteran.

**C. Software Portal Access Fee.** You must pay us a Software Portal Access Fee per month at the same time that you submit your Royalty Fee, pursuant to the following schedule:

<b>Number of students enrolled in your Center</b>	<b>Monthly Fee</b>
0-100 students	\$35
101-200 students	\$55
200+ students	\$75

**D. Brand Development Fund.** You must contribute \$1 per subject per student per month up to \$3 to the Brand Development Fund, subject to a \$250 per month minimum This is due at the same time



as your Royalty Fee.

**E. Interest.** You must pay interest of 2% per month, or the maximum permitted by law, on any amounts owed to us after the due date.

**F. Late Fee.** If you submit a non-sufficient funds check, late payment, or you fail to timely provide required reports and financial statements, then you must pay a late fee of \$100.

**G. Renewal Fees.** You must pay to us a renewal fee of 10% of the then current initial franchise fee to enter into a new franchise agreement and continue your rights as a franchisee for an additional five (5) year term.

**H. Sales, Income, and Other Taxes.** You shall be solely responsible for paying all sales, use, excise, income, property, employment and other taxes imposed upon you with respect to your operation of the Franchised Business.

**I. E-Learning Fees.** You agree to offer E-Learning pursuant to the guidelines that we adopt in the Operations Manual or otherwise furnish to you and you agree to pay to us the following associated fees:

<b>Fee</b>	<b>Amount</b>
E-Training Certification	\$375 to be equipped to offer e-learning; \$75 for each additional course required
Subject Material Fee	\$5 per subject per month for the availability and distribution of e-learning material
Teaching Time	If we reasonably feel that you are not meeting our quality standards for E-Learning, we reserve the right to take over the provision of E-Learning for your franchise and you agree to pay to us \$20 per hour for teaching time in addition to the royalties due on E-Learning Fees.

**J. Certification Fee.** You must get training/operations manual certified every 3 years and upon renewal and agree to pay to us \$50 for each attempt to obtain certification.

**K. Fee Increase.** Notwithstanding anything to the contrary contained in this Agreement, all specified fees, contributions and dollar amounts referred to in this Agreement may be increased from time to time by the Company, but in no event more than once during any fiscal year of Company, to reflect increases in the Metropolitan Area Consumer Price Index for Urban Consumers - All Items (1982-1984 = 100) ("Consumer Price Index") from the date of this Agreement, as published by the U.S. Department of Labor, or in a successor index. Any initial increase will be based solely on any increase of the Consumer Price Index from and after July 1, 2011 and any such increase will be uniform as to all BEST BRAINS learning center franchisees.

**3. GRANT.** We grant to you:

A. Access to the System pertaining to the operation of the Franchised Business;

B. Access to information pertaining to new developments and techniques in the Franchised Business; and

C. A limited non-exclusive license to use of our rights and Marks, according to this Agreement and our Operations Manual, in connection with the operation of a Franchised Business to be located at a site approved by us and you.

D. The franchise is for the operation of one Franchised Business to be located at a site to be approved by both you and us within the state specified in your Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may franchise or operate anywhere any other learning center using the same Marks as licensed to you in your franchise agreement. We are allowed to operate and franchise anywhere any business under trademarks different from the Marks licensed to you in your franchise agreement and are allowed to conduct anywhere any business using the Marks or System on the Internet or by any other alternate channel of distribution. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises.

We have used and reserve the right to use other channels of distribution, such as by the Internet, or by mail order, or catalog sales or offerings at school, to make sales anywhere using the franchisor's principal trademarks. We have used and reserve the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales anywhere of products or services under trademarks different from the ones the franchisees will use under the franchise agreement. There is no compensation that we must pay for soliciting or accepting orders from near your location.

You must focus your marketing efforts on promoting and enhancing the Franchised Business. You are prohibited from selling products or services by the Internet or by mail order or catalog, unless we first provide written approval. You may accept orders from anywhere. You do not have the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales.

#### **4. COMPANY OBLIGATIONS.**

A. **Initial Training.** We will provide an initial training program for the operation of the Franchised Business.

1. If we determine, in our sole discretion, that you do not pass the training program, we shall have the right to terminate this Agreement, effective upon delivery of written notice to you. We will not be liable to return any franchise fee or pay any costs or expenses incurred by you if we terminate this Agreement because you do not pass the training program

2. We encourage you to begin training before incurring any costs or expenses related to the planned opening of the Franchised Business.

B. **Supervision and Assistance.** We will provide pre-opening and post-opening operational support which we may offer in person, over the phone, or electronically, as we deem appropriate.

We will provide additional assistance upon written request. This additional assistance will incur a cost to you based on our then current fee for our personnel to perform such assistance and other reasonable expenses, including transportation and lodging.

C. **Fee Collection.** We reserve the right to collect fees from clients on your behalf and to disburse the appropriate funds to you less Royalty Fees, Brand Development Fund contributions or other amounts that you may owe to us. You agree to sign all documents that we may require in order to give effect to the provisions of this Section.

D. **Operations Manual.** We shall lend or make available to you a copy of our Operations Manual. We may modify the Manual from time to time to adjust for changes in legal, competitive, or technological changes or to improve in the marketplace. You agree to abide by the then current Operations Manual in effect.

E. **Advertising.** We shall direct all advertising and marketing programs financed by the Brand Development Fund. We will have with sole discretion over the creative concepts, materials and endorsements used and the geographic, market, and media placement of the advertisements. We will

provide you with approved advertising and marketing materials on the same terms and conditions as other BEST BRAINS businesses.

1. The Brand Development Fund is intended to maximize general public recognition and patronage of the Marks and BEST BRAINS businesses for the benefit of all BEST BRAINS businesses and we are under no obligation in administering the Brand Development Fund to ensure that expenditures in a market area are proportionate or equivalent to your contributions or that any BEST BRAINS business benefits directly or pro rata from the conduct of marketing programs or the placement of advertising. Except as expressly provided in this Section, we assume no liability or obligation to you with respect to the maintenance, direction, or administration of the Brand Development Fund.
2. The Brand Development Fund will be accounted for separately from the other funds of the Company and shall not be used to defray the Company's general operating expenses, except for such reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Brand Development Fund and its advertising and marketing.
3. We shall be authorized to spend in any fiscal year an amount greater or less than the aggregate contribution of all BEST BRAINS businesses to the Brand Development Fund in that year; and the Brand Development Fund may borrow from the Company or other lenders to cover deficits of the Brand Development Fund or cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. An unaudited report of the receipts and disbursements of the Brand Development Fund will be prepared annually and will be made available to you upon written request.
4. Upon 30 days' prior written notice to you, we shall have the right to suspend contributions to and operation of the Brand Development Fund for one or more periods that we determine to be appropriate or to terminate the Brand Development Fund.
  - i. We shall distribute all unspent monies of the Brand Development Fund which was terminated to the Company, its affiliates and franchisees in proportion to their respective contributions to the Brand Development Fund during the preceding twelve-month period.
  - ii. We shall have the right to reinstate the Brand Development Fund upon the same terms and conditions as set forth in this Agreement, upon thirty days' prior written notice to you.

## **5. FRANCHISEE OBLIGATIONS.**

**A. Initial Training.** You must attend and pass the training program before operating Franchised Business. You must pay all transportation and living expenses incurred in attending the initial training program.

**B. Commence Operation Within 90 Days.** You must commence operating the Franchised Business within 90 days after the date of this Agreement. If you have not commenced operating the Franchised Business within 90 days after the date of this Agreement, this Agreement shall automatically terminate.

**C. Premises.** You are responsible for obtaining a location, acceptable to us, for the Franchised Business. Upon our approval of a location, we will complete a Schedule A to the Agreement.

1. **Lease.** If you will lease premises, you must first submit the lease to us for written approval at least fifteen days before the lease is scheduled to be executed. You shall not execute or agree to any modification of a lease without our prior approval. Such approval shall not be unreasonably withheld.

The lease must include language contained in the Lease Rider, attached as Schedule 2. The lease must give the Company, its agents or designees the right to:

- i. enter the premises to conduct inspections at any time during regular business hours,
- ii. receive notices of default directly from the lessor, and
- iii. to assume the lease for all or any part of the term if you default under the lease, are evicted, or if this Agreement expires or is terminated.

You agree that any new, amended, restated, extended or renewed lease for the Franchised Business will include the above terms and conditions.

2. **Subletting.** You shall not lease or sublet all or any part of the business premises to others or use any portion of the premises for any purpose other than conducting business pursuant to this Agreement without our prior written consent.
3. **Relocation.** If you want to relocate the Franchised Business, you must notify us in writing at least 60 days prior to the relocation. We reserve the right to refuse to approve a proposed relocation if we believe for any reason that the proposed relocation is not acceptable.

Our judgment may be based on factors such as the proximity to existing or proposed locations owned by other franchisees or us, the suitability of the proposed facilities, compliance with ours then current franchise location requirements, and the competitiveness within the marketplace or other factors.

Our approval of the location and the lease does not constitute a guaranty or a representation of the likelihood of success of the location or the viability of the lease terms. You are encouraged to employ the services of a real estate attorney for legal advice regarding the terms of the lease.

4. **Lease Renewal.** Prior to renewal of a lease, we must review and approve the lease renewal. Our approval of the lease renewal shall be conditioned upon the inclusion of terms in the lease acceptable to Company, including but not limited to those provisions required to be included in a lease for a location as specified in this Agreement.

As a condition to approving the lease renewal, you may be required to remodel, modernize, and redecorate the premises of the Franchised Business to reflect our current standards and image. Upon receiving a request for a lease renewal, we shall furnish you with a written notice of any deficiencies which require relating to the image, appearance, decoration, furnishings, equipment and stocking of the Franchised Business as well as a schedule for effecting upgrading or modifications to bring the Franchised Business in compliance with our current standards.

You are responsible for the fee for ours services in connection with the lease renewal and the process for evaluating the necessary upgrades up to \$3,500. The fee is based on the costs incurred by us, and is due and payable to us at the time of the execution of the lease renewal.

**D. Construction of the Franchised Business.** After obtaining possession of a site for Franchised Business, you must promptly:

- (i) cause to be prepared and submit to us for approval a site survey and any proposed modifications to our basic plans and specifications required for the development of the Franchised Business. This includes dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating. You may modify our basic plans and specifications only to the extent required to comply with applicable ordinances, building codes, and permit requirements with prior notification and approval by us;

- (ii) obtain all required zoning changes, permits, and licenses;
- (iii) purchase or lease equipment, fixtures, furniture and signs provided herein;
- (iv) complete the construction and/or remodeling, equipment, furniture and sign installation and decorating of the Franchised Business in strict compliance with plans and specifications approved by us and in compliance with all applicable ordinances, building codes and permit requirements;
- (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;
- (vi) purchase, in accordance with our specifications and requirements, an opening inventory of products and supplies required for the Franchised Business;
- (vii) establish filing, accounting, and inventory control systems conforming to our requirements; and
- (viii) otherwise complete development of and have the Franchised Business ready to open and commence the conduct of its business in accordance with the terms of this Agreement.

You shall not open the Franchised Business for business without our prior written approval.

**E. Remodel the Premises.** You shall be required to periodically make reasonable capital expenditures to re-equip, remodel, modernize and redecorate the premises of the Franchised Business so that the Franchised Business reflects our current image. All remodeling, modernization, or redecoration of the premises and replacement of equipment must be done in accordance with the standards and specifications that we have prescribed and with our prior written approval.

**F. Conduct the Franchised Business According to System Standards.**

You shall conduct the Franchised Business offering only such services and products that have been authorized by us. You agree to follow Company's specifications, standards, methods and operating procedures (the "System Standards") in development and operation of the Franchised Business, and will be responsible for all costs incurred in complying with System Standards. These System Standards may be periodically modified or supplemented by us.

You must purchase your inventory of Student Worksheets, Instructions Materials, and an Abacus for each student from us. All products shall be sold only as we approve. You shall not sell products or services by the Internet or by mail order or catalog.

**G. Operate and Maintain the Franchised Business.**

1. You shall faithfully perform your obligations under this Agreement, and the Franchised Business will at all times be under your direct supervision.
2. You agree to use only those architects and items of equipment, inventory, decor, computer hardware and software, supplies, apparel and signs that we have approved and to purchase or lease them only from us, our affiliates or suppliers approved by us.
3. If you propose to purchase, lease, or otherwise use any architect, equipment, inventory, decor, computer hardware and software, supply, apparel or sign, or supplier that is not approved by us, then you shall first notify us in writing and submit sufficient specifications, photographs, drawings, samples, and information, along with the our then current fee (presently \$500/day) for

each person which we provide for this determination and reasonable expenses, for a determination by us of whether such proposed supplier complies with our specifications and standards. We will notify you within 30 days of receiving the information what our determination is.

4. You agree that we and our affiliates may make a profit on your purchases of goods or services from us or our affiliates or a designated supplier or an approved supplier.
5. You shall maintain the Franchised Business, equipment, and furnishings in good repair, attractive appearance, and sound operating condition.

#### **H. Operate in Compliance with Law and Operations Manual.**

You shall operate the Franchised Business in compliance with applicable laws and governmental regulations.

You shall operate the Franchised Business in accordance with the Company's Operations Manual, which may be amended from time to time. You agree to conform to such amendments, and to make all reasonable expenditures necessitated by the amendments, within the time periods reasonably established by us.

We may operate for the benefit of franchisees who are in compliance with the System Standards a system of fines which you would pay for violations of some policies of the Operations Manual. For example, if your employees do not wear the proper attire, then you would pay a fine. The system of fines would be described and updated in the Operations Manual. We reserve the right to utilize the electronic funds transfer system to implement the operational fine system.

#### **I. Purchase and Maintain Insurance.**

You shall purchase and maintain during the term of this Agreement insurance coverage as we may prescribe from time to time. This includes, but is not limited to, workers' compensation, comprehensive public liability and property damage, business interruption, and general and umbrella coverages. You shall maintain coverage under one or more insurance policies containing the terms, conditions, and minimum liability protection amount that we have specified. All insurance policies must be issued by insurance carriers approved by us.

We may from time to time increase the minimum amount of coverage required under any policy, and require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

All insurance policies must name the Company (and its officers, directors, managers, shareholders, members and employees) as additional insureds, must contain a waiver by the insurance carrier of all subrogation rights against Company, and must provide that we will receive thirty (30) days advance written notice of termination, expiration, cancellation, or modification of any such policy.

Prior to opening, and annually thereafter, you shall furnish us with evidence of insurance, renewal, or extension of each such insurance policy, together with evidence of payment of premiums, evidencing the required limits.

If you do not maintain insurance as required, we may, obtain such insurance and keep the same in full force and effect on your behalf. If we do, you shall reimburse the Company for all premiums and other expenses incurred by us in connection with obtaining such insurance.

#### **J. Use the Accounting and Records System.**

You shall use the bookkeeping, accounting, and record keeping system we prescribe and submit to us such periodic reports, forms, and records as specified, and in the manner and at the time specified, in the Operations Manual. To ensure uniform financial statements are submitted, we reserve the right to require you to use a standard Chart of Accounts for tracking income and expense items for the Franchised Business.

For a period of five years from their date of preparation, you will keep on file at your principal office and make available to us your books and records, including the following: receipts, invoices, payroll records, check stubs, bank records and statements, sales tax records and returns, business and personal tax returns, and such journals and transactions which contain the transactions of the Franchised Business. You hereby agree to allow us access to these books and records and to furnish us any such information we may request by email or submission in paper form, within five (5) days of our request. You also grant us permission to examine all records of any supplier pertaining to your purchases.

1. **Reports.** You shall furnish to us the following reports among others:
  - (i) On the 10<sup>th</sup> of each month, an electronic or other report (as we designate) of the Gross Sales of the Franchised Business for the period of the 11<sup>th</sup> of the previous month to the 10<sup>th</sup> of the current month;
  - (ii) On the 10<sup>th</sup> of each month, a copy of your bank statement for the previous month
  - (iii) On the 10<sup>th</sup> of each month, a copy of your payment report from your payment processing service (currently CSG Forte) for the period of the 11<sup>th</sup> of the previous month to the 10<sup>th</sup> of the current month
  - (iv) On the 10<sup>th</sup> of each month, a profit and loss statement for the preceding calendar month and a year-to-date profit and loss statement and balance sheet; and
  - (v) within seventy-five days after the end of each calendar year, a calendar year end balance sheet and an annual profit and loss statement for the calendar year reflecting all year end adjustments.

