



May 15, 2023

**VIA ONLINE SUBMISSION**

**Susan Grueneberg**  
Direct Phone 213-892-7996  
Direct Fax 213-784-9071  
sgrueneberg@cozen.com

Department of Financial Institutions  
Securities Division  
4822 Madison Yards Way  
North Tower  
Madison, WI 53705

**Re: JEI Learning Centers, LLC**  
**Application for Franchise Renewal Registration**  
**Your File No.: 632324**

To Whom it May Concern:

Enclosed for your review please find an application for franchise renewal registration that we are filing on behalf of JEI Learning Centers, LLC (the "Company").

1. The application includes the following:
2. Facing page;
3. Certification page;
4. Franchisor's Costs and Source of Funds;
5. Uniform Consent to Service of Process;
6. Auditor's Consent; and
7. One copy of the Company's Franchise Disclosure Document and Exhibits.

If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

COZEN O'CONNOR

By: Susan Grueneberg

SG:jr  
Enclosures  
cc: Mr. Eugene Ahn  
63207739\1

**UNIFORM FRANCHISE REGISTRATION APPLICATION**

File No. 632324

Fee: **\$400.00**

**State: Wisconsin**

APPLICATION FOR:

INITIAL REGISTRATION OF AN OFFER AND SALE OF FRANCHISES

RENEWAL APPLICATION OR ANNUAL REPORT

PRE-EFFECTIVE AMENDMENT

POST-EFFECTIVE MATERIAL AMENDMENT

1. Full legal name of Franchisor:

**JEI Learning Centers, LLC**

2. Name of the franchise offering:

**JEI Learning Center**

3. Franchisor's principal business address:

**4465 Wilshire Boulevard, Suite 302  
Los Angeles, CA 90010**

4. Name and address of Franchisor's agent in this State authorized to receive service of process:

**Administrator, Division of Securities  
Department of Financial Institutions  
201 West Washington Avenue, Suite 300  
Madison, WI 53703**

5. The states in which this application is or will be shortly on file:

**California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin**

6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

**Susan Grueneberg, Esq.  
Cozen O'Connor  
601 S. Figueroa Street, Suite 3700  
Los Angeles, California 90017  
Tel: (213) 892-7996  
Fax: (213) 784-9071  
sgrueneberg@cozen.com**

### Certification

I certify and swear under penalty of law that I have read and know the contents of this application including the Franchise Disclosure Document with an issuance date of April 24, 2023, attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Signed at Englewood Cliffs, NJ, 04/24/23 | 5:04 PM EDT, 2023

Franchisor:

**JEI Learning Centers, LLC**

DocuSigned by:  
By: *Eugene Ahn*  
Name: Eugene Ahn  
Title: Chief Operating Officer

## FRANCHISOR'S COSTS AND SOURCE OF FUNDS

1. Disclose the Franchisor's total costs for performing its pre-opening obligations to provide goods or services in connection with establishing each franchised business, including real estate, improvements, equipment, inventory, training and other items stated in the offering:

<u>Category</u>	<u>Cost</u>
Real Estate/Site Evaluation	\$1,000 - \$2,000
Improvements	0
Equipment	0
Inventory	0
Training and Travel	\$4,000 - \$5,000
Other (describe):	
General & Administrative Expenses	\$1,000 - \$2,000
On-Site Training & Travel	\$3,000 - \$4,000

Total: \$9,000 - \$13,000

2. State separately the sources of all required funds: The franchisor's general operating revenues.

Spencer Hong CPA  
3435 Wilshire Blvd., Suite 1400  
Los Angeles, CA 90010  
Tel: (213) 458-0550  
[www.spencerhongcpa.com](http://www.spencerhongcpa.com)

**Accountant's Consent**

Spencer Hong CPA consents to the use in the Franchise Disclosure Document issued by JEI Learning Centers, LLC ("Franchisor") for its JEI Learning Center® franchise on April 24, 2023, as it may be amended, of my report dated March 13, 2023, relating to the financial statements of JEI Learning Centers, LLC for the year ended December 31, 2022.