You must verify and sign all reports submitted to us.

2. **Failure to Send Reports.** If you fail to report your Gross Sales on a timely basis, we may estimate your Gross Sales; and then deposit any unpaid Royalty Fee, advertising contribution or other amount due by use of the electronic funds transfer system.

You authorize us to utilize the data you supply in such manner and for such purposes as we may desire, including but not limited to, operations reports, advertising reports, other business reports and in any publication, disclosure document, or advertisement related to the sale of franchised businesses or related entities by us.

3. **Computer System.** We may require you to utilize a computer system, including a cloud based portal for day-to-day operations of the franchise including managing student data, ordering materials, processing payments and running payroll, that is fully compatible with any programs or system that we employ from time to time. All sales and sales related information shall be recorded on such equipment.

We shall have full access to all of your data, system and related information by means of direct access whether in person or by electronic means.

4. **Audit.** You shall allow us or our representatives to enter, without prior notice, your business premises during business hours to inspect and audit your business operations, books and records or to request such items be sent to us. If any such audit reveals an understatement of the Gross Sales of the Franchised Business for any period, you shall pay to us within ten days after receipt of the inspection or audit report, the royalty fee, advertising, and other fees plus interest and late fees due on the amount of the understatement.

Further, if such an audit is made necessary by your failure to furnish reports, financial statements, tax returns or schedules as herein required, or if an understatement of Gross Sales for any period is determined by any such inspection or audit to be greater than five percent, you shall reimburse us for the cost of such inspection or audit including attorney or accountant fees, travel expenses, and employee compensation and we shall have the right to require you to furnish, at your cost, audited financial statements thereafter.

In addition, you shall pay for all costs, as specified above, of the inspection and audit if your books and records are not produced at the time of the inspection and audit, provided that we notified you at least five days prior to the scheduled inspection and audit date. We shall have the right to review the operation and administration of the Franchised Business by quality control testing, periodic field reviews and such other tests, reviews and inspections and other reasonable actions deemed desirable by us

5. **Right to Enter.** You acknowledge that to assure compliance with this Agreement, we shall have the unrestricted right to enter the Franchised Business to examine the operations and facilities including, but not limited to, testing, sampling, inspecting and observing the rendering of the services and products sold by you in order to ascertain compliance or noncompliance with this Agreement. You shall be under an affirmative duty to cooperate us or our duly authorized representatives in any such inspection by rendering any assistance as may be reasonably requested. We have the right to observe, photograph and record your business operations for such time periods as we deem necessary. We have the right to interview personnel and customers of the Franchised Business.

**K. Use Best Efforts.** You shall operate the Franchised Business in a manner which maximizes your sales consistent with sound marketing and business practices, and you shall not engage in any business practice which reduces your sales.

**L. Advertising.**

1. You shall contribute to the Brand Development Fund (the "Brand Development Fund") for such advertising and marketing programs as we deem appropriate.

2. You agree that we may use the Brand Development Fund to prepare advertising materials and administer national, regional and local advertising programs and public relations activities.

3. You must list and advertise the Franchised Business in such print and online directories as we may specify using our templates.

4. **Telephone Numbers.** We may maintain one or more telephone numbers for the Franchised Business and, if we do, you shall be authorized and required to use such number(s) during the term of this Agreement. If you are granted the rights to the number we have the right to ask for the rights upon termination or transfer. You acknowledge that we shall have the sole rights to and interest in all such telephone numbers.

- (i) We shall notify the you of monthly of the cost of such telephone service and you shall, within five days of receipt of such a bill, reimburse us for our costs in maintaining telephone numbers for the Franchised Business.

- (ii) If you do not so reimburse us, we may instruct the telephone service provider to terminate such telephone number(s) or to transfer such number(s) to us or our designee.

5. **Grand Opening.** For a Premium Learning Center, you shall spend within one month of the opening of the Franchised Business a minimum of \$6,000 - \$9,000 on local advertising, marketing



and promotion of the opening of the Franchised Business in accordance with an opening marketing plan approved by us. These grand opening expenditures are in addition to the Brand Development Fund contributions specified above.

We may require you to pay to the Brand Development Fund at the time of the "open house" before the scheduled opening of the Franchised Business these amounts which we will then spend for local advertising, marketing and promotion of the opening of the Franchised Business in accordance with an opening marketing plan developed by us.

**6. Additional Advertising Expenditures.** In addition to your obligations to pay into the Brand Development Fund and to pay for the grand opening expenditures, as set forth above, you agree to expend quarterly on local advertising and promotions of the Franchised Business and the Marks in each fiscal year of the Company at least \$250 per month.

- (i) Expenditures in any fiscal year in excess of the minimum advertising requirement will not be credited against minimum advertising requirements for any other fiscal year.
- (ii) We have the right to review your books and records from time to time to determine Franchisee's expenditures for such required advertising and promotion. If we determine that you have not spent the requisite amount, we may require you to pay such unexpended amounts to the Brand Development Fund.

Advertising expenditures does not include payments for items which we deem inappropriate for meeting the minimum advertising requirements, including, without limitation, payments in connection with permanent on-premises signs, lighting, purchasing or maintaining vehicles, even though such vehicles may display the Marks, and other payments.

**7. We Must Approve Advertising.** You may only use advertising material not prepared or previously approved by us, by submitting it to us for approval. If you do not receive written approval within fourteen days after the date of receipt by us of the materials, we will be deemed to have disapproved. You will have access to corporate provided social media and the ability to use and post pursuant to our guidelines, but we will have master rights on such social media, and can change or edit your posts. You also must abide by our guidelines with respect to any digital chat communication tools that you use.

**8. Websites.** You are not allowed to create or manage their own websites or domains associated with their Best Brains business. Each location has a part of our website dedicated to them, and you are obligated to provide new content for this section from time to time pursuant to our guidelines.

**M. Use of the Marks.** We permit and require you to use the Marks to identify your Franchised Business, but you must identify yourself as the independent owner. You shall display the Marks prominently and in the manner we have prescribed in connection with signs, posters, displays, service contracts, stationery and other forms we designate.

You agree to give notices of trademark or service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. All bank accounts, licenses, permits or other similar documents must contain the actual name of the person or entity owning the Franchised Business and may contain "d/b/a BEST BRAINS."

Any sign face bearing the Marks shall remain our property even though you may have paid a third party to make the sign faces.

**1. Improper Use of the Marks.** You shall not use "Best" or "Brains" or any Marks confusingly similar to the Marks as part of the name of an entity which owns this franchise. You shall not

use any Marks in connection with the sale of any unauthorized service or product or in any other manner not expressly authorized in writing by us.

2. **Duty to Notify.** You must immediately notify us in writing of any apparent infringement of or challenge to your use of any Marks, or claim by any person of any rights in any Marks or any similar trade name, trademark or service mark of which you become aware. In the event of any such infringement, challenge, or claim, you shall not communicate with any person other than us and our counsel.

- i. We and our affiliates have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Marks.

- ii. You agree to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of our counsel, or the counsel of our affiliates, be necessary or advisable to protect and maintain our interests in any such litigation, USPTO proceeding or other administrative proceeding or to otherwise protect and maintain the interests of us and our affiliates in the Marks.

3. **Indemnification.** If your use of any Marks in compliance with this Agreement is held to constitute trademark infringement, unfair competition, or dilution, we will indemnify you for all damages for which you are held liable. We will also reimburse you for all costs reasonably incurred in the defense of any such claim provided that a) you timely notified us of such claim or proceeding, b) You otherwise complied with this Agreement and, c) We have the right to defend any such claim.

If we undertake to defend such claim, then we have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain.

4. **Modification of Marks.** If at any time the Company decides to modify or discontinue use of any Marks, and/or use one or more additional or substitute trademarks or service marks, you agree to comply within reasonable time after notice has been provided by the Company. If such an event occurs, the Company will have no liability or obligation other than to reimburse Franchisee for the out-of-pocket costs of complying.

**N. Payment.** You shall make prompt payment of all amounts due to us, our affiliates, and to suppliers, vendors, lessors, utilities and any landlord of the Franchised Business.

1. **Electronic Payment.** You must complete the ACH Authorization Form attached as Schedule 3 to the Franchise Agreement when you enter into the Franchise Agreement with us. We normally collect fees from clients on your behalf and then disburse the appropriate funds to you less any Royalty Fees, Brand Development Fund contributions, or other amounts that you may owe us. We may vary payment timing and procedures in the Operations Manual.

2. **Application of Payments.** We have sole discretion to apply any payments made by you to any of your amounts due to us or our affiliates.

3. **Withholding Payment.** You may not, for any reason set off against or withhold payment of any Royalty Fee, Brand Development Fund contribution, or any other amounts due to us or our affiliates. You agree that you will not, for any reason, including the alleged nonperformance by us or our affiliates of any obligations hereunder, set off against or withhold payment of any amounts due to us or our affiliates.

**O. Ongoing Training.** You shall participate, if we require, in up to five days per calendar year of refresher training in the operations and marketing of the Franchised Business at your expense. The refresher training will be at a location we chose or may be electronic. Currently, we do not charge a fee but you must pay your own cost of transportation, lodging and other expenses.

**P. Conference.** You shall attend, if we require, a national business meeting or conference of franchisees for up to three days once per calendar year at your expense. The conference will be at a location which we select. You agree that we can charge you \$100 per month from January through May of each year for an annual conference fee. If you attend our annual conference, we will refund this amount to you.

**Q. Advisory Council.** You shall participate actively in a Regional Advisory Franchisee Council ("Council") and participate in all of your Council's programs. We may form a Council any time more than one franchisee conducts a Franchised Business in any given region.

The purposes of the Council(s) include, but are not limited to, exchanging ideas and problem solving methods, advising us on expenditures for system-wide marketing, public relations and advertising, and coordinating franchisee efforts.

You shall pay all assessments levied by the Council, and we have the right to enforce this obligation. Amounts and expenditures may vary from time to time due to variations in Council participation and costs as determined by a particular Council and as approved by us.

**R. Confidential Information.** You acknowledge that disclosure of any aspect of the System or the Operations Manual or any other aspect of the franchise system could substantially harm us, you, and other franchisees, and that such information is proprietary and confidential. You agree to secure, keep secret, and lock away the Operations Manual and any other System confidential materials.

You agree that you will maintain the absolute confidentiality of all, and not disclose any, such information during and after the term of this Agreement and that you will not use any such information in any other business or in any manner not specifically authorized or approved in writing by us. You agree to require all of your personnel to sign a confidentiality and non-competition agreement in the form prescribed by us.

**S. Software Program.** If we develop a software program and hardware system for conducting accounting, inventory, point-of-sale functions, or other activities related to the Franchised Business ("Software Program"), you agree to implement the Software Program into the Franchised Business, and to comply with all specifications and standards prescribed by us regarding the Software Program.

At the time we require the implementation of such Software Program, you shall only utilize the Software Program as prescribed by us. In addition, you shall be required to purchase, lease or license the designated Software Program, to purchase or lease specified computer hardware compatible with our Software Program requirements, and contract for on-going service, maintenance and support for such hardware and Software Program at terms designated by us or our suppliers.

**T. Professional Development.** You shall attend annual training conferences and seminars as we specify.

## **6. TERM AND RENEWAL.**

**A. Term.** Commencing upon the date of this Agreement, the term of this Agreement is equal to the lesser of five (5) years or the term of your lease or sublease for the premises of the Franchised Business.

**B. Renewal.** You may, at your option, renew your franchise rights for another term equal to the lesser of five (5) years or the terms of your lease or sublease for the premises of the Franchised Business subject to the following conditions which must be met prior to each renewal:

1. You shall have delivered to us written notice of your desire to exercise your option to renew at least six (6) months, but no more than twelve (12) months prior to the expiration of the term of this Agreement;
2. You shall have during the entire term of this Agreement substantially complied with all of its provisions and the provisions of any other agreement between you and us or our affiliates;
3. We and you (and your owners, if Franchisee is an entity) shall execute the form of franchise agreement and such ancillary agreements as are then customarily used by us in the grant of franchises;
4. You shall refurbish and remodel the premises of the Franchise Business and replace the equipment of the Franchised Business to be in compliance with the then current standards and specifications utilized in the granting of franchises; and
5. You (and your owners if Franchisee is an entity) shall execute Releases, in a form satisfactory to us, of any and all claims against the us and our affiliates, and their officers, directors, managers, shareholders, members, employees and agents.

The franchise agreement and ancillary agreements at the time of renewal may contain materially different terms from those contained in this Agreement. Failure by you (and your owners, if Franchisee is an entity) to sign such agreement(s) and releases within thirty (30) days after delivery thereof shall be deemed an election not to renew.

You shall pay to us a renewal fee as specified in Section 2.G. above.

## **7. TERMINATION.**

**A. Termination by You.** If you are in substantial compliance with this Agreement and we materially breach this Agreement and fail to cure such breach within a reasonable time, which in no event shall be less than ninety (90) days, after written notice thereof is delivered to us, you may terminate this Agreement. Such termination shall be effective ten (10) days after delivery to us of notice that such breach has not been cured and you elect to terminate this Agreement. Except as described in this Section, you have no other rights to terminate this Agreement.

**B. Termination by Company.** In addition to the other provisions of this Agreement allowing termination, we may terminate this Agreement, effective upon delivery of notice of termination to Franchisee, for any of the following reasons:

1. If you become insolvent, meaning unable to pay bills in the ordinary course as they become due;
2. If you fail to pass the initial training program for franchisees,
3. If you fail to commence operating the Franchised Business within 90 days after the date of this Agreement,
4. If you abandon, surrender, or transfer control of the operation of the Franchised Business without our prior written consent;
5. If you lose possession of the Franchised Business premises, or fail to make rental payments when due, or suffer termination of the lease;
6. If you submit to us on two or more separate occasions at any time during any two year period during the term of this Agreement a report, financial statement, tax return, schedule or other information

or supporting record which understates by more than two percent the Gross Sales of the Franchised Business for any period;

7. If you are convicted of or plead guilty or no contest to a felony or other crime which substantially impairs the goodwill associated with the Marks or the System or engages in any misconduct which affects the reputation of the Franchised Business or the goodwill associated with the Marks or the System, as determined by the Company;

8. If you lose any permit or license which is a prerequisite to the operation of the Franchised Business, or if you operate the Franchised Business in a manner that presents a health or safety hazard to customers, employees, or the public;

9. If you make an unauthorized transfer or assignment of this Agreement, the assets of the Franchised Business, or your ownership interest;

10. If you have received three or more notices of default during any twelve-month period, whether or not such defaults were cured;

11. If we are unable to electronically transfer from your account three or more charges within any twelve-month period, whether or not such checks were subsequently paid;

12. If you fail to pay any amount owed to us or our affiliates or to your suppliers, providers, lessors, landlords, or vendors, when the same is due and payable and do not correct such failure within ten days after written notice of such failure to comply is delivered to you;

13. If you fail to provide instructions to students using state board certified teachers for Math and English classes; or

14. If you fail to perform any of the terms and conditions in this Agreement, the Operations Manual, or in other operational memoranda issued by us Company and do not correct such failure within thirty days after written notice of such failure to comply is delivered to Franchisee.

Upon the occurrence of any of the above events which would allow us to terminate this Agreement, we may authorize suppliers to withhold shipment to you or our proprietary products and services and approved products and services until you have cured the event of default.

**C. Cross Default.** Any default by you of any other agreement between us and you shall be deemed a default under this Agreement, and any default by you of this Agreement shall be deemed a default under any and all other agreements between us and you. If the nature of such default under any other agreement would have permitted us to terminate this Agreement had the default occurred under this Agreement, we have the right to terminate this Agreement as if the default did in fact occur under this Agreement. For purposes of this Section, an agreement between the us or an affiliate of ours and you or your owners shall be deemed an agreement between us and you.

**D. Appointment of Manager.** Notwithstanding the provisions of Sections 7.B. and 7.C. above, if you do not comply with any provision of this Agreement, we may assign a manager to the Franchised Business on a daily basis, whose function will be to ensure compliance with the provisions of this Agreement. You shall be responsible for paying us for the services of such manager at such reasonable rate as we may establish. You agree to defend, indemnify and hold harmless the Company and its agents and employees who may act hereunder.

**E. Post Termination Obligations.** If this agreement expires, is not renewed, or is terminated for any reason by any party, including a sale or transfer of the Franchised Business, you must immediately:

1. Stop identifying yourself as a franchise of ours and discontinue use of the Marks, the System, trade names, trademarks, and any other marks which are likely to be confused with our Marks;
2. Deliver to us any paper and electronic copies of the Operations Manual and the Software Program to the Company and any signs utilizing the Marks;
3. Pay all amounts owing to us or our affiliates,
4. Cancel your assumed name registration, and not represent that you formerly did business under the Marks.
5. Transfer some, or all, of the students to another BEST BRAINS learning center, refund some or all of the tuition paid by the students for subjects which have not yet been completed, and take such other actions as we may direct to ensure the orderly transition of such students.
6. Deliver to us the names, addresses and telephone numbers of your customers during the preceding three years.
7. Promptly notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other listings associated with the Marks and to authorize transfer of same to or at the direction of the Company. You agree that we have the sole rights to and interest in all e-mail and internet addresses, websites, domain names, social media sites and search engine identifiers, and all telephone and facsimile numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct such telephone companies, internet service providers, domain name registrars, social media hosts and all listing agencies to transfer same to us or our designee.
8. If we so request, assign to us or our designee your interest in any lease then in effect for the Franchised Business premises. We have 30 days after termination or expiration of this Agreement to exercise this option.
9. Adhere to the provisions of the post-term covenants not to compete and not to solicit;
10. Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
11. Within 30 days of termination or expiration, furnish to us satisfactory evidence of your compliance with the foregoing obligations.

**F. Option to Purchase Assets.** Upon the termination or expiration of this Agreement, we have a 90 day option to purchase from you some or all of the equipment, supplies, inventory, advertising materials and any items with our Marks for cash at fair market value.

If you and we do not agree upon the amount of the fair market value, then a business appraiser selected by us shall determine the fair market value. The cost of the business appraiser shall be borne equally by us and you.

We have an unrestricted right to assign this option to a third party.

**G. Continuing Obligations.** All obligations of yours which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

**H. Improper Termination.** You do not have the right to terminate this Agreement except as provided above, or as otherwise agreed by the parties.

1. If you terminate this Agreement other than in accordance with the terms of Section 7.A., or we terminate this Agreement pursuant to the terms of Section 7.B., then you shall pay to us, by the effective date of such termination, \$15,000 as liquidated damages.

2. The parties hereby acknowledge and agree that the actual damages that would be incurred by us in the event of any breach or early termination of this Agreement would be difficult to calculate and that the liquidated damages provided for in this Agreement are fair and reasonable under the circumstances.

3. The parties further acknowledge and agree that the liquidated damages specified in this paragraph are only intended to compensate Company for the early termination of this Agreement and Company's loss of revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages incurred by Company, and all remedies applicable thereto remain available to Company

## **8. NON-COMPETE AND NO SOLICITATION.**

**A. In-Term.** You shall not, during the term of this Agreement, directly or indirectly, offer services similar to those offered by a BEST BRAINS learning center, except under this or another franchise agreement with us.

**B. Post-Term.** In the event of termination or expiration of this Agreement, including a transfer of the Franchised Business or your interest in it, you will not, directly or indirectly, for a period of two (2) years offer services similar to those offered by a BEST BRAINS learning center at or within 25 miles of your former location or within 25 miles of any BEST BRAINS location.

**C. No Solicitation.** In addition, in the event of the termination or expiration of the Agreement, including a transfer of the Franchised Business or your interest in it, you will not for a two (2) year period, within the same geographic area solicit business for a learning center from any customer of the Franchised Business. If the duration, scope and/or geographic area set forth in this paragraph and Agreement are held to be unreasonable and therefore unenforceable by any court of competent jurisdiction, then the duration, scope and/or geographic area of the foregoing restrictions and agreements shall remain in full force and effect as to such maximum duration, scope and/or geographic area as the court shall allow.

## **9. TRANSFERABILITY OF INTEREST.**

**A. Transfer by the Company.** We shall have the right, in our sole discretion, to transfer or assign this Agreement and all or any part of its rights or obligations to any person or legal entity who agrees to abide by the obligations in this Agreement. You shall execute such documents consenting to such a transfer as we request.

**B. Transfer by Franchisee.** You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your business skill, financial capacity, and personal character.

Accordingly, you may not sell, assign, transfer, convey, pledge, encumber, merge, or give (collectively "transfer") away any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business without our prior written consent. Any purported assignment or transfer not having our written consent shall be null and void.

We shall not unreasonably withhold its written approval of an assignment or transfer, provided:

1. You have properly offered us the opportunity to exercise the right of first refusal as provided in the right of first refusal section of this Agreement, and we declined to exercise it;
2. The assignee or transferee has sufficient business experience, aptitude, financial resources, meets our then applicable standards for franchisees, is of good moral character, will comply with our standard training requirements, has received the required disclosure documents in accordance with law, and executes the then current form of franchise agreement and other agreements;
3. Upon our request, the assignee or transferee agrees in a form approved by us to be personally bound jointly and severally by all the provisions of this Agreement and assume and guarantee all of Franchisee's obligations hereunder and all other agreements between Franchisee and the Company or its affiliates;
4. Upon our request, you enter into an agreement with us guaranteeing full payment and performance of the obligations of your transferee;
5. All of your monetary obligations owed to us and our affiliates are fully paid and you are not otherwise in default under this Agreement;
6. The assets of the Franchised Business are refurbished, remodeled or replaced in order to be in compliance with the then current standards and specification utilized in the granting of franchises;
7. The lessor has consented to the assignment of the lease for the Franchised Business premises to the assignee or transferee if the lease requires such a consent;
8. You pay us a transfer fee in an amount of \$2,500 for the transfer of either a Premium Learning Center or a Teacher Learning Center franchise; and
9. You (and each of your owners, if Franchisee is an entity) execute Releases of all claims against us, our affiliates, and their officers, directors, managers, shareholders, members, employees and agents.

**C. Assignment to Entity.** If you are in full compliance with this Agreement, we shall not unreasonably withhold our consent to a transfer of this Agreement and the assets of the Franchised Business to an entity, provided:

1. the entity name does not include the word "BEST" or "BRAIN" or "BRAINS" and its activities are confined exclusively to operating your Franchised Business;
2. Franchisee owns and controls all of the ownership interest and the entity assumes all of Franchisee's obligations hereunder and the owners agree to be personally bound jointly and severally by all the provisions of this Agreement and assume and guarantee all of Franchisee's obligations hereunder and all other agreements;
3. any subsequent transfer of ownership interest in the entity shall be subject to our consent;
4. the ownership shares indicate that any transfer of interests is restricted and may be transferred subject to our consent only in accordance with the terms of this Agreement; and
5. You shall pay to us all legal expenses and other charges we incur in connection with such transfer.

**D. Right of First Refusal.** If you determine at any time to sell your rights under this Agreement, or the assets of the Franchised Business, or your ownership interest, in whole or part, you must obtain a



bona fide, executed written offer from a responsible and fully disclosed purchaser and must submit an exact copy of such offer to us.

We or our designee shall, for a period of 30 days from the date of delivery of such offer to us, have the right, exercisable by written notice to you, to purchase the interest for the price and on the terms and conditions contained in the offer, provided that any brokers', agents', or finders' fees shall be deducted from the purchase price and we or our designee may substitute cash for any form of payment proposed in such offer.

If we or our designee do not exercise this right of first refusal, you may, subject to the same conditions for transfers contained in this Agreement, complete the sale to such purchaser on the terms of the bona fide offer.

If the sale to such purchaser is not completed within 120 days after delivery of such offer to the us, or if there is a material change in the terms of the sale, we or our designee shall again have the right of first refusal herein provided.

**E. Death or Disability.** Upon the death or permanent disability of Franchisee (or Franchisee's managing shareholder, partner, or member, if Franchisee is an entity), the executor, administrator, conservator, or other personal representative of such person shall transfer Franchisee's interest to the heirs or beneficiaries of such person or to a third party approved by us within a period of five months, so long as arrangements satisfactory to us are made for the continued active management of the Franchised Business.

Such transfers, including without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for transfers contained in this Agreement.

You shall be deemed to have a "permanent disability" if your ability to operate or oversee the operation of the Franchised Business on a regular basis is for any reason curtailed for a continuous period of six months.

In addition to the foregoing, in order to prevent any interruption of the Franchised Business and to protect the goodwill associated with the Marks and System, if you die or become disabled so you are not able to operate or oversee the operation of the Franchised Business on a regular basis, we may operate the Franchised Business on your behalf for so long as we deem necessary under the circumstances. All revenues received from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account and the expenses of the Franchised Business including, without limitation, reasonable compensation and expenses of the Company and its agents and employees in operating the Franchised Business, shall be charged to such account. You agree to defend, indemnify and hold harmless the Company and its agents and employees who may act hereunder.

## **10. GOVERNING LAW.**

**A. Choice of Law.** This Agreement is effective upon its acceptance in Illinois by our authorized officer., Illinois law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**B. Jurisdiction and Venue.** In any suit over any Claims, venue shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Cook County, Illinois. However, if you are an Illinois resident or your franchise territory is located in Illinois, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

- C. Jury Waiver.** In any trial of any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.
- D. Class Action Waiver.** You agree that any Claims you may have against us, including our past and present employees and agents, shall be brought individually and you shall not join with claims of any other person or entity or bring, join or participate in a class action against us.
- E. Punitive Damages Waiver.** In any lawsuit, dispute, or claim over any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.
- F. Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims. Any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.
- G. Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 9.G above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.
- I. Mediation.** Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA), and split any AAA and mediator fees equally.
- J. Waiver of bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.
- K. Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Enforcement provisions contained herein.
- L. Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.
- M. Severability Clause.** If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.
- N. Costs and Attorney Fees.** As to any Claims, if we are the substantially prevailing party, we shall be entitled to our costs and reasonable attorney fees incurred in prosecuting or defending such Claims.
- O. Indemnity.** You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless the Company and its affiliates, shareholders, members, managers, directors, officers, employees and agents with respect to any such claim, loss, or damage, including our costs and attorney fees that arises in

connection with the operation of Franchised Business. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

## **11. STATUS OF PARTIES.**

**Independent Contractor.** We and you are independent contractors to each other. This Agreement does not create a fiduciary relationship between you and us. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours

## **12. GENERAL PROVISIONS.**

**A. Notices.** This Agreement shall be binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest. All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when tendered for delivery if delivered by hand, or one day after the date of deposit if deposited with a commercial delivery service which guarantees next day delivery, or two days after deposit if mailed certified mail, return receipt requested, postage prepaid, addressed to the appropriate party at their respective addresses above or at such other place as the party entitled to notice may designate by notice given in the same manner to the other.

**B. Non-waiver of Breach.** No waiver of or failure to enforce any of the provisions, terms, conditions, or obligations herein by any party shall be construed as a waiver of any subsequent breach of such provision, term, condition, or obligation of this Agreement or of any other provision, term, condition, or obligation hereunder, whether the same or different nature.

**C. Full Understanding.** This Agreement contains the sole and only agreement between the parties as to the matters, privileges, rights, titles, interests, duties, obligations, and performances herein set forth; provided, however, that nothing in this Agreement or any related agreement is intended to disclaim any representation made in the Franchise Disclosure Document provided to Franchisee. All prior negotiations, verbal or written, being integrated herein and hereby, and same shall only be changed, altered, modified, amended, supplemented or novated by a writing signed by all the parties hereto. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

## **13. ACKNOWLEDGMENTS.**

You hereby acknowledge that you have received our Franchise Disclosure Document at or prior to your first personal meeting with Company and at least fourteen calendar days prior to the signing of this Agreement. You further acknowledge that you have received a copy of this Agreement and any related agreements at least seven calendar days prior to signing them. You acknowledge that you have read and understand the Franchise Disclosure Document and this Agreement. You acknowledge that you have had the time and opportunity to obtain the advice and assistance of independent attorneys, accountants, and other professional advisors and that all of your questions regarding the Franchised Business have been answered to your satisfaction prior to your signing of this Agreement.

## **14. GUARANTY**

The Franchisee named below agrees to abide by the terms of this Agreement. In addition, the signature(s) of all individuals below, in any capacity, also constitute their personal joint and several agreement and guaranty to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in Section 9 above, the obligation to make specified payments, and pay any other debts due to Company.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed on the date first above written.

**FRANCHISOR: BEST BRAINS, INC.**

**FRANCHISEE:**

**By:** \_\_\_\_\_  
**Hana Adas, Vice President of Operations**

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

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

**BEST BRAINS®**

**SCHEDULE 1**

TO THE BEST BRAINS FRANCHISE AGREEMENT  
DATED: \_\_\_\_\_  
BETWEEN THE UNDERSIGNED PARTIES

**FRANCHISE LOCATION**

As provided in the above franchise agreement, the following information is now available and is hereby specified for inclusion in the franchise agreement.

**Franchise Location.** The franchise location is \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

**FRANCHISOR: BEST BRAINS, INC.**

**FRANCHISEE:**

**By:** \_\_\_\_\_  
**Hana Adas, Vice President of Operations**

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

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

# BEST BRAINS®

## SCHEDULE 2 LEASE RIDER

This Lease Rider is executed as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (the "Franchisee") and \_\_\_\_\_ ("Landlord") as a Rider to the lease (as amended, renewed, and/or extended from time to time, the "Lease") for the Premises located at \_\_\_\_\_ (the "Premises"), dated as of \_\_\_\_\_.

WHEREAS, the Franchisee and/or the Franchisee's principals have executed a franchise agreement (the "Franchise Agreement") with Best Brains, Inc., an Illinois corporation (the "Franchisor"), for the operation of a Best Brains business at the Premises, and as a requirement thereof, the Lease for the Premises must include the provisions contained in this Rider; and

WHEREAS, Landlord, Franchisor and the Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord, Franchisor and the Franchisee hereby agree as follows:

1. The Premises may be used only for the operation of a Best Brains business.
2. Landlord shall deliver to the Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to the Franchisee, but no later than thirty (30) days before a termination of the Lease would become effective.
3. The Franchisor shall have the right, but not the obligation, upon giving prior written notice of its election to the Franchisee and Landlord, to enter the Premises to cure any breach of the Lease, and if so stated in the notice, to also succeed to the Franchisee's rights, title, and interests thereunder.
4. Notwithstanding anything to the contrary contained in the Lease, and subject to Paragraph 1 of this Rider, the Franchisee shall have the absolute right to sublet, assign or otherwise transfer its interest in the Lease to the Franchisor or its affiliate, or to a company with which the Franchisee or the Franchisor may merge or consolidate, without Landlord's approval, written or otherwise, without any increase in rent (except as provided in the Lease), without a material change in any other terms of the Lease, and without execution of any additional guaranty of the obligations under the assigned Lease.
5. Subject to Paragraph 1 of this Rider, the Franchisee shall, if requested by the Franchisor, assign to the Franchisor (or its affiliate or to a company with which the Franchisee or the Franchisor may merge or consolidate), and Landlord hereby irrevocably and unconditionally consents to such assignment, all of the Franchisee's rights, title, and interest to and under the Lease upon (i) any termination of the Lease or the Franchise Agreement or (ii) if no subsequent Franchise Agreement is executed; but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without execution of a renewal Franchise Agreement; and (b) the Franchisor (or its affiliate or a company with

which the Franchisee or the Franchisor may merge or consolidate), notifies the Franchisee and Landlord in writing that it assumes the Franchisee's obligations under the Lease.

6. In addition to any prior written consent of the Landlord that may be required by the terms of the Lease: (a) the Lease may not be modified, amended, renewed or extended in any manner or assigned by the Franchisee without the Franchisor's prior written consent; (b) the Premises may not be altered or modified in any way without the Franchisor's prior written consent; and (c) the Premises may not be sublet, subdivided or used for any purpose other than for the operation of a Best Brains business without the Franchisor's prior written consent.

7. The Franchisee and Landlord acknowledge and agree that the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) shall have no liability or obligation whatsoever under the Lease unless and until the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) assumes the Lease in writing pursuant to Paragraphs 3, 4 or 5 above. The Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) shall assume all of the Franchisee's obligations under the Lease from and after the date of assignment, but shall have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.