*Spencer Hong CPA*

April 24, 2023

### UNIFORM FRANCHISE CONSENT TO SERVICE OF PROCESS

JEI Learning Centers, LLC, a limited liability company organized under the laws of California (the “Franchisor”), irrevocably appoints the officers of the States designated below and their successors in those offices, its attorney in those States for service of notice, process or pleading in an action or proceeding against it arising out of or in connection with the sale of franchises, or a violation of the franchise laws of that State, and consents that an action or proceeding against it may be commenced in a court of competent jurisdiction and proper venue within that State by service of process upon this officer with the same effect as if the undersigned was organized or created under the laws of that State and had lawfully been served with process in that State. We have checked below each state in which this application is or will be shortly on file, and provided a duplicate original bearing an original signature to each state.

- |   |  |
|---|--|
| <p>✓ <u>California: Commissioner of Financial Protection and Innovation</u></p> | <p>✓ <u>North Dakota: Securities Commissioner</u></p>  |
| <p>✓ <u>Hawaii: Commissioner of Securities</u></p>                              | <p>✓ <u>Rhode Island: Director, Department of Business Regulation</u></p>                              |
| <p>✓ <u>Illinois: Attorney General</u></p>                                      | <p>✓ <u>South Dakota: Director of the Division of Securities</u></p>                                   |
| <p>✓ <u>Indiana: Secretary of State</u></p>                                     | <p>✓ <u>Virginia: Clerk, Virginia State Corporation Commission</u></p>                                 |
| <p>✓ <u>Maryland: Securities Commissioner</u></p>                               | <p>✓ <u>Washington: Director of Financial Institutions</u></p>   |
| <p>✓ <u>Minnesota: Commissioner of Commerce</u></p>                             | <p>✓ <u>Wisconsin: Administrator, Division of Securities, Department of Financial Institutions</u></p> |
| <p>✓ <u>New York: Secretary of State</u></p>                                    |  |

Please mail or send a copy of any notice, process or pleading served under this consent to:

JEI Learning Centers, LLC  
4465 Wilshire Boulevard, Suite 302  
Los Angeles, California 90010

Dated: 04/24/23 | 4:47 PM EDT

Franchisor:  
JEI Learning Centers, LLC

DocuSigned by:  
By: Eugene Ahn

Name: Eugene Ahn  
Title: Chief Operating Officer



**Learning Center**®

**FRANCHISE DISCLOSURE DOCUMENT**

**JEI LEARNING CENTERS, LLC**

A California limited liability company

4465 Wilshire Blvd., Suite 302

Los Angeles, California 90010

(877) 534-6284

jeilearning.com

The franchise offered is for the establishment and operation of a JEI LEARNING CENTER® business, which is a nurturing educational environment using a method developed by our affiliate, JEI Corporation, called the JEI Self-Learning Systems®. This method allows each student to fulfill their potential by providing customized study programs based on each student's study ability to help them understand theories and concepts while working independently.

The total investment necessary to begin an operation of a JEI LEARNING CENTER® franchised business is \$60,000 - \$110,500. This includes \$28,500 that must be paid to the franchisor or its affiliate(s).

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 governmental 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 Eugene Ahn at 440 Sylvan Avenue, Suite 212, Englewood Cliffs, New Jersey 07632 or (201) 567-0677.

The terms of your contract will govern your franchise relationship. Do not rely on this 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, D.C. 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.

Date of Issuance: April 24, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit 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 D 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 JEI Learning Center® 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 JEI Learning Center® franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.



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

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

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 arbitration and/or litigation only in New Jersey. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in New Jersey than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that are franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
3. **Personal Guaranty.** Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk if your franchise fails.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Turnover Rate.** In the year, a high percentage of franchised outlets were terminated, transferred, or not renewed. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

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**EXHIBITS**

- A. LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS
  - B. FRANCHISE AGREEMENT
  - C. TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL
  - D. FINANCIAL STATEMENTS
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**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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, logotype, 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 do/s 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 obligations 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 shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913. (517) 373-7117.

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

To simplify the language in this Disclosure Document, the words “JEI,” “we,” “our” and “us” refer to JEI Learning Centers, LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

JEI is a California limited liability company formed on October 21, 2020, whose principal address is 4465 Wilshire Blvd., Suite 302, Los Angeles, California 90010. We were formed for the purpose of offering JEI LEARNING CENTER<sup>®</sup> franchises. We do business under our corporate name or “Jaeneung,” “JEI Learning Centers,” “Jaeneung Math Class,” “Jaeneung Korean Class,” “Jaeneung Chinese Character Class,” “Hanja,” “Jaeneung English Class,” “Jaeneung Classes,” and “JEI.”