8. If the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) assumes the Lease, as above provided, the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) may further assign or sublet the Lease to another person or entity to operate the Best Brains business at the Premises, subject to Landlord's prior written consent which consent shall not be unreasonably withheld or delayed. No such consent shall be required if the Lease is assigned or sublet to another Best Brains franchisee. The Franchisor (or its affiliate or the company with which the Franchisor may merge or consolidate) shall be fully released from any and all liability to Landlord in the event that the Lease is assigned or sublet to another Best Brains franchisee. Landlord agrees to execute such further documentation to confirm its consent to the assignments permitted under this Rider as the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) may request.

9. If the Franchise Agreement expires or is terminated during the Term of the Lease, Landlord shall be able to exercise its right to terminate the Lease and/or to exercise its other remedies under the Lease, unless the Lease is assumed by the Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) within thirty (30) days of the termination or expiration of the Franchise Agreement.

10. If the Lease expires or is terminated for any reason, the Franchisor may, upon prior written notice to Landlord, enter the Premises and remove any signs or other articles bearing any trade names, logos, trade-marks that are part of the System and de-identify the leased Premises as a Best Brains business (including, without limitation, removing any Best Brains trade dress features and/or fixtures), without legal process and without being guilty of trespass.

11. Landlord and the Franchisor may rely upon any notice from either of them regarding the status of the Lease or of the Franchise Agreement; they shall have no duty to perform any independent investigation to verify the Franchisee's rights under the Lease or the Franchise Agreement; and, the Franchisee agrees to indemnify and hold the Franchisor (and its affiliates and company with which the Franchisor may merge or consolidate) harmless from any and all claims, expenses and attorneys' fees

arising out of the Lease and the reliance upon the Franchisor's or Landlord's representations regarding the Franchisee's status, the status of the Franchisor or the status of the Franchise Agreement.

12. Landlord shall make available to the Franchisor all information which it collects or produces related to sales of the Best Brains business and the way in which the Best Brains business is operated. The Franchisee consents to Landlord providing all such information to the Franchisor.

13. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to the Franchisor at 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005, Attn: President or such other address as the Franchisor shall specify by written notice to Landlord. Any and all notices to Landlord shall be to the address contained in the Lease or such other address as the Landlord shall specify by written notice to Franchisor.

14. Landlord and Franchisee acknowledge that Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate) is an intended third party beneficiary of the Lease and shall be entitled to enforce any provisions set forth herein benefiting Franchisor (or its affiliate or a company with which the Franchisee or the Franchisor may merge or consolidate), subject to the conditions set forth in this Rider.

15. Under the Franchise Agreement, any lease or any modification or renewal of the Lease for the Premises of the Best Brains business is subject to the Franchisor's approval.

IN WITNESS WHEREOF, the undersigned parties have executed this Lease Rider.

LANDLORD:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

Title: \_\_\_\_\_


FRANCHISEE:

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

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



**Schedule 3**

<b>Franchise ACH Authorization Form</b>	
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Corporate Address:  
BEST BRAINS, INC  
135 E Algonquin Road, Suite B  
Arlington Heights, IL 60005

I (we) hereby authorize Best Brains, Inc (THE COMPANY) to initiate entries to my (our) checking/savings accounts at the financial institution listed below (THE FINANCIAL INSTITUTION), and, if necessary, initiate adjustments for any transactions credited/debited in error. This authority will remain in effect until THE COMPANY is notified by me (us) in writing to cancel it in such time as to afford THE COMPANY and THE FINANCIAL INSTITUTION a reasonable opportunity to act on it. Please print.

Company Name \_\_\_\_\_

A/C Holder Name \_\_\_\_\_

Address \_\_\_\_\_

Name of Financial Institution \_\_\_\_\_

Address of Financial Institution – Brand, City, State, & Zip \_\_\_\_\_

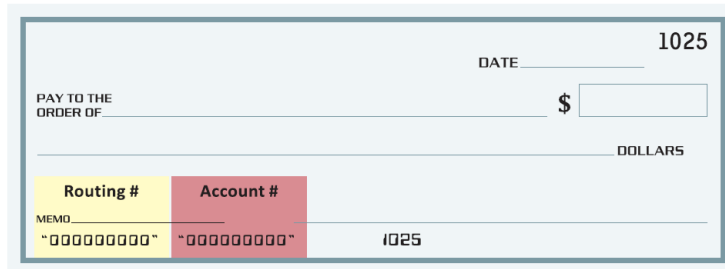
Financial Institution Routing Number \_\_\_\_\_

Checking/Savings Account Number \_\_\_\_\_

Recurring Royalty Charge: 19<sup>th</sup> of each month

Recurring Material Charge: NET 10 days

[IMAGE OF CHECK HERE SHOWING ROUTING NUMBER AND ACCOUNT NUMBER]



Signature \_\_\_\_\_

Date \_\_\_\_\_

**Schedule 4**

**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

## **CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is modified to also provide that we defer collection of initial fees until after we have completed our initial obligations to you and the franchise is open for business.
2. Section 7.B. is deleted and in its place is substituted the following:

**7.B.1 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 7.B.2 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**7.B.2 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a 60-day opportunity to cure, for any other breach of this Agreement.

**10.E. Punitive Damages Waiver.** Section 10.E. of the Franchise Agreement is deleted.

The following is added to the Franchise Agreement:

"No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

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

Hana Adas, Vice President of Operations

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

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

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
2. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. A Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. The Franchise Agreement is amended to also provide: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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



**MINNESOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a Release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

**NORTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a Release upon renewal of the franchise agreement.

2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. North Dakota law governs any cause of action arising out of the franchise agreement.

5. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

6. The franchise agreement is modified to also state that the franchisor defers the receipt of the initial franchise fee until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee is open for business.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

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

Hana Adas, Vice President of Operations

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

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

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
  
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR: Best Brains, Inc.

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

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

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

**EXHIBIT C**

**PROMISSORY NOTES**



**PROMISSORY NOTE- SOLE PROPRIETORSHIP, JOINT TENANTS,  
TENANTS IN COMMON**

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Arlington Heights, Illinois

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Best Brains, Inc. ["Holder"] at 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of 0% per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for,

or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Illinois.

WITNESS the following signature(s) and seal(s):

\_\_\_\_\_  
Signature of Maker

\_\_\_\_\_  
Signature of Maker

\_\_\_\_\_  
Printed Name of Maker

\_\_\_\_\_  
Printed Name of Maker

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

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

**PROMISSORY NOTE- ENTITY**

\$ \_\_\_\_\_

Date \_\_\_\_\_  
Arlington Heights, Illinois

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Best Brains, Inc. [“Holder”] at 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005, or at Holder’s option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of 0% per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

Interest under this Note will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter “Obligor”), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

**TIME IS OF THE ESSENCE** with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets

or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Illinois.

WITNESS the following signature(s) and seal(s):