**Parents, Predecessors and Affiliates**

JEI Self-Learning Systems, Inc. (“JSLS”), the former franchisor and our predecessor entered into an Assignment and Assumption Agreement with us. JSLS conveyed certain assets to us in exchange for the issuance of equity in our company to JSLS effective December 31, 2020. JSLS then distributed the equity in our company to its shareholders effective December 31, 2020. JSLS is a California corporation incorporated on March 23, 1992. JSLS offered franchises from 1992 to December 31, 2020. JSLS has the same principal address as ours. Effective December 31, 2020, JSLS assigned to us all existing franchise agreements.

Our affiliate, JEI Corporation (“JEIC”), was established by Sung Hoon Park in 1977 under the name Jaeneung Math Research Team. Its principal business address is 55-5 Hyehwa-dong, Chongno-gu, Seoul, Korea. It has offered franchises in South Korea in this line of business since February 2013. JEIC developed the JEI Self-Learning Systems<sup>®</sup> and has granted us the right to use and sublicense the use of the JEI Self-Learning System<sup>®</sup> to our franchisees for adaption and use in the operation of JEI Learning Centers.

We are owned by: (i) JEI Holdings Corporation, which was formed in November 2016 and has the same principal address as JEIC; (ii) JEI eAcademy Co., Ltd., which was formed in April 1994 and has a principal address of 186, Gasan digital 1-ro, Geumcheon-gu Seoul, Korea; and (iii) JEI Distribution Co., Ltd., which was formed in July 1971 and has the same principal address as JEI eAcademy.

**The Franchise**

We grant franchises to qualified persons or business entities in conjunction with the service mark “JEI LEARNING CENTER<sup>®</sup>” and certain associated trade names, trademarks, logos, and other commercial symbols (collectively referred to as the “Marks”). We refer to these businesses as “JEI LEARNING CENTER<sup>®</sup>” businesses. We refer to the JEI LEARNING CENTER<sup>®</sup> you will operate as the “franchised center.” We also supply franchisees with proprietary, copyrighted course materials, workbooks, and other items, which have been specially developed for use in operating a JEI Learning Center. We refer to these items as the “Proprietary Products.”

JEI LEARNING CENTER<sup>®</sup> businesses offers supplemental education using a method developed by Sung Hoon Park, the Founder and Chairman of JEIC, called the JEI Self-Learning Systems<sup>®</sup>. This method allows each student to fulfill their potential by providing customized study programs based on each student’s study ability. The JEI LEARNING CENTER<sup>®</sup> businesses use diagnostic testing to evaluate each student and tailor study programs to maximize the student’s learning potential. Progress is monitored by

an academic advisor and new study programs are assigned based on student performance. The JEI Self-Learning System<sup>®</sup> was developed to cultivate creative and talented individuals who can resolve problems on their own. JEI Self-Learning Systems<sup>®</sup> study programs offer Mathematics, Korean language, Chinese characters (“Hanja”), English Language Arts and Critical Thinking to students Pre-K to 9<sup>th</sup> grade.

Non-JEI Programs are study programs which are not part of the JEI Self-Learning System. You must obtain our written approval to offer Non-JEI Programs, as provided in the JEI Confidential Operations Manual. If enrollment at your Franchised Center falls below 75 subjects for two consecutive months, you must pay us a Non-JEI Program Operating Fee of \$300.00 per month for offering Non-JEI Programs, starting in the third month. If enrollment at your Franchised Center falls below 75 subjects for six consecutive months, you may no longer offer Non-JEI Programs. JEI has the right to discontinue any and all Non-JEI Programs at its discretion. No Non-JEI test preparation programs are permitted. Non-JEI Programs may only constitute a maximum of 5% of your total business operations and all students enrolled in Non-JEI Programs must be concurrently enrolled in JEI Self-Learning Systems<sup>®</sup> study programs.

Each JEI LEARNING CENTER<sup>®</sup> business is required to operate in a commercial retail brick and mortar site, which generally requires 800 to 1,200 square feet of space and is located on first floor, retail shopping areas in a highly visible location, with convenient parking and in-suite restroom(s). You must operate the franchised center according to our standards, methods, procedures, and specifications, which we refer to as our “System” and which is more particularly described in our Franchise Agreement attached as Exhibit B to this Disclosure Document. If you have an existing supplemental education business, you may convert it to a franchise with our approval. Each JEI LEARNING CENTER<sup>®</sup> may from time to time offer virtual instruction classes using our proprietary systems, electronic study materials, and authorized platforms. When such services are rendered, virtual operations are not a replacement for the brick and mortar operation. Virtual sessions, known as Temporary Remote Learning (“TRL”) sessions are ancillary to the brick and mortar operation. TRL sessions are only authorized by JEI under certain circumstances, such as during a health pandemic, and with special guidelines.

If you wish to operate an additional JEI LEARNING CENTER<sup>®</sup> business, you must meet our then-current expansion criteria. Currently, those criteria include that each of your existing JEI LEARNING CENTER<sup>®</sup> businesses must have enrollment of at least 100 subjects for at least three consecutive months during the preceding six-month period. You must also deliver to us a comprehensive business plan and marketing plan for the operation and management of the additional JEI LEARNING CENTER<sup>®</sup> business that is acceptable to us.

Other than offering and selling franchises and supporting and supplying franchisees, we are not engaged in any other line of business. We have never conducted a business of the type to be operated by you.

We began offering franchises in the United States and Canada as of January 1, 2021. JSLS offered franchises in the United States and Canada from April 26, 1993 to December 31, 2020. As of the date of this Disclosure Document, we are providing support and supplies to approximately 53 franchisees throughout the United States in markets within California, Delaware, Florida, Georgia, Maryland, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Texas, and Virginia and to 8 franchisees in Canada. We have not offered franchises in any other line of business and have not engaged in any other line of business.

As a franchise candidate, you will submit a completed JEI franchise application. The franchise development team will then determine your qualifications for approval by conducting a financial and criminal background check, and interview. The interview may be conducted either in person or by phone. A second interview may be scheduled for qualified candidates after the pre-approval.



Once approved and after the required disclosure period, you will sign the JEI Franchise Agreement and remit the initial franchise fee, initial inventory deposit fee, and initial marketing package fee. You may then start the site selection process. JEI will offer support in helping you locate a site for your center as needed.

All newly approved franchisees must attend and complete the JEI New Franchisee Training (“NFT”) program. Once you have successfully completed the training program and received your JEI certification, you may finalize your site selection upon JEI’s approval.

## **Market and Competition**

Our franchise concept is targeted towards students from Pre-K to 9th grade. We are one of a growing number of businesses offering supplemental educational programs to students. As a franchisee, you will compete with other educational entities and private and public tutoring services. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise system. You may also encounter competition from other JEI LEARNING CENTER® businesses operated by us or other franchisees. Fluctuations in population demographics and density, availability of qualified instructors or advisors, traffic patterns, and local or national economic conditions affect this industry; these factors are generally difficult to predict.

## **Industry Regulations**

Some states and local jurisdictions may have laws that regulate supplemental educational study programs and educational facilities. A JEI LEARNING CENTER® business is not a “school,” since courses are offered in a limited number of subjects at limited hours, and instruction is conducted using the JEI Self-Learning Systems®. Some state laws may impose requirements concerning licensing, tuition, curriculum, and teacher certification. Additionally, every state has enacted laws, rules, regulations, and ordinances which may apply to the operation of a JEI LEARNING CENTER® business, including: zoning and building; occupational health and safety; labor; licensing and bonding; insurance; advertising; state self-storage laws dealing with foreclosure and sale of tenant goods; other laws, where applicable, regarding the assessment of late fees that you can collect from tenants that do not pay rent on time; real estate, income, sales and other taxes; and the Americans with Disabilities Act. You must investigate and comply with all applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations.

Beginning in December 2019 and continuing through the issue date of this Disclosure Document, the COVID-19 virus began spreading throughout the world, including the first outbreak in the United States in February 2020. COVID-19 has disrupted and continues to significantly disrupt local, regional, and global economics and businesses. Most, if not all, states that implemented shelter-in-place restrictions mandated closure of non-essential businesses for a certain period. It is uncertain whether there will be additional closure periods. Pandemic restrictions may cause additional operating restrictions, limitations on customer capacity, additional sanitary precautions, greater spacing and changes in employee availability, and other consequences of the outbreak. You must also comply with all applicable laws, rules, and orders of any government authority concerning the outbreak and your response.