**Maker:** \_\_\_\_\_  
(Enter Name of Entity Here)

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

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

Title: \_\_\_\_\_

## **EXHIBIT D**

### **LIST OF CURRENT FRANCHISEES**

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

#### **State: Arizona**

##### **Chandler**

##### **Nitai, LLC**

2820 S Alma School Rd #32

Chandler, AZ 85286

480-462-0000

##### **Chandler-Gilberts Rd**

##### **Ashar LLC**

2975 E. Octotillo Rd, STE 11

Chandler, AZ 85249

480-378-1111

#### **State: California**

##### **Cupertino**

##### **Bright Brains**

10601 S. De Anza Blvd, Suite 101

Cupertino, CA-95014

408-643-0000

##### **Fremont**

##### **Brainiacs Corporation**

39288 Paseo Padre Pkwy

Fremont, CA-94538

510-398-0000

##### **Fremont (Ardenwood)**

##### **Brainiacs Corporation**

3864 Decoto Road

Fremont, CA-94555

510-457-0000

##### **Milpitas**

##### **Edubest, Inc.**

623 S. Main Street

Milpitas, CA-95035  
510-394-0000

**Pleasanton**

**APEX Innovation, Inc.**

2324 Santa Rita Road, Suite #15  
Pleasanton, CA-94566  
925-694-0000

**Rancho Bernardo**

**Nuhaa Global Corp**

11939 Rancho Bernardo Rd STE 120  
San Diego, CA 92128  
301-844-8688

**San Jose (Berryessa)**

**STEM Institution, Inc.**

1672 Berryessa Road  
San Jose, CA-95133  
669-238-0000

**San Jose-Evergreen**

**Sequoia Kids Academy**

4075 Evergreen Village Square  
Suite 160  
San Jose, CA 95135  
408-784-3560

**San Ramon**

**Brainiacs Corporation**

9260 Alcosta Blvd, Bldg-C, Suite 17-A  
San Ramon, CA-94583  
925-528-0000

**Sunnyvale**

**Brainiacs Corporation**

189 West El Camino Real,  
Sunnyvale, CA-94087  
408-809-0000

**Santa Clara**

**Nivan, LLC**

770 Kiely Blvd, Suite 125  
Santa Clara, CA-95051

408-758-0000

**Warms Springs**

**EduBest Inc**

46923 Warm Springs Blvd

Suite 205

Warm Springs, CA 94539

**State: Georgia**

**Alpharetta**

**Gurukool, Inc.**

11105 State Bridge Road, Suite 150

Alpharetta, GA-30022

770-657-0060

**Cumming**

**Gurukool, Inc.**

765 Peachtree Pkwy, Suite 3, Brannon Office Park

Cumming, GA-30040

770-657-0040

**East Cobb**

**FUTURE4KIDZ LLC**

1230 Johnson Ferry Rd

Marietta GA 30068

678 203 0000

**State: Illinois**

**Algonquin**

**BBEE, Inc.**

1221 S. Main Street

Algonquin, IL-60102

224-215-0000

**Arlington Heights**

**Best Brains of Schaumburg, Inc.**

415 West Golf Road, Suite 57

Arlington Heights, IL-60005

847-766-0000

**Bartlett**

**Lucky Minds, Inc.**

974 S. Bartlett Rd  
Bartlett, IL-60103  
847-447-0000

**Buffalo Grove**

**Irva, Inc.**

298 McHenry Rd  
Buffalo Grove, IL-60089  
847-904-0000

**Naperville**

**Best Brains of Schaumburg, Inc.**

2867 W. 95th Street  
Naperville, IL-60564  
630-357-4500

**Naperville-Mall of India**

**1415, LLC**

776 S. Route 59  
Naperville, IL 60540  
630-576-0000

**Naperville (Wehrli)**

**Om Education,**

**LLC**1841 Wehrli Road  
Naperville, IL-60565  
630-273-7777

**Naperville (West)**

**Lucky Minds, Inc.**

507 Fairway Drive, Suite 151  
Naperville, IL-60563  
630-755-5000

**Niles**

**Best Brains of Schaumburg, Inc.**

9188 Golf Road, Golf Glen Mart  
Niles, IL-60714  
847-748-0000

**Palatine**

**XYZ Logistics Corp**

331 W. Northwest Hwy



Palatine, IL-60067  
224-521-0000

**Roselle**

**NIKISA, Inc.**

18 E. Irving Park Road  
Roselle, IL-60172  
224-505-0000

**Schaumburg**

**Best Brains of Schaumburg, Inc.**

1316 N. Roselle Road  
Schaumburg, IL-60195  
847-582-0000

**Streamwood**

**Lucky Minds, Inc.**

**114 Barrington Rd**  
Streamwood, IL-60107  
224-279-0000

**Westmont**

**Smart Vidya, LLC**

6440 S. Cass Ave  
Westmont, IL-60559  
630-635-0000

**Woodfield Lake**

**Seoul Sisters, LLC**

919 N Plum Grove Rd STE G  
Schaumburg, IL 60172  
224-505-0000

**State: Indiana**

**Carmel**

**HS Academy, Inc.**

301 E. Carmel Dr., Suite A600  
Carmel, IN-46032  
317-662-0000

**State: Iowa**

**Bettendorf**

**PR Group LLC**

2332 Spruce Hills Dr  
Bettendorf, IA 52722  
563-559-9000

**State: Kentucky****Louisville****Future 4 Kids**

1850 S Hurstbourne Pkwy, Suite 161  
Louisville, KY-40220  
502-702-0000

**State: Maryland****Clarksburg****M&M Solutions, LLC**

22820 Frederick Road  
Clarksburg, MD-20871  
301-679-0000

**Columbia****Columbia Learning, LLC**

7050 Oakland Mills Rd, Suite 160  
Columbia, MD-21046  
410-505-0000

**Ellicott City****Smart Brains, LLC**

8455 Baltimore National Pike, Suite E  
Ellicott City, MD-21043  
410-698-1700

**Germantown****M&M Solutions, LLC**

19741 Executive Park Circle  
Germantown, MD-20874  
301- 540 -3330

**Owings Mills****Owings Mills Learning Center, LLC**

6 Park Center Court, Suite 104

Owings Mills, MD-21117  
410-324-3000

**Rockville**

**Rockville Learning Center, LLC**

401 East Jefferson Street 102

Rockville, MD-20850

301- 744-0000

**State Name: Michigan**

**Bloomfield Hills**

**Think Big, LLC**

43902 Woodward Ave. Ste 280

Bloomfield Hills, MI-48302

248-516-0000

**Canton**

**Brilliant Minds, LLC**

44338 Cherry Hill Road

Canton, MI-48187

734-275-0000

**Farmington Hills /West Bloomfield**

**Quadrivia II**

28956 Orchard Lake Road

Farmington Hills, MI 48334

248-483-0000

**Macomb**

**Clear Learning LLC**

42657 Garfield Rd STE B

Clinton Twp, MI 48038

586-359-0000

**Novi**

**Brilliant Minds, LLC**

24261 Novi Road

Novi, MI-48375

248-329-0000

**Rochester Hills**

**Classic Learning, LLC**

2042 W. Auburn Rd  
Rochester Hills, MI-48309  
248-607-0000

**Troy**

**Classic Learning, LLC**

4082 John R Road  
Troy, MI-48085  
248-803-0000

**State: Minnesota**

**Apple Valley**

**Goli Dheeraj Sai LLC**

14050 Pilot Knob Rd Suite 114  
Apple Valley, MN 55124  
952 283 0000

**Eagan**

**Goli Dheeraj Sai LLC**

**1380 Duckwood Dr #106**  
**Eagan, MN 55123**  
**952-283-0000**

**Eden Prairie**

**Zest Group, LLC**

8783 Columbine Rd  
Eden Prairie, MN-55344  
612-315-0000

**Plymouth**

**Knight Riders LLC**

15725 37<sup>th</sup> Ave N Suite 3  
Plymouth, MN 55447  
763-645-0000

**State: Nebraska**

**Omaha****Eshaan, LLC**

14210 Arbor St  
Omaha, NE-68144  
402-882-5437

**State: New Jersey****Edison****BestBrains of Piscataway**

2090 Route 27  
Edison, NJ-08817  
732-825-7000

**Iselin****Paathshala, LLC**

849 Green Street  
Iselin, NJ-08830  
732-795-0000

**State: New York****Latham**

Avighnav Sai Sanvi LLC  
664 New Loudon Rd  
Latham, NY 12110  
518-724-1188

**State: North Carolina****Ballantyne****Learning Hut, LLC**

17206 Lancaster Hwy, Suite #504  
Charlotte, NC-28277  
704-228-1000

**Cary****SD Education Inc**

2708 NC-55  
Cary, NC 27519  
919-443-0000

**Concord****Vibrant Prodigies LLC**

10030 Edison Square NW Dr

Concord, NC 28117

704-912-1000

**Holly Springs****Genesis Education Inc**

310 Raleigh St.

Holly Springs, NC 27540

**Matthews****Rams Solutions, LLC**

3401 Weddington Rd Suite 200

Matthews, NC 28105

980-206-0000

**Mooresville****Vibrant Prodigies, LLC**

570 Williamson Rd, Suite C

Mooresville, NC-28117

704-912-1000

**Morrisville****RJ Learning, Inc.**

5102 Grace Park Dr

Morrisville, NC 27560

919-443-0000

**Piper Glen****Soni Singh Inc**

5107 Piper Station Dr., Unit E

Charlotte NC 28277

919-670-7043

**Waxhaw****Saataar LLC**

1201 N Broome St Suite D

Waxhaw, NC 28173  
980-221-0000

**State: Ohio**

**Columbus**

**HM Global Solutions LTD**  
8893 Commerce Loop Drive  
Columbus, OH-43240  
614-427-0000

**Dublin**

**HM Global Solutions LTD**  
2760 Festival Lane  
Dublin, OH-43017  
614-427-0000

**Mason**

**Think Best LLC**  
6360 Tylersville Rd  
Mason, OH 45040  
513-717-0000

**Solon**

**Kids Enrichment, LLC**  
**33552 Aurora Rd**  
**Solon, OH 44139**  
**440-991-1260**

**Powell**

**HMG Powell LLC**  
7540 - F Sawmill Pkwy  
Powell, OH 43065  
614-427-0000

**State: Pennsylvania**

**Exton**

**NMV Learning Solutions**  
319 N. Pottstown Pike, Suite 101

Exton, PA-19341  
610-589-0000

**Greentree**

**Sree Learning Centers LLC**

1100 Washington Ave  
Carnegie, PA 15106  
412-259-0000

**King of Prussia**

**NMV Learning Solutions**

150 Allendale Road, Suite 3320  
King of Prussia, PA-19406  
610-589-0000

**Mechanicsburg**

**Mechanicsburg Learning LLC**

5001 Carlisle Pike Suite 202  
Mechanicsburg, PA 17050  
717-388-0000

**Wexford**

**Akshara Learning Academy**

10431 Perry Highway, Unit #108  
Wexford, PA-15090  
724-397-0000

**State: South Carolina**

**Fort Mill**

**Banshal& Co**

721 Stockbridge Dr.  
Fort Mill, SC 29708  
803-262-0000

**State: Tennessee**

**Franklin**

**Sri Lakshmi Learning, LLC**

128 Holiday Court, Suite 120  
Franklin, TN-37067 615-455-0000



**State Texas**

**Allen**

**Learn and Grow Corp**

977 Texas State Hwy 121

Suite 195

Allen, TX 75013

469-312-0000

**Austin - Avery Ranch**

**Abhyas Kendra3 LLC**

9900 W Palmer Lane Suite A100

Austin, TX 75094

512-387-0000

**Austin - Great Hills**

**Impart Knowledge LLC**

12636 Research Blvd Suite C #108

Austin, TX 78759

512-713-0000

**Austin - Southwest**

**Learning101 LLC**

3601 W. William Cannon Drive, Suite 400

Austin, TX 78749

512-967-1111

**Carrollton**

**CMC Enrichment, LLC**

1500 W Hebron Pkwy # 106

Carrollton, TX-75010

469-262-0000

**Castle Hill-Lewisville**

**CMC Enrichment LLC**

4760 State Highway 121 Suite A600

Lewisville, TX 76056

469-354-0000

**Cypress**

**Iyat Systems, Inc.**

10519 Fry Rd, Suite C5-300  
Cypress, TX-77433  
832-821-0000

**Flower Mound**

**Gateway To Wisdom, LLC**

2613 Sagebrush Dr, Suite 104  
Flower Mound, TX-75028  
214-535-0945

**Frisco**

**R&R Little Champs, Inc.**

2575 W. Main Street, Suite# 325  
Frisco, TX-75034  
469-269-0000

**Frisco Central**

**E2ECI LLC**

5454 Surrey Path  
Frisco, TX 75034  
469-763-5761

**Houston Eldridge**

**Anusri, LLC**

13312 Westheimer Rd  
Houston Eldridge, TX-77077  
281-819-0000

**Irving**

**CPFL, LLC**

510 Ranch Trail  
Irving, TX-75063  
972-885-0000

**Katy**

**SL Academy Inc**

4603 FM 1463 Ste 600  
Katy TX 77494  
281-643-0000

**Katy - Cinco Ranch**

**SRB Educational Resources, LLC**

5205 S. Mason Road, Suite 210  
Katy - Cinco Ranch, TX-77450  
281-393-0000

**Keller**

**Ward-Johnson Tutoring Center, LLC**

310 N. Main Street, Suite F  
Keller, TX-76248  
817-381-0000

**Las Colinas**

**CPFL, LLC**

1300 W Walnut Hill Lane, Suite 145  
Las Colinas, TX 75038  
972-597-0000

**Little Elm**

**TwinkleStarKids LLC**

3004 FM 423  
Little Elm, TX 75068  
972-951-4556

**Leander**

**Abhyas Kendra1, Inc.**

15609 Ronald Reagan Blvd, Suite D #140  
Leander, TX-78641  
512-387-0000

**McKinney**

**North Texas Smart Kids, LLC**

3900 S. Stone Bridge Dr, Suite 1203  
McKinney, TX-75070  
469-213-0000

**Missouri City**

**SI Academy, LLC**

5201 Highway 6 South, Suite #900  
Missouri City, TX-77459  
281-942-0000

**Pearland****Edisco, LLC**

12002 Shadow Creek Pkwy, #114

Pearland, TX-77584

832-559-0000

**Plano****R&R Little Champs, Inc.**

3829 W. Spring Creek Parkway, Suite 108

Plano, TX-75023

469-269-0000

**Plano North****Srikinfort Corporation**

2865 McDermott Rd, Suite 180

Plano North, TX-75025

469-249-0000

**Prosper****Arka Consultants LLC**

2810 Fishtrap Rd Suite #20

Prosper TX-75078

469-527-0000

**Round Rock****Abhyas Kendra1 Inc2**

681 Gattis School Road, Suite 130

Round Rock, TX-78664

512-489-0000

**Sugar Land (Telfair)****Excellent Super Kids, LLC**

1219 Museum Square Dr, Suite 200

Sugar Land, TX-77479

281-819-0000

**Plano North West****Plano Learning Inc**

8201 Ohio Dr #112

Plano, TX 77459

469-423-0000

**San Antonio - De Zavala**

**Best Beginnings LLC**

5890 De Zavala Rd, Suite 103

San Antonio, TX 78249

**(726) 245-0000**

**San Antonio - Stone Oak**

**Vivid Learning LLC**

923 N Loop 1604 E

San Antonio, TX 78232

210-794-0000

**State: Virginia**

**Ashburn**

**Best Brains of Ashburn**

44200 Waxpool Rd, Suite # 187

Ashburn, VA-20147

703-729-3333

**Brambleton**

**Cloud 9 Entrepreneurs LLC**

22995 Suite 1045

Brambleton Plaze

Brambleton, VA 20148

571-386-0000

**Chantilly**

**Strasys**

14080, Sullyfield Cir, Suite B

Chantilly, VA-20151

703-596-4444

**Fairfax**

**Swanc, LLC**

8626 Lee Hwy, Suite 202

Fairfax, VA-22031

703-722-8880

**Glen Allen**

**LearnWithUs LLC**  
**5219-B Hickory Park Dr.**  
**Glen Allen, VA 23059**

**South Riding**  
**Swanc Learning Center of South Riding, LLC**  
43130 Amberwood Plz, Suite # 160  
South Riding, VA-20152  
571-349-0000

**State: Washington**

**Bellevue**  
**Kommedi Tutoring LLC**  
14320 NE 20<sup>th</sup> ST  
Bellevue, WA 98007  
425-588-0000

**State: Wisconsin**

**Brookfield**  
**FACET4, Inc.**  
17040 W. Greenfield Avenue, Suite 4  
Brookfield, WI-53005  
262-323-0000

**Madison**  
**FACET4, Inc.**  
6710 Odana Road  
Madison, WI-53719  
608-879-0000

**Menomonee Falls**  
**Sree LLC**  
W173N9170 St Francis Dr., Suite 5  
Menomonee Falls, WI 53051  
262-577-0000

**Sun Prairie**  
**FACET4, Inc.**  
3140 Edmonton Drive, Suite 400

Sun Prairie, WI-53590  
608-879-0000

**Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2022)**

**State: Texas**

**Frisco-Panther Creek**

**Ivy Future Academy LLC**

11220 Panther Creek Pkwy Ste 200

Frisco, TX 75035

469-518-0000

McKinney North

S N Imports INC

1650 N Lake Forest Dr. Ste. 101

McKinney, TX 75071

469-616-0000

**EXHIBIT E**  
**FORMER FRANCHISEES**

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**California**

**San Jose**

**EduBest Inc**

1055 Capitol Expressway  
San Jose, CA 94560  
510-394-0000  
Non-renewal

**Illinois**

**Naperville Mall of India**

**1415 LLC**

135 E Algonquin Road Suite B  
Arlington Heights, IL 60005  
(708) 217-6854

**Kentucky**

**Lexington**

**Future 4 Kids**

3101 Clays Mill Rd Suite 106  
Lexington, KY 40503  
859-813-0000  
Terminated

**Maryland**

**Silver Spring**

Trio United Educational LLC  
12051 A Tech Road  
Silver Spring, MD 20904  
609-553-7946  
Terminated



## **New Jersey**

### **Parsippany**

Aibar LLC  
176 Parsippany Rd  
Parsippany, NJ 07054  
(973) 358-0000  
Terminated

## **Pennsylvania**

### **Harrisburg**

Harrisburg Learning LLC  
5201 Jonestown Rd.  
Harrisburg, PA 17112  
717-553-0000  
Terminated

**EXHIBIT F**  
**RELEASE**

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and Best Brains, Inc. (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A Release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise

Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act and the rules adopted thereunder.

7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

**Franchisee:**

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

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

Title: \_\_\_\_\_

**Best Brains, Inc.**

By: \_\_\_\_\_  
Hana Adas, Vice President of Operations

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

## **EXHIBIT G**

### **FINANCIAL STATEMENTS**

The following statement applies to the unaudited portion of the financial statements which follow:

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

# Best Brains Inc

## Balance Sheet

As of February 28, 2023

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Annual Membership Fee	650.00
Bank of America	-109,872.12
Chase Bank	5,138.63
Credit TSA Global	-100.00
Itasca Bank & Trust	11,670.90
Late Fee	52.04
<b>Total Bank Accounts</b>	<b>\$ -92,460.55</b>
Accounts Receivable	
Accounts Receivable	1,932,642.67
<b>Total Accounts Receivable</b>	<b>\$1,932,642.67</b>
Other Current Assets	
Deferred Tax Asset	800.00
Employee Advance	19,091.00
Inventory Asset	322,275.66
Inventory Asset-1	0.00
Loans to Shareholders	181,678.84
Repayment	
Car Insurance	0.00
Overpaid Expenses	0.00
<b>Total Repayment</b>	<b>0.00</b>
Service Contract	4,500.00
State Income Tax Receivable	0.00
Undeposited Funds	733,267.78
<b>Total Other Current Assets</b>	<b>\$1,261,613.28</b>
<b>Total Current Assets</b>	<b>\$3,101,795.40</b>
Fixed Assets	
Accumulated Depreciation	-295,733.73
Ford Automobile	59,290.22
Ford Cargo Van	0.00
Ford F150	0.00
Furniture and Equipment	107,899.68
GMC Truck	63,850.00
KIA Automobile	24,750.00
Mazda CX5	27,200.00
Warehouse	242,280.00
<b>Total Fixed Assets</b>	<b>\$229,536.17</b>
Other Assets	
Advance	122,000.00
Health Insurance	0.00
<b>Total Advance</b>	<b>122,000.00</b>

	TOTAL
Advance Federal Tax	74,826.50
Advance Tax State	0.03
Loan Issued	703,456.82
Rent Deposit	10,503.46
Software Development	39,800.00
Accumulated Amortization	-35,000.00
<b>Total Software Development</b>	<b>4,800.00</b>
<b>Total Other Assets</b>	<b>\$915,586.81</b>
<b>TOTAL ASSETS</b>	<b>\$4,246,918.38</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	2,766,359.30
<b>Total Accounts Payable</b>	<b>\$2,766,359.30</b>
Credit Cards	
Chase United	10,231.48
Citibank AAdvantage	10,677.53
Credit BCBS	2,030.39
Credit Card at BOA4100	1,478.56
Credit Card at Chase	74,420.45
<b>Total Credit Cards</b>	<b>\$98,838.41</b>
Other Current Liabilities	
Accrued Real Estate Tax	0.00
Deferred Franchise Revenue - Current	98,524.50
Deposit Made in Error	0.00
Direct Deposit Payable	0.00
Federal Taxes Payable	-3,095.00
Franchise Advance	0.00
Loan	80,129.49
Loan from the shareholders	0.00
Payroll Liabilities	0.00
Federal Taxes (941/944)	0.00
Federal Unemployment (940)	0.00
Garnishments	0.00
Health Insurance (company paid)	-6,143.52
Health Insurance (pre-tax)	4,342.74
IL Income Tax	0.00
IL Unemployment Tax	-70.19
OR Income Tax	0.00
OR Statewide Transit Taxes	0.00
VA Income Tax	0.00
WI Income Tax	0.00
<b>Total Payroll Liabilities</b>	<b>-1,870.97</b>
PPP	169,215.00
State Income Tax Payable	-42,900.00
<b>Total Other Current Liabilities</b>	<b>\$300,003.02</b>
<b>Total Current Liabilities</b>	<b>\$3,165,200.73</b>

	TOTAL
Long-Term Liabilities	
Ally Auto	4,467.72
Auto Finance GMC	44,339.05
Deferred Franchise Revenue - LongTerm	217,510.00
EIDL Loan	147,076.00
Finance Ford F150	0.00
Ford Motor Credit	9,225.81
KIA Finance	0.00
<b>Total Long-Term Liabilities</b>	<b>\$422,618.58</b>
<b>Total Liabilities</b>	<b>\$3,587,819.31</b>
Equity	
Additional Paid in Capital	121,375.00
Capital Stock	1,000.00
Members Draw	-289,700.00
Opening Balance Equity	0.00
Retained Earnings	300,456.13
Net Income	525,967.94
<b>Total Equity</b>	<b>\$659,099.07</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$4,246,918.38</b>

**Best Brains Inc**  
**Profit and Loss % of Total Income**  
January - February, 2023

	TOTAL	
	JAN - FEB, 2023	% OF INCOME
<b>Income</b>		
Advertising	55,356.00	5.80 %
Franchise Sales	0.00	0.00 %
Material Charges	307,557.65	32.23 %
Royalties	564,848.60	59.20 %
Service/Fee Income	15,200.00	1.59 %
Support Services	8,665.00	0.91 %
Transfer Fee	2,500.00	0.26 %
<b>Total Income</b>	<b>\$954,127.25</b>	<b>100.00 %</b>
<b>GROSS PROFIT</b>	<b>\$954,127.25</b>	<b>100.00 %</b>
<b>Expenses</b>		
Advertising and Promotion	21,591.88	2.26 %
Automobile	5,000.00	0.52 %
Background Check	19.25	0.00 %
Bank Service Charge	1,873.91	0.20 %
Dues and Subscriptions	4,235.65	0.44 %
Elearning Expenses	3,571.12	0.37 %
GIFTS	650.00	0.07 %
Insurance Expense	870.80	0.09 %
Interest Expense	600.61	0.06 %
Janitorial	1,485.20	0.16 %
Legal	3,904.00	0.41 %
Licenses&Permits	15.00	0.00 %
Marketing Expenses	119.40	0.01 %
Meals and Entertainment	9,577.01	1.00 %
Office Supplies	51,953.72	5.45 %
Outside Services		0.00 %
Payroll Expenses		
1099	2,895.10	0.30 %
Company Contributions	2,714.21	0.28 %
Health Insurance	4,428.90	0.46 %
<b>Total Company Contributions</b>	<b>7,143.11</b>	<b>0.75 %</b>
Taxes	3,415.67	0.36 %
Wages	39,213.24	4.11 %
<b>Total Payroll Expenses</b>	<b>52,667.12</b>	<b>5.52 %</b>
Postage	6,544.09	0.69 %
Printing Charges	5,374.80	0.56 %
Professional Fees	30,287.99	3.17 %
Recruitment Expenses	3,490.00	0.37 %
Reimbursements	104,009.27	10.90 %
Rent Expense	48,138.89	5.05 %
Repairs & Maintenance	3,013.47	0.32 %



	TOTAL	
	JAN - FEB, 2023	% OF INCOME
Research and Development	15.00	0.00 %
Shipping & Customs	14,917.78	1.56 %
Subcontractors	13,880.00	1.45 %
Telephone	892.00	0.09 %
Training Expense	400.00	0.04 %
Travel Expenses	36,208.21	3.79 %
Utilities	1,464.12	0.15 %
<b>Total Expenses</b>	<b>\$426,770.29</b>	<b>44.73 %</b>
NET OPERATING INCOME	<b>\$527,356.96</b>	<b>55.27 %</b>
Other Expenses		
Ask My Accountant	1,389.02	0.15 %
<b>Total Other Expenses</b>	<b>\$1,389.02</b>	<b>0.15 %</b>
NET OTHER INCOME	<b>\$ -1,389.02</b>	<b>-0.15 %</b>
NET INCOME	<b>\$525,967.94</b>	<b>55.13 %</b>



## **ANIL MALHOTRA & CO LTD**

**419 E EUCLID AVE, MOUNT PROSPECT IL 60056**  
**Ph: 847- 873-1256, Fax: 847-324-0605**  
**Email:cpaanilmalhotra@gmail.com**

### **AUDITOR'S REPORT**

Prepared for

**BEST BRAINS INC**

For the Period ended

**DECEMBER 31, 2022**

**Table of Contents**

**Audited Financial Statements**

**Year ended December 31, 2022**

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**ANIL MALHOTRA & CO. LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS  
419 EAST EUCLID AVENUE, MT PROSPECT, IL. 60056  
TEL 847-873-1256; FAX 847-241-0034

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Best Brains Inc  
**135 East Algonquin Rd**  
**Arlington Heights IL 60078**

### **Opinion**

We have audited the accompanying financial statements of Best Brains Inc (an Illinois corporation), which comprise the balance sheets as of December 31, 2022 and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Brains Inc as of December 31, 2022 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. 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 best brains Inc 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 Best

Brains Inc'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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Best Brain Inc'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 Best Brain Inc's '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.