## **Agents for Service of Process**

Our agents for service of process are listed on Exhibit A to this Disclosure Document.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Chief Executive Officer and Manager: Sung Hoon Park**

Mr. Sung Hoon Park has been our Manager and Chief Executive Officer since our inception on January 1, 2021, operating out of our Los Angeles, California location. He has been Chairman and Chief Executive Officer of JSLS since its founding in March 1992, operating out of Los Angeles, California. Mr. Park has also been the Chairman and Founder of JEIC in Seoul, Korea since its inception in 1977.

### **Chief Operating Officer and Manager: Eugene Ahn**

Mr. Eugene Ahn has been our Manager and Chief Operating Officer since our inception on January 1, 2021, operating out of our Englewood Cliffs, New Jersey location. He was appointed Chief Operating Officer of JSLS in August 2017 and a member of the Board of Directors of JSLS in January 2018. Prior to that, Mr. Ahn was JSLS' Vice President of Global Franchising and has been with JSLS since 2012.

### **Executive Vice President and Manager: Juyeon Park**

Ms. Juyeon Park has been our Manager and Executive Vice President since our inception on January 1, 2021, operating out of our Los Angeles, California location. She was appointed Executive Vice President and a member of the Board of Directors of JSLS in December 2016 and has served in those positions since that time, operating out of Los Angeles, California. Ms. Park was named as Corporate Secretary of JSLS in January 2018 and has served in that position since that time, operating out of Los Angeles, California. Previously, from 2007 to 2016, she was the Human Resources Director of Jaeneung Self-Learning in South Korea and then later a team member in their internal auditing department. She provides services from the Los Angeles location.

### **Director of Franchise Development: Kevin Ellwood**

Mr. Kevin Ellwood has been Director of Franchise Development since our inception on January 1, 2021, operating out of our Englewood Cliffs, New Jersey location. He has been with JSLS since December 2018 and last served as Director of Franchise Development, operating out of our Englewood Cliffs, New Jersey location. Mr. Ellwood was previously the Vice President of Strategic Operations for Best in Class Education Center in 2017 through 2018, operating out of Seattle, Washington, and had previously been Director of Franchise Development for Stem for Kids in 2016 operating out of Raleigh, North Carolina.

## **ITEM 3. LITIGATION**

### **Predecessor Litigation**

#### **Daekyo Actions & Settlement**

*Daekyo America, Inc. v. One Hundred Center, Inc.; Albert E. Diaz; Manish Vakil; JEI Self-Learning Systems, Inc.; and Eugene Ahn, Superior Court of New Jersey, Law Division, Docket No. BER-L-5025-15.* On March 6, 2015, Daekyo America, Inc. ("Daekyo") the franchisor of Eye Level Franchises, filed suit against One Hundred Center, Inc., one of Daekyo's Eye Level franchisees and Albert E. Diaz and Manish Vakil, the principals and guarantors of the Daekyo Franchise Agreement for an alleged conversion of their Daekyo franchise concept into a JEI franchise concept. Daekyo also joined JSLS and one of JSLS' employees, Eugene Ahn ("Ahn"). Daekyo alleged that all Defendants

misappropriated trade secrets, engaged in unfair competition under the Lanham Act and common law and civil conspiracy. Daekyo also alleged that JSLS and Ahn tortuously interfered with the Daekyo Franchise Agreement. Daekyo sought certain injunctive relief. The court denied preliminary injunctive relief against all parties on April 29, 2015. All claims against One Hundred Center, Inc., Albert E. Diaz and Manish Vakil were dismissed on July 10, 2015 due to an arbitration clause in the Daekyo Franchise Agreement obligating the parties to arbitrate. The claims as to JSLS and Ahn were settled (see below) and the lawsuit was dismissed with prejudice on December 12, 2016.

*Daekyo America, Inc. v. Ruth Yong; Palm Academy, Inc.; and JEI Self-Learning Systems, Inc., Superior Court of New Jersey, Law Division Docket No. BER-L-5025-15.* On March 27, 2015 Daekyo filed suit against an Eye Level franchisee Ruth Yong (“Yong”) and her franchise Palm Academy, Inc. (Palm Academy”) for alleged conversion of her Daekyo franchise concept into a JEI franchise concept. Daekyo also joined JSLS. Daekyo alleged that all Defendants misappropriated trade secrets, engaged in unfair competition under the Lanham Act and common law, and civil conspiracy. Daekyo also alleged that JSLS tortuously interfered with the allegedly terminated Daekyo Franchise Agreement. Daekyo sought certain injunctive relief. The claims against Yong and Palm Academy were dismissed on August 7, 2015 due to an arbitration clause in the Daekyo Franchise Agreement obligating the parties to arbitrate. On November 12, 2015, the claims against JSLS were dismissed without prejudice due to Daekyo’s failure to make discovery. The claims as to JSLS were settled (see below) and the lawsuit was dismissed with prejudice on December 12, 2016.

*Daekyo America, Inc. v. Joshua Gunsberger; and JEI Self Learning Systems, Inc., Supreme Court of New York, County of Kings, Index No. 505946/2015.* On May 14, 2015, Daekyo filed suit against its Eye Level Franchisee, Joshua Gunsberger (Gunsberger”) for an alleged conversion of his Daekyo franchise concept into a JEI franchise concept. Daekyo also joined JSLS. Daekyo alleged that all Defendants misappropriated trade secrets, engaged in unfair competition under the Lanham Act and common law, and civil conspiracy. Daekyo also alleged that JSLS tortuously interfered with the Daekyo Franchise Agreement. Daekyo sought certain injunctive relief. On October 13, 2015, all claims against Gunsberger were dismissed for failure to prosecute. On November 13, 2015 the request for preliminary injunctive relief against JSLS was denied. The claims as to JSLS were settled (see below) and the lawsuit was dismissed with prejudice on December 19, 2016.

#### Daekyo Settlement

On April 5, 2017 Daekyo, JSLS and Ahn entered into a Settlement Agreement and General Release in connection with the above 3 Daekyo actions. JSLS and Ahn denied any wrongdoing and did not admit any liability but agreed to pay \$205,000 to Daekyo to settle the matter. The parties have exchanged mutual general releases and have agreed not to solicit each other’s franchisees.

#### Other Actions

*Attorney General of Maryland v. JEI Self-Learning Systems, Inc., Case No. 2013-0123,* dated April 30, 2013. On December 20, 2000, JSLS filed an initial application with the Maryland Securities Division of the Office of the Maryland Attorney General to register its franchise offering under the Maryland Franchise Registration and Disclosure Law. With the initial registration application JSLS’ counsel included a letter acknowledging that prior to registration with the Securities Division, it had inadvertently sold franchises in Maryland prior to registration and was unaware of an obligation to register the franchise offering prior to advertising or selling franchises in Maryland. JSLS was unable to provide the documents and information that the Securities Division had requested in August 2002 and subsequently its initial franchise registration application was abandoned. In September 2012, it submitted to the Securities Division a re-filed initial application to register its franchise offering in Maryland. The Securities Division

requested that JSLS submit an “undertaking” signed by an officer that it neither offered nor sold franchises in Maryland during the time it was not registered under the Maryland Franchise Registration and Disclosure Law. In the undertaking, JSLS stated that in 2001, it had three partnership agreements in Maryland all of which had ceased operations in 2006 and it was not aware at that point that registration was required. In November 2012, the Securities Division requested copies of the partnership agreements referenced in the undertaking and due to circumstances beyond JSLS’ control, JSLS was unable to locate any documents related to the offer and sale of the partnership agreements. Due to the above, the Commissioner concluded that JSLS violated §§14-214, 14-216, 14-223, and 14-224 of the Maryland Franchise Law and issued a Consent Order in April 2013 which required JSLS to cease and desist the offer and sale of franchises in violation of the Maryland Franchise Law and to pay \$15,000 as a civil monetary penalty. The Consent Order also required JSLS to submit to the Securities Division a re-filed and updated initial application to register JEI’s franchise offering in Maryland to diligently pursue completion of that franchise registration in Maryland. As part of the Consent Order, JSLS neither admitted nor denied any violation of law.

### **Litigation Against Franchisees in the Last Fiscal Year**

During the fiscal year ended December 31, 2022, we filed lawsuits against the following franchisees:

#### **Suits to Enforce Covenants Not-to-Compete:**

*JEI Learning Centers, LLC v. Jennifer Ahn et al.*, California Superior Court for the County of Los Angeles, Central District, Case No. 22STCV05098 (February 10, 2022).