Nilesh Topiwala, CPA  
Anil Malhotra & Co. Ltd  
Mt. Prospect, IL  
Date: May 26 ,2023

**BEST BRAINS INC**

**Balance Sheet as on December 31st, 2022 and 2021**

<b>Particulars</b>	<b>Schedule No.</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & cash equivalents	1	154,275.10	150,427.05
Inventory		289,840.00	322,275.66
Trade Receivables	2	1,549,975.79	1,390,694.61
Other Current Assets	3	225,576.84	340,955.11
<b>Total Current Assets</b>		<b>2,219,667.73</b>	<b>2,204,352.43</b>
<b>Property and Equipment ,net of accumulated depreciation</b>	4	<b>268,207</b>	<b>237,535</b>
<b>Other Assets</b>	5	<b>958,557.46</b>	<b>433,460.28</b>
<b>Total Assets</b>		<b>3,446,432.24</b>	<b>2,875,347.76</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts Payable		2,654,584.46	2,003,525.57
Other Current Liabilities	6	80,489.91	60,974.78
Deferred Franchise revenue-current		65,939.00	81,750.00
<b>Total Current Liabilities</b>		<b>2,801,013.37</b>	<b>2,146,250.35</b>
<b>Long term liabilities</b>			
Loans & Advances	7	140,568.45	58,609.80
Mortgages ,notes , bonds payable in 1 year or more		150,000.00	319,215.00
Deferred Franchise revenue-long term		96,212.40	85,236.47
<b>Total Long Term Liabilities</b>		<b>386,780.85</b>	<b>463,061.27</b>
<b>Total Liabilities</b>		<b>3,187,794.22</b>	<b>2,609,311.62</b>
<b>Shareholder's Equity</b>			
Common Stock		1,000.00	1,000.00
Additional Paid in capital		121,375.00	121,375.00
Retained Earnings- Unappropriated	8	136,263.02	143,661.14
<b>Total Equity</b>		<b>258,638.02</b>	<b>266,036.14</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>3,446,432.24</b>	<b>2,875,347.76</b>

The accompanying schedules & notes are an integral part of financial statements

**BEST BRAINS INC**

**Statement of Operations  
For the year ended on December 31st , 2022 and 2021**

<b>Particulars</b>	<b>Schedule No.</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
<b>Income:</b>			
Revenue From Operations	<b>9</b>	4,558,762.03	4,052,586.49
Other Income	<b>10</b>	319,955.18	118,413.50
<b>Total Income</b>		<b><u>4,878,717.21</u></b>	<b><u>4,170,999.99</u></b>
<b>Expenses:</b>			
Finance Costs	<b>11</b>	12,271.27	15,064.12
Depreciation/Amortization expense		30,529.00	30,839.00
Operating and other expenses	<b>12</b>	4,641,772.06	3,864,177.84
<b>Total Expenses</b>		<b><u>4,684,572.33</u></b>	<b><u>3,910,080.96</u></b>
<b>Profit /(Loss) for the Year ( Before Tax)</b>		<b><u>194,144.88</u></b>	<b><u>260,919.03</u></b>
Federal Income Tax paid		<b>30,095</b>	<b>27,038</b>
State Income Tax paid		<b>11,448</b>	<b>14,492</b>
<b>Profit /(Loss) for the Year ( After Tax)</b>		<b><u>152,601.88</u></b>	<b><u>219,389.03</u></b>

The accompanying schedules & notes are an integral part of financial statements

**BEST BRAINS INC**  
**Cash Flow Statement for the year ended December 31st, 2022**

	<b>December 31, 2022</b>
	(in \$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income/(loss) for the year	152,601.88
Adjustments to reconcile net (loss) income to net cash provided by operating activities:	
Depreciation and Amortization	30,529.00
Change in:	
Accounts Receivable	(159,281.18)
Inventory Asset	32,435.66
Employee Advance	100.00
Other current assets	8.81
Undeposited Funds	(2,611.21)
ERTC Receivable	139,121.50
Accounts Payable	651,058.89
Credit Cards	11,515.13
Deferred Franchise revenue	(15,811.00)
loan to shareholder	(12,281.18)
Advance Franchise Fees	8,000.00
state income tax payable	(4,452.00)
Gain on sale of Asset	(79,510.65)
Service contract	(4,500.00)
<b>Net Cash Used by Operating Activities</b>	<b>594,321.77</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Advance	0.00
Increase/Decrease in Asset	18,302.00
Loans issued	(525,097.18)
<b>Net Cash Used by Investing Activities</b>	<b>(506,795.18)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Ford F150	(34,202.38)
Ally Auto	(5,805.49)
Ford Motor Credit	(4,113.81)
PPP Advance	(169,215.00)
Members Draw	(160,000.00)
Auto Finance GMC	45,950.84
other loan	80,129.49
Deferred Franchise revenue-long term	10,975.93
<b>Net Cash Used by Financing Activities</b>	<b>(236,280.42)</b>
<b>Net cash increase for the period</b>	3,848.05
Cash at beginning of the period	150,427.05
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>154,275.10</b>



**BEST BRAINS INC**

**Statement of Changes in Shareholder's Equity for the years ended Dec 31st, 2022**

<b>Particulars</b>	<b>Balance Dec -31-2021</b>	<b>Changes In 2022</b>	<b>Balance Dec -31-2022</b>
Add :			
Common Stock	1,000.00	-	1,000.00
Additional Paid-In Capital	121,375.00	-	121,375.00
<b>Add:</b>			
<b>Net Retained Earnings</b>			
Opening Retained earnings as on Dec-31-2021	269,361.14		269,361.14
Add: Net Income for the year -2022		152,601.88	152,601.88
Less : Total Distributions	(125,700.00)	(160,000.00)	(285,700.00)
<b>Total Stockholder's equity</b>	<b>266,036.14</b>		<b>258,638.02</b>

**BEST BRAINS INC**

Schedules Forming Part of the Balance Sheet as on December 31st, 2022 and 2021

<b>1 Cash and cash equivalents</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Balances with Banks		
Bank of America	165,528.73	52,681.78
Chase Bank	(7,861.37)	(5,361.37)
Itasca Bank & Trust	(3,392.26)	103,106.64
<b>Total</b>	<b>154,275.10</b>	<b>150,427.05</b>

<b>2 Trade Receivables</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Outstanding for a period not exceeding 3 months	200,982.30	215,884.06
Outstanding for a period exceeding 3 months	1,348,993.49	1,174,810.55
<b>Total</b>	<b>1,549,975.79</b>	<b>1,390,694.61</b>

<b>3 Other Current Assets</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Employee Advance	19,091.00	19,191.00
Loans to Shareholders	193,678.84	181,397.66
State Tax Receivable	4,452.00	-
Others	70.19	71.35
Undeposited Funds	3,784.81	1,173.60
ERTC Receivable	-	139,121.50
Service contract	4,500.00	-
<b>Total</b>	<b>225,576.84</b>	<b>340,955.11</b>

<b>5 Other Assets</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Deferred Tax Asset	800.00	800.00
Advance	122,000.00	122,000.00
Loan Issued	825,254.00	300,156.82
Rent Deposit	10,503.46	10,503.46
<b>Total</b>	<b>958,557.46</b>	<b>433,460.28</b>

**BEST BRAINS INC**

**Schedules forming part of Financial Statements as on Dec 31, 2022**

**4. Fixed Assets**

Particulars	Gross Block		Accumulated Depreciation		Net Block	
	As at Jan 1, 2022	As at Dec 31, 2022	As at Jan 1, 2022	For the year	As at Dec 31, 2022	As at Dec 31, 2022
<b>Tangible assets</b>						
Ford Automobile	19,600.00	19,600.00	19,600.00	-	19,600.00	0.00
Ford Cargo Van	63,622.10	39,699.10	48,161.73	5,951.00	32,838.73	6,860.37
Ford F150	47,917.00	-	47,917.00	-	-	0.00
Furniture and Equipment	107,899.68	107,899.68	107,048.00	531.00	107,579.00	320.68
Kia Automobile	24,750.00	24,750.00	19,761.00	1,975.00	21,736.00	3,014.00
Nazab C/S	27,200.00	27,200.00	27,500.00	3,133.00	25,633.00	4,989.00
Warehouse	242,280.00	242,280.00	30,746.00	6,169.00	36,915.00	1,567.00
GMC Truck	63,850.00	63,850.00	63,850.00	12,770.00	12,770.00	51,080.00
<b>Total Tangible Assets</b>	<b>533,268.78</b>	<b>525,278.78</b>	<b>295,733.73</b>	<b>30,529.00</b>	<b>257,071.73</b>	<b>268,207.05</b>
<b>Intangible assets</b>						
Software Development	35,000.00	35,000.00	35,000.00	-	35,000.00	-
<b>Total- Fixed Assets</b>	<b>568,268.78</b>	<b>560,278.78</b>	<b>330,733.73</b>	<b>30,529.00</b>	<b>292,071.73</b>	<b>268,207.05</b>

(in \$)

**BEST BRAINS INC**

**Schedules Forming Part of the Balance Sheet as on December 31, 2022 and 2021**

<b>6 Other Current Liabilities</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Credit Card Liabilities		
Credit Card at BOA4100	8,660.91	17,146.84
Credit Card at Chase	48,735.96	30,715.74
Chase United	434.79	3,112.20
Credit BCBS	1,405.36	
Citibank AAdvantage	3,252.89	
Total credit card Liabilities	<u>62,489.91</u>	<u>50,974.78</u>
Other Liabilities		
Franchise fees advance	18,000.00	10,000.00
<b>Total</b>	<b><u>80,489.91</u></b>	<b><u>60,974.78</u></b>
<b>7 Long term liabilities</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
<b>Loans &amp; Advances</b>		
Ford F150	-	34,202.38
Ally Auto	4,923.80	10,729.29
Auto Finance GMC	45,950.84	
Ford Motor Credit	9,564.32	13,678.13
Other loan	80,129.49	
Total loans & advances	<u>140,568.45</u>	<u>58,609.80</u>
<b>Mortgages ,notes , bonds payable in 1 year or more</b>		
Economic Injury Disaster Loan	150,000.00	150,000.00
PPP Advance	-	169,215.00
Total Mortgages ,notes , bonds payable in 1 year or more	<u>150,000.00</u>	<u>319,215.00</u>
<b>Total</b>	<b><u>290,568.45</u></b>	<b><u>377,824.80</u></b>
<b>8 Retained Earnings</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
Retained Earnings, beginning of the year(net of reinstatementfor revenue recognition)	143,661.14	(42,727.89)
Add: Profit / (Loss) for the year	152,601.88	219,389.03
Less: Distributions for the year	(160,000.00)	(33,000.00)
<b>Retained Earnings, end of the year</b>	<b><u>136,263.02</u></b>	<b><u>143,661.14</u></b>

**BEST BRAINS INC**

**Schedules Forming Part of the Statement of operations for the year ended Dec 31st, 2022 and 2021**

<b>9. Revenue from Operations</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
Advertising	307,651.00	334,400.00
Franchise Sales	87,335.07	110,798.03
Material Charges	1,325,611.12	1,138,918.84
Royalties	2,745,935.52	2,374,340.32
Support Services	47,285.00	39,545.00
Service/Fee Income	14,844.32	50,084.30
Transfer fee	2,500.00	4,500.00
Rental income	27,600.00	-
Less: Discounts and rebates	-	-
<b>Total</b>	<b>4,558,762.03</b>	<b>4,052,586.49</b>

<b>10. Other Income</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
PPP Loan forgiven	169,215.00	117,900.00
Refund	1,056.70	513.50
Preferred Rewards	4,112.14	-
Gain on sale of asset	79,510.65	-
ERTC	63,634.41	-
ERTC Interest	2,426.28	-
<b>Total</b>	<b>319,955.18</b>	<b>118,413.50</b>

<b>11. Finance Costs</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
Interest expense	5,067.15	7,199.02
Bank Charges	7,204.12	7,865.10
<b>Total</b>	<b>12,271.27</b>	<b>15,064.12</b>

**BEST BRAINS INC**

**Schedules Forming Part of the Statement of operations for the year ended Dec 31st, 2022 and 2021**

<b>12. Other Expenses</b>	<b>Year Ended December 31, 2022</b>	<b>Year Ended December 31, 2021</b>
Accounting	8,800.00	4,850.00
Advertising and Promotion	321,027.72	195,101.84
Automobile	372.70	1,638.15
Background check	110.50	334.95
Bad debts	58,184.34	91,714.31
CollegeSavingsPlan		22,250.00
Contributions	801.40	2,758.28
General Liability Insurance	11,668.00	-
Curriculum Development	158,620.00	107,445.00
Document Charges	2,413.74	-
Dues and Subscriptions	40,093.11	27,664.44
E Learning expenses	27,615.06	33,635.00
Health Insurance	97,690.20	101,873.11
Insurance Expense	5,666.41	24,008.50
Gifts	16,560.68	287.85
Janitorial	7,882.75	632.18
Legal	15,398.30	8,106.17
Licenses&Permits	7,963.15	4,924.65
Marketing Expenses	4,070.03	7,117.20
Material Development	423,694.53	463,269.52
Meals and Entertainment	42,426.83	33,784.53
Office Expenses & Supplies	151,732.56	196,775.79
Outside Services	609,120.88	606,585.13
Processing fees	5,328.50	3,618.00
Postage	33,570.63	28,069.70
Printing Charges	23,292.11	31,586.93
Printing Supplies	-	29,412.60
Professional Fees	160,438.83	178,055.25
RecruitmentExpenses	16,536.22	23,052.20
Referral Expense	5,000.00	-
Reimbursements	79,660.75	74,518.61
Rent Expense	284,322.09	267,309.45
Repairs & Maintainence	61,120.77	110,372.38
Retirement Benefits	737.75	-
Sales tax	4,694.00	-
Salaries & Wages ( net of ERTC)		
- Officer's Salary	100,000.00	121,926.81
- Other Salary	874,929.36	745,019.48
Payroll taxes	78,915.38	80,491.24
1099 Contractors	31,881.04	18,257.78
Shipping & Customs	69,361.41	69,381.82
Subcontractors	4,360.88	30,000.00
Support Services	133.00	6,523.53
software services	672,000.00	-
Taxes		
- Property Taxes	3,610.96	3,508.36
- Use Tax	118.65	-
-federal	1,712.59	-
- Other	413.77	11,143.56
Telephone	4,295.03	6,277.81
Training Expense	2,025.00	2,300.00
Travel Expenses	104,596.26	66,972.80
Utilities	6,804.19	21,622.93
<b>Total</b>	<b>4,641,772.06</b>	<b>3,864,177.84</b>

## **BEST BRAINS INC.**

### **Notes to Financial Statements Years Ended December 31, 2022**

#### **NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of Operations**

Best Brains, Inc. (the Corporation) was organized on August 29, 2011 in the state of Illinois. The Corporation was established to conduct a franchise business. The Corporation franchises learning centers in & out of United States under the trade name- "BEST BRAINS" and service mark using certain procedures, techniques, business & teaching methods, instructional materials, curriculum, forms & policies and a body of knowledge pertaining to the establishment and operation of the franchised business.

The Corporation is owned and managed by four individuals who equally own 25% of the stock of the corporation.

##### **Basis of Accounting**

The financial statements of Best Brains, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities. Revenue is recognized when earned and expenses are recorded when the obligation is incurred.

##### **Credit Risk**

At times, the company may have cash deposits in financial institutions in excess of the amount insured by the agencies of the federal government. The company places its cash with high credit quality financial institutions. At December 31, 2022 the company had no balances with financial institutions in excess of the insured limit.

##### **Use of Estimates**

The preparation of the Corporation's financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Income Taxes**

The Corporation has elected to be classified as a C corporation under the Internal Revenue Code (IRC). When the corporation realizes net taxable income, the Corporation is required to pay income tax on the net income at the appropriate tax rate. If the Corporation incurs a net loss for any year, it is allowed to carry back or carry forward the loss to other years per the provisions of the IRC and reduces its taxable income and tax liability for those years.

The Corporation's business tax returns (Form 1120 and IL-1120) are subject to examination by federal and Illinois tax jurisdictions, generally for three years after the date it was filed.

### **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### **Accounts Receivable and Uncollectible Accounts**

Accounts receivable consist primarily of open accounts with franchisees for franchise fees and royalties. Bad debts recorded during the year amounted to \$ 58184.34. The policy for determining when receivables are past due or delinquent are based on how recently payments have been received and past history of collections.

Aging summary is provided below:

<b>Trade receivables</b>	<b>2022</b>
<b>Over three months</b>	15,74,805.15
<b>Others</b>	2,12,733.69
<b>Total</b>	<b>17,87,538.84</b>

### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided on a straight-line/Declining balance basis over the estimated useful lives of the respective assets, ranging from 5 to 39.5 years. The Corporation capitalizes all expenditures in excess of \$500 for property and equipment. Depreciation for the years ended December 31, 2022 is \$30529.00



## **NOTE 2 - INCOME TAXES**

The Corporation has a recorded deferred tax asset of \$800 based on the remaining loss carry-forward. There is no valuation allowance recognized for the deferred tax asset.

## **NOTE 3 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the audit report , which is the date the financial statements were available to be issued and is of opinion that there were no subsequent events that require specific disclosure in financial statements.

## **NOTE 4 – ADVERTISEMENT EXPENDITURE**

Corporation expenses advertising production costs as they are incurred and advertising communications costs the first time the advertising takes place. Advertising expense was \$180384.70. for the year ended December 31, 2022.

## **NOTE 5 – REVENUE RECOGNITION**

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) or Accounting Standards Codification 606 (“ASC606”). This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance issued by US GAAP. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgements in measurement and recognition.

The corporation adopted the new accounting standard update 2020-05 effective January 1, 2019 retrospectively. Revenue from sales of an individual franchise is recognized as the performance obligations are satisfied. The initial franchise fees which is collected upfront is amortized over the life of the related franchise agreement, generally five years.

In compliance with the Financial Accounting Standards board (“FASB”) new accounting standards for revenue recognition (“Topic 606”) as adjusted by ASU 202-02 deferred franchise revenue liability of \$162151.4 and \$166986.47 was recognized in 2022 & 2021 respectively.

## **NOTE 6– INVENTORY**

Inventory consisting of books and materials has been stated at lower of cost ( first-in first- out method) or net realizable value.

**NOTE 7- EXPENDITURE IN FOREIGN CURRENCY**

No amount was paid or received in foreign currency during the year 2022.

**NOTE 8- LOANS AND ADVANCES**

All outstanding loans and advances are reported at cost and do not carry any interest.

Summary of outstanding balance as of December 31, 2022 of interest free loans issued to shareholders is as follows:

**Loan To Shareholders**

Ajay Sunkara	96,978.84
Anil Sunkara	40,000.00
Anil Uppalapati	36,500.00
Lakshmi Boppana	20,200.00
	<u>193,678.84</u>

**NOTE 9 - RELATED PARTY TRANSACTIONS**

All the related party transactions during the year 2022 & Balances as on Dec 31<sup>st</sup>, 2022 are reported under Audit report annexure titled - "Related Party Disclosures"

**NOTE 10 - SHAREHOLDER DISTRIBUTIONS**

Shareholders drawings were \$160,000 for the year 2022. No 1099-Dividend statement has been issued for it.

**NOTE 11 - SBA/PPP LOANS**

The Corporation PPP loans received in 2021 from Itasca Bank & Trust Co., in the amount of \$169,215.00 under the Paycheck Protection Program established by the Corona virus Aid, Relief, and Economic Security (CARES) Act has been forgiven by SBA as on May 2022 ,hence its recorded as Other income in current year.

The Corporation also received a SBA Loan of \$150,000 on May 18, 2020 as a part of Corona virus relief package. Interest will accrue at the rate of 3.75% per annum on the funds advanced. Interest of \$731 is paid, while no principal repayments have been made in 2022 for the same.

**NOTE 12 – Employee Retention Tax Credit (ERTC)**

The corporation has filed amendment of form 941 to claim Employee Retention Tax Credit for eligible quarters of 2020 & 2021. A credit amount of \$64295.00 is received as a tax refund for Qtr 2-2020, recorded as other income

ERTC is claimed under notice 2021-20 provided by IRS for guidance on the employee retention credit provided under section 2301 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020), as amended by section 206 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), which was enacted as Division EE of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (December 27, 2020).

**NOTE 13 – PRIOR YEAR'S COMPARATIVES**

Previous year's figures have been regrouped, rearranged or recasted wherever necessary to conform to this year's classification.

**Best Brains, Inc.**  
**Annexure Forming Part of Notes to Financial Statements**

**Related Party Disclosures**

Transactions with related parties during the year ended December 31st , 2022

<b>A</b>	<b><u>PURCHASE OF MATERIALS /SERVICES</u></b>	<b>( Amount in USD)</b>
	A.1 Best Brains India	321,000.00
	A.2 Advansoft International Inc	672,000.00
	A.3 Advansoft India	350,000.00
	A.4 A1 Kaiser	-
	A.5 Best Brains of Schaumburg, INC	-
<b>B</b>	<b><u>SALE OF MATERIALS / SERVICES</u></b>	
	B.1 Best Brains of Schaumburg, INC	6,452.05
	B.2 Best Brains- Canada	166,242.99
	B.3 Nala Robotics	6,093.07

Receivables / Payables From/ To related parties as at December 31st , 2022

S.No	Name of the party	Receivable (\$)	Payable(\$)
1	A1 Kaiser Inc	3,981.33	23,960.41
2	Best Brains of Schaumburg INC	122,948.49	38,255.90
3	Advansoft India		674,000.00
4	Advansoft Worldwide Inc		1,940.00
5	Best Brains India		330,080.00
6	Best Brains Canada	316,486.76	
7	Adventures India Pvt. Ltd		618,340.00
8	Advansoft International Inc		538,500.00
	<b>TOTAL</b>	<b>443,416.58</b>	<b>2,225,076.31</b>

**LOAN issued to related party as on December 31st, 2022**

S.No	Name of the party	Amount (\$)
1	Nala Robotics	514536.91



## **ANIL MALHOTRA & CO LTD**

419 E EUCLID AVE, MOUNT PROSPECT IL 60056

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### **AUDITOR'S REPORT**

Prepared for

**BEST BRAINS INC**

For the Period ended

**DECEMBER 31, 2021**

## **Table of Contents**

### **Audited Financial Statements**

**Year ended December 31, 2021**

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**ANIL MALHOTRA & CO. LTD.**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Best Brains Inc

### **Opinion**

We have audited the accompanying financial statements of Best Brains Inc (an Illinois corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Brains Inc 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. 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 Best Brains Inc 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 Best Brains Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

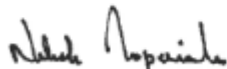
### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Best Brain Inc'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 Best Brain Inc's '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.



Niles Topiwala, CPA  
Anil Malhotra & Co. Ltd  
Mt. Prospect, IL  
Date: May 05 ,2022



**BEST BRAINS INC**

**Balance Sheet as on December 31st, 2021 and 2020**

		(in \$)	
Particulars	Schedule No.	As at December 31, 2021	As at December 31, 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & cash equivalents	1	150,427.05	203,855.13
Inventory		322,275.86	215,755.66
Trade Receivables	2	1,390,694.61	1,127,765.45
Other Current Assets	3	340,955.11	244,154.17
<b>Total Current Assets</b>		<b>2,204,352.43</b>	<b>1,791,530.41</b>
<b>Property and Equipment ,net of accumulated depreciation</b>	4	<b>237,535</b>	<b>268,374.05</b>
<b>Other Assets</b>	5	<b>433,460.28</b>	<b>454,755.28</b>
<b>Total Assets</b>		<b>2,875,347.76</b>	<b>2,514,659.74</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts Payable		2,003,525.57	1,802,433.99
Other Current Liabilities	6	60,974.78	53,463.33
Deferred Franchise revenue-current		81,750.00	98,524.50
<b>Total Current Liabilities</b>		<b>2,146,250.35</b>	<b>1,954,421.82</b>
<b>Long term liabilities</b>			
Loans & Advances	7	58,609.80	82,180.81
Mortgages ,notes , bonds payable in 1 year or more		319,215.00	267,900.00
Deferred Franchise revenue-long term		85,236.47	130,510.00
<b>Total Long Term Liabilities</b>		<b>463,061.27</b>	<b>480,590.81</b>
<b>Total Liabilities</b>		<b>2,609,311.62</b>	<b>2,435,012.63</b>
<b>Shareholder's Equity</b>			
Common Stock		1,000.00	1,000.00
Additional Paid in capital		121,375.00	121,375.00
Retained Earnings- Unappropriated	8	143,661.14	42,727.89
<b>Total Equity</b>		<b>266,036.14</b>	<b>79,647.11</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>2,875,347.76</b>	<b>2,514,659.74</b>

The accompanying schedules & notes are an integral part of financial statements

**BEST BRAINS INC**

**Statement of Operations  
For the year ended on December 31st , 2021 and 2020**

(in \$)

<b>Particulars</b>	<b>Schedule No.</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
<b>Income:</b>			
Revenue From Operations	<b>9</b>	4,052,586.49	3,841,620.07
Other Income	<b>10</b>	118,413.50	25,272.60
<b>Total Income</b>		<b><u>4,170,999.99</u></b>	<b><u>3,866,892.67</u></b>
<b>Expenses:</b>			
Finance Costs	<b>11</b>	15,064.12	8,291.83
Depreciation/Amortization expense		30,839.00	115,485.00
Operating and other expenses	<b>12</b>	3,864,177.84	3,596,411.83
<b>Total Expenses</b>		<b><u>3,910,080.96</u></b>	<b><u>3,720,188.66</u></b>
<b>Profit /(Loss) for the Year ( Before Tax)</b>		<b><u>260,919.03</u></b>	<b><u>146,704.01</u></b>
Federal Income Tax paid		<b>27,038</b>	23,601.60
State Income Tax paid		<b>14,492</b>	11,589.78
<b>Profit /(Loss) for the Year ( After Tax)</b>		<b><u>219,389.03</u></b>	<b><u>111,512.63</u></b>

The accompanying schedules & notes are an integral part of financial statements

**BEST BRAINS INC**  
**Cash Flow Statement for the year ended December 31st, 2021**

	<b>December 31, 2021</b>
	(In \$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income/(loss) for the year	219,389.03
Adjustments to reconcile net (loss) income to net cash provided by operating activities:	
Depreciation and Amortization	30,839.00
Change in:	
Accounts Receivable	(262,929.16)
Inventory Asset	(106,520.00)
Employee Advance	28,000.00
Other current assets	7,641.11
Undeposited Funds	6,679.45
ERTC Receivable	(139,121.50)
Accounts Payable	201,091.58
Credit Cards	(1,852.20)
Payroll Liabilities	(636.35)
Deferred Franchise revenue	(62,048.03)
Advance Franchise Fees	10,000.00
<b>Net Cash Used by Operating Activities</b>	<b>(288,856.10)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Advance	1,250.00
Loans recovered	20,045.00
<b>Net Cash Used by Investing Activities</b>	<b>21,295.00</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Ford F150	(7,253.66)
Ally Auto	(4,958.89)
Ford Motor Credit	(11,358.46)
PPP Advance	51,315.00
Members Draw	(33,000.00)
<b>Net Cash Used by Financing Activities</b>	<b>(5,256.01)</b>
<b>Net cash increase for the period</b>	(53,428.08)
Cash at beginning of the period	203,855.13
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>150,427.05</b>

**BEST BRAINS INC**

**Statement of Changes in Shareholder's Equity for the years ended Dec 31st, 2021 and 2020**

Particulars	Common Stock (A)	Additional Paid-In Capital (B)	Total Distributions (C)	Retained Earnings Net of Distribution (D)	(in \$)
					Total Stockholder's equity (E) ( A+B+D)
<b>Balance Dec 31, 2020</b>	1,000.00	121,375.00	92,700.00	(42,727.89)	79,647.11
Net Income for the year				219,389.03	
Distributions for the year			33,000.00		
<b>Balance Dec 31, 2021</b>	<b>1,000.00</b>	<b>121,375.00</b>	<b>125,700.00</b>	<b>143,661.14</b>	<b>266,036.14</b>

**BEST BRAINS INC**

**Schedules Forming Part of the Balance Sheet as on December 31st, 2021 and 2020**

	(in \$)	
<b>1 Cash and cash equivalents</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Balances with Banks		
Bank of America	52,681.78	138,847.38
Chase Bank	(5,361.37)	27,103.22
Itasca Bank & Trust	103,106.64	37,904.53
<b>Total</b>	<b>150,427.05</b>	<b>203,855.13</b>
<b>2 Trade Receivables</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Outstanding for a period not exceeding 3 months	215,884.06	161,660.59
Outstanding for a period exceeding 3 months	1,174,810.55	966,104.86
<b>Total</b>	<b>1,390,694.61</b>	<b>1,127,765.45</b>
<b>3 Other Current Assets</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Employee Advance	19,191.00	47,191.00
Loans to Shareholders	181,397.66	181,397.66
Health Insurance	-	7,187.10
Others	71.35	525.36
Undeposited Funds	1,173.60	7,853.05
ERTC Receivable	139,121.50	-
<b>Total</b>	<b>340,955.11</b>	<b>244,154.17</b>
<b>5 Other Assets</b>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Deferred Tax Asset	800.00	800.00
Advance	122,000.00	123,250.00
Loan Issued	300,156.82	320,201.82
Rent Deposit	10,503.46	10,503.46
<b>Total</b>	<b>433,460.28</b>	<b>454,755.28</b>

**BEST BRAINS INC**

**Schedules forming part of Financial Statements as on Dec 31, 2021 and 2020**

**4. Fixed Assets**

Particulars	Gross Block		Accumulated Depreciation		Net B
	As at Jan 1, 2021	As at Dec 31, 2021	As at Jan 1, 2021	As at Dec 31, 2021	
<b>Tangible assets</b>					
Ford Automobile	19,600.00	19,600.00	1,265.00	19,600.00	
Ford Cargo Van	63,622.10	63,622.10	10,379.00	48,161.73	15,460.37
Ford F150	47,917.00	47,917.00	-	47,917.00	-
Furniture and Equipment	107,899.68	107,899.68	7,916.00	107,048.00	851.68
Kia Automobile	24,750.00	24,750.00	1,975.00	19,761.00	4,989.00
Mazda Cx5	27,200.00	27,200.00	3,134.00	22,500.00	4,700.00
Warehouse	242,280.00	242,280.00	6,170.00	30,746.00	211,534.00
<b>Total Tangible Assets</b>	<b>533,268.78</b>	<b>533,268.78</b>	<b>30,839.00</b>	<b>299,733.73</b>	<b>237,535.05</b>
<b>Intangible assets</b>					
Software Development	35,000.00	35,000.00	-	35,000.00	-
<b>Total Fixed Assets</b>	<b>568,268.78</b>	<b>568,268.78</b>	<b>30,839.00</b>	<b>330,733.73</b>	<b>237,535.05</b>

**BEST BRAINS INC**

**Schedules Forming Part of the Balance Sheet as on December 31, 2021 and 2020**

	(in \$)	
	As at December 31, 2021	As at December 31, 2020
<b>6 Other Current Liabilities</b>		
Credit Card Liabilities		
Credit Card at BOA4100	17,146.84	10,887.31
Credit Card at Chase	30,715.74	41,939.67
Chase United	3,112.20	0.00
Total credit card Liabilities	<u>50,974.78</u>	<u>52,826.98</u>
Other Liabilities		
Franchise fees advance	10,000.00	-
Payroll Liabilities		
Federal Unemployment	-	310.09
VA State Tax	-	235.56
WI State Tax	-	90.70
Total Payroll liabilities	<u>-</u>	<u>636.35</u>
<b>Total</b>	<b><u>60,974.78</u></b>	<b><u>53,463.33</u></b>
<b>7 Long term liabilities</b>		
Loans & Advances		
Ford F150	34,202.38	41,456.04
Ally Auto	10,729.29	15,688.18
Ford Motor Credit	13,678.13	25,036.59
Total loans & advances	<u>58,609.80</u>	<u>82,180.81</u>
Mortgages ,notes , bonds payable in 1 year or more		
Economic Injury Disaster Loan	150,000.00	150,000.00
PPP Advance	169,215.00	117,900.00
Total Mortgages ,notes , bonds payable in 1 year or more	<u>319,215.00</u>	<u>267,900.00</u>
<b>Total</b>	<b><u>377,824.80</u></b>	<b><u>350,080.81</u></b>
<b>8 Retained Earnings</b>		
Retained Earnings, beginning of the year(net of reinstatementfor revenue recognition)	(42,727.89)	(128,540.52)
Add: Profit / (Loss) for the year	219,389.03	111,512.63
Less: Distributions for the year	(33,000.00)	(25,700.00)
<b>Retained Earnings, end of the year</b>	<b><u>143,661.14</u></b>	<b><u>(42,727.89)</u></b>

**BEST BRAINS INC**

**Schedules Forming Part of the Statement of operations for the year ended  
Dec 31st, 2021 and 2020**

(in \$)

<b>9. Revenue from Operations</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Advertising	334,400.00	269,450.00
Franchise Sales	110,798.03	113,310.00
Material Charges	1,138,918.84	969,188.66
Royalties	2,374,340.32	2,388,961.60
Support Services	39,545.00	90,890.00
Service/Fee Income	50,084.30	9,819.81
Transfer fee	4,500.00	-
Less: Discounts and rebates	-	-
<b>Total</b>	<b><u>4,052,586.49</u></b>	<b><u>3,841,620.07</u></b>
<b>10. Other Income</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
PPP 1 Loan forgiven	117,900.00	-
Refund	513.50	1,085.34
Economic Injury Disaster Grant	0.00	10,000.00
<b>Total</b>	<b><u>118,413.50</u></b>	<b><u>11,085.34</u></b>
<b>11. Finance Costs</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Interest expense	7,199.02	4,410.35
Bank Charges	7,865.10	3,881.48
<b>Total</b>	<b><u>15,064.12</u></b>	<b><u>8,291.83</u></b>
<b>12. Other Expenses</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Accounting	4,850.00	6,450.00
Advertising and Promotion	195,101.84	173,234.81
Administrative expenses	0.00	515.11
Automobile	1,638.15	8,558.65
Background check	334.95	442.25
Bad debts	91,714.31	0.00
Business Promotion expenses	0.00	0.00
CollegeSavingsPLan	22,250.00	18,250.00
Computer Expenses	0.00	0.00
Conference Incentive 2019	0.00	0.00
Contributions	2,758.28	4,814.10



**BEST BRAINS INC**

**Schedules Forming Part of the Statement of operations for the year ended  
Dec 31st, 2021 and 2020**

Curriculum Development	107,445.00	146,480.00
Document Charges	0.00	1,161.64
Dues and Subscriptions	27,664.44	17,945.37
Elearning experience	33,635.00	9,919.00
Finance Charges	0.00	100.00
Health Insurance	0.00	66,233.42
Insurance Expense	24,008.50	24,569.00
Gifts	287.85	5,439.12
Janitorial	632.18	1,368.78
Legal	8,106.17	19,805.44
Licenses&Permits	4,924.65	4,707.63
Marketing Expenses	7,117.20	259.78
Material Development	463,269.52	704,123.90
Meals and Entertainment	33,784.53	14,499.10
Office Expenses	0.00	0.00
Office Supplies	196,775.79	184,957.71
Outside Services	606,585.13	480,408.34
Processing fees	3,618.00	
Postage	28,069.70	19,936.34
Printing Charges	31,586.93	26,779.20
Printing Supplies	29,412.60	5,970.91
Professional Fees	178,055.25	284,061.33
RecruitmentExpenses	23,052.20	6,103.83
Referral Expense	0.00	0.00
Reimbursements	74,518.61	59,238.36
Rent Expense	267,309.45	159,481.13
Repairs & Maintainence	110,372.38	88,821.07
Salaries & Wages ( net of ERTC)		
- Officer's Salary	121,926.81	60,000.00
- Other Salary	745,019.48	752,228.44
Payroll taxes	80,491.24	64,612.70
1099 Contractors	18,257.78	0.00
Health Insurance	101,873.11	0.00
Shipping & Customs	69,381.82	31,475.46
Subcontractors	30,000.00	42,345.00
Support Services	6,523.53	15,756.18
Taxes		
- Property Taxes	3,508.36	3,384.88
- Use Tax	0.00	18,000.00
- Other	11,143.56	2,053.52
Telephone	6,277.81	956.17
Training Expense	2,300.00	5,751.59
Travel Expenses	66,972.80	33,105.66
Utilities	21,622.93	22,106.91
<b>Total</b>	<b><u>3,864,177.84</u></b>	<b><u>3,596,411.83</u></b>

## **BEST BRAINS INC.**

### **Notes to Financial Statements Years Ended December 31, 2021 and 2020**

#### **NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of Operations**

Best Brains, Inc. (the Corporation) was organized on August 29, 2011 in the state of Illinois. The Corporation was established to conduct a franchise business. The Corporation franchises learning centers in & out of United States under the trade name- "BEST BRAINS" and service mark using certain procedures, techniques, business & teaching methods, instructional materials, curriculum, forms & policies and a body of knowledge pertaining to the establishment and operation of the franchised business.

The Corporation is owned and managed by four individuals who equally own 25% of the stock of the corporation.

##### **Basis of Accounting**

The financial statements of Best Brains, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities. Revenue is recognized when earned and expenses are recorded when the obligation is incurred.

##### **Credit Risk**

At times, the company may have cash deposits in financial institutions in excess of the amount insured by the agencies of the federal government. The company places its cash with high credit quality financial institutions. At December 31, 2021 the company had no balances with financial institutions in excess of the insured limit.

##### **Use of Estimates**

The preparation of the Corporation's financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Income Taxes**

The Corporation has elected to be classified as a C corporation under the Internal Revenue Code (IRC). When the corporation realizes net taxable income, the Corporation is required to pay income tax on the net income at the appropriate tax rate. If the Corporation incurs a net loss for any year, it is allowed to carry back or carry forward the loss to other years per the provisions of the IRC and reduces its taxable income and tax liability for those years.

The Corporation's business tax returns (Form 1120 and IL-1120) are subject to examination by federal and Illinois tax jurisdictions, generally for three years after the date it was filed.

### **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### **Accounts Receivable and Uncollectible Accounts**

Accounts receivable consist primarily of open accounts with franchisees for franchise fees and royalties. Bad debts recorded during the year amounted to \$ 91,714.35. The policy for determining when receivables are past due or delinquent are based on how recently payments have been received and past history of collections.

Aging summary is provided below:

<b>Trade receivables</b>	<b>2021</b>	<b>2020</b>
<b>Over three months</b>	\$ 1,174,810.55	\$ 966,104.86
<b>Others</b>	\$ 215,884.06	\$ 161,660.59
<b>Total</b>	<b>\$1,390,694.61</b>	<b>\$1,127,765.45</b>

### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from 5 to 39.5 years. The Corporation capitalizes all expenditures in excess of \$500 for property and equipment. Depreciation for the years ended December 31, 2021 and 2020 was \$ 30,839 and \$108,485 respectively.

## **NOTE 2 - INCOME TAXES**

The Corporation has a recorded deferred tax asset of \$800 based on the remaining loss carry-forward. There is no valuation allowance recognized for the deferred tax asset.

## **NOTE 3 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through Date 31 Mar 2022, which is the date the financial statements were available to be issued and is of opinion that there were no subsequent events that require specific disclosure in financial statements.

## **NOTE 4 – ADVERTISEMENT EXPENDITURE**

Corporation expenses advertising production costs as they are incurred and advertising communications costs the first time the advertising takes place. Advertising expense was \$195,101.84 and \$173,342.81 for the years ended December 31, 2021 and 2020 respectively. For the year ending December 31, 2021, the total Advertising expenditure was 9% on media placement and production and 91% for other promotional expenses.

## **NOTE 5 – REVENUE RECOGNITION**

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) or Accounting Standards Codification 606 (“ASC606”). This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance issued by US GAAP. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgements in measurement and recognition.

The corporation adopted the new accounting standard update 2020-05 effective January 1, 2019 retrospectively. Revenue from sales of an individual franchise is recognized as the performance obligations are satisfied. The initial franchise fees which is collected upfront is amortized over the life of the related franchise agreement, generally five years.

In compliance with the Financial Accounting Standards board (“FASB”) new accounting standards for revenue recognition (“Topic 606”) as adjusted by ASU 202-02 deferred franchise revenue liability of \$166986.47 and \$229,034.50 was recognized in 2021 and 2020 respectively.

**NOTE 6- INVENTORY**

Inventory consisting of books and materials has been stated at lower of cost ( first-in first- out method) or net realizable value.

**NOTE 7- EXPENDITURE IN FOREIGN CURRENCY**

No amount was paid or received in foreign currency during the year 2021.

**NOTE 8- LOANS AND ADVANCES**

All outstanding loans and advances are reported at cost and do not carry any interest.

Summary of outstanding balance as of December 31, 2021 of interest free loans issued to shareholders is as follows:

**Loan To Shareholders**

Ajay Sunkara	93,697.66
Anil Sunkara	40,000.00
Anil Uppalapati	27,500.00
Lakshmi Boppana	20,200.00
	<hr/>
	181,397.66
	<hr/>

**NOTE 9 - RELATED PARTY TRANSACTIONS**

All the related party transactions during the year 2021 & Balances as on Dec 31<sup>st</sup>, 2021 are reported under Audit report annexure titled - "Related Party Disclosures"

**NOTE 10 - SHAREHOLDER DISTRIBUTIONS**

Shareholders drawings were \$33,000 for the year 2021. No 1099-Dividend statement has been issued for it .

**NOTE 11 - COLLEGE SAVINGS PLAN**

A college savings program was initiated in 2017,designed specifically for the children of shareholders . Total\_expenditure under this head was \$ 22,250 for the year 2021.

**NOTE 12 – SBA/PPP LOANS**

The Corporation received a PPP loan from Itasca Bank & Trust Co., in the amount of \$169,215.00 under the Paycheck Protection Program established by the Corona virus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. Corporation has not yet applied for forgiveness. No determination has been made as to whether the Corporation will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% per year and is payable in monthly installments after the end of the initial deferment period. No interest has been paid nor accrued in books for the year 2021.

The Corporation also received a SBA Loan of \$150,000 on May 18, 2020 as a part of Corona virus relief package. Interest will accrue at the rate of 3.75% per annum on the funds advanced. No interest or principal repayments have been made in 2021 for the same.

**NOTE 13 – Employee Retention Tax Credit (ERTC)**

The corporation is in the process of filing amendment of form 941 to claim Employee Retention Tax Credit for Qtr 1 -2021. A credit amount of \$139121.50 is expected as a tax refund. As per guidelines issued by IRS , ERTC amount is credited to salaries & wages expense account and shown as receivable under the business assets.

ERTC is claimed under notice 2021-20 provided by IRS for guidance on the employee retention credit provided under section 2301 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020), as amended by section 206 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), which was enacted as Division EE of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (December 27, 2020).

**NOTE 14 – PRIOR YEAR'S COMPARATIVES**

Previous year's figures have been regrouped, rearranged or re casted wherever necessary to conform to this year's classification.

**Best Brains, Inc.**  
**Annexure Forming Part of Notes to Financial Statements**

**Related Party Disclosures**

**Transactions with related parties during the year ended December 31st , 2021**

<b>A</b>	<b><u>PURCHASE OF MATERIALS /SERVICES</u></b>	<b>( Amount in USD)</b>
	A.1 Best Brains India	301,000.00
	A.2 Advansoft International Inc(V)	10,000.00
	A.3 Advansoft India	471,049.00
	A.4 A1 Kaiser	89,260.49
	A.5 Best Brains of Schaumburg, IL	36,000.00
<b>B</b>	<b><u>SALE OF MATERIALS / SERVICES</u></b>	
	B.1 Best Brains of Schaumburg, IL	36,113.99
	B.2 Best Brains- Canada	194,319.34

**Receivables / Payables From/ To related parties as at December 31st , 2021**

S.No	Name of the party	Receivable (\$)	Payable(\$)
1	A1 Kaiser Inc	3,981.33	32,075.00
2	Best Brains of Schaumburg Inc	95,718.07	38,255.90
3	Advansoft India		941,000.00
4	Advansoft Worldwide Inc		1,940.00
5	Best Brains India		9,080.00
6	Best Brains Canada	214,003.77	
7	Adventures India Pvt. Ltd		453,340.00
	<b>TOTAL</b>	<b>313,703.17</b>	<b>1,475,690.90</b>

**EXHIBIT H**  
**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**



## **CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

YOU MUST SIGN A DOCUMENT THAT MAKES YOU LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. SINCE CALIFORNIA IS A COMMUNITY PROPERTY STATE EVEN IF YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE, THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL ASSETS (PERHAPS INCLUDING YOUR HOUSE) AT RISK IF YOUR FRANCHISE FAILS.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this 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.

Item 5 of the Disclosure Document is amended by adding the following sentence:

We defer collection of initial fees until after we have completed our initial obligations to you and the franchise is open for business.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to 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.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement requires application of the laws of Illinois. This provision may not be

enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our websites are located at [www.BestBrains.com](http://www.BestBrains.com) and [www.BestBrainsFranchise.com](http://www.BestBrainsFranchise.com)

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

**ILLINOIS ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. Item 5 is modified to also provide, “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a Release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

**NEW YORK ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.



**NORTH DAKOTA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**Release:** Any requirement that the franchisee sign a Release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Items 5 and 7 of the Disclosure Document are modified to also state that the franchisor defers the receipt of the initial franchise fee until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee is open for business.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

The Franchisor will not require or accept the payment of any initial franchise fees until the franchisee (a) has received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Additional Disclosure: The following statements are added to Item 17.h.:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

## EXHIBIT I

### 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
Hawaii	Pending
Illinois	Pending
Indiana	September 1, 2022
Maryland	Pending
Michigan	September 1, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	September 9, 2022
Virginia	Pending
Washington	Pending
Wisconsin	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.

## **EXHIBIT J**

### **RECEIPT**

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

If Best Brains, Inc. 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.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Best Brains, Inc. 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 the state agency identified on Exhibit A.

The franchisor is Best Brains, Inc. located at 135 E. Algonquin Road, Suite B, Arlington Heights, Illinois 60005. Its telephone number is (847) 485-0000.

Issuance Date: May 30, 2023

The franchise sellers for this offering are Lakshmi Bopanna, Ajay Sunkara, Anil Uppalapati, and Anil Sunkara, Best Brains, Inc., 135 E. Algonquin Road, Suite B, Arlington Heights, IL 60005 (847) 485-0000, and

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Best Brains, Inc. authorizes the respective state agencies identified in Exhibit A to receive service of process for it in the particular state.

I have received a disclosure document dated May 30, 2023 that included the following Exhibits:

- Exhibit A State Administrators and Agents for Service of Process
- Exhibit B Franchise Agreement
  - Schedule 1-Franchise Location
  - Schedule 2-Lease Rider
  - Schedule 3-ACH Authorization Form
  - Schedule 4-State Law Addenda to the Franchise Agreement
- Exhibit C Promissory Notes
- Exhibit D List of Franchisees
- Exhibit E List of Former Franchisees
- Exhibit F Release
- Exhibit G Financial Statements
- Exhibit H State Addenda to the Disclosure Document
- Exhibit I State Effective Dates
- Exhibit J Receipts

**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

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

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and retain this copy for your records.



## RECEIPT

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

If Best Brains, Inc. 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.

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Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

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

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and return this copy to us at Best Brains, Inc., 135 E Algonquin Road, Suite B, Arlington Heights, Illinois 60005.