*JEI Learning Centers, LLC v. Elsie Koo*, California Superior Court for the County of Los Angeles, Central District, Case No. 22STCV21102 (June 29, 2022).

*JEI Learning Centers, LLC v. Sivakumar Natarajan*, California Superior Court for the County of Los Angeles, Central District, Case No. 22STVC21127 (June 29, 2022).

*JEI Learning Centers, LLC v., Rajesh Ravilla and Rista International, Inc.*, California Superior Court for the County of Los Angeles, Central District, Case No. 22STVC21118 (June 29, 2022).

These matters have all been settled.

Other than the above actions, no litigation is required to be disclosed in this Item.

### **ITEM 4. BANKRUPTCY**

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

### **ITEM 5. INITIAL FEES**

#### **Initial Franchise Fee**

You must pay us an initial franchise fee (“Initial Franchise Fee”) of \$22,500 when you sign the Franchise Agreement for the operation of your first Franchised Center. If you qualify for additional Franchised Centers, for each additional Center, we will lower the Initial Franchise Fee by \$5,000 if the franchise is being purchased by an entity or individuals that own the same majority (51% or greater)

ownership structure as the franchisee initially approved by us for your first Center and if you paid the full, non-discounted Initial Franchise Fee for your first franchise. The majority owner must be the 51% (or greater) owner for at least two years prior to changing the percentage of ownership internally.

The Initial Franchise Fee is non-refundable and fully earned upon our receipt.

**Initial Inventory Deposit**

We supply you, on loan, with an initial inventory of proprietary course materials and other materials, (“Proprietary Products”), which are listed in Exhibit E to the Franchise Agreement (Exhibit B to this Disclosure Document). The JEI workbooks are our property and you must return them when the Franchise Agreement terminates or expires or if you transfer the franchise. You must pay us an initial inventory deposit, which is currently \$5,500, for use of the JEI workbooks, plus any shipping costs. The initial inventory deposit is refundable, except as provided below.

If your Franchise Agreement expires or is terminated, and such termination is not in connection with your purchase of a successor franchise, you must return all inventory, including the initial inventory of Proprietary Products to us and we will return the initial inventory deposit you paid, as disclosed on Exhibit E to the Franchise Agreement (less \$5 for each missing or damaged workbook), provided that the items are returned within 90 days of the termination, at your expense, and remain in an unopened or unused and saleable condition. You must also sign our documentation including a general release. All returned materials must be in pristine condition to avoid the \$5 damaged materials fee per workbook. Inventory is monitored based on the initial supply, plus shipments and usage which affect the inventory levels. The refund and applicable fees will be based on the inventory levels ‘on record’ in the database, which are monitored weekly based on assigned workbook usage.

The maximum refund is \$5,500. Any overage supply of workbooks beyond the initial inventory level must be returned, and no workbook fees paid will be applied toward deposit return value. The deposit will be refunded upon termination or expiration of the Franchise Agreement, minus any missing or damaged fees which apply. If the amount of missing or damaged workbook fees exceed the \$5,500 deposit value, you must pay additional missing or damaged workbook fees.

**JEI LEARNING CENTER® Initial Marketing Package Fee**

You pay us a one-time lump sum fee of \$500 when you sign the Franchise Agreement for use of our JEI LEARNING CENTER® website in the operation of the Franchised Center. The JEI LEARNING CENTER® initial marketing package fee is non-refundable and fully earned upon our receipt.

**ITEM 6.  
OTHER FEES**

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>2</sup>	Will vary. Exact amount is calculated by multiplying number of subjects registered at a center by a Subject Fee. The higher number of subjects offered at each center, the lower the Subject Fee that is applied to	Monthly, on the day set forth in the Operations Manual	You must pay your Royalty Fee directly to us. If you renew your franchise within 90 days after the issuance date of this Disclosure Document, the

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks																		
	<p>calculate the royalty fee:</p> <table border="0"> <tr> <td style="padding-right: 20px;">Number of <u>Subjects</u></td> <td style="text-align: right;"><u>Fee</u></td> </tr> <tr> <td>1-30</td> <td style="text-align: right;">\$35</td> </tr> <tr> <td>31-60</td> <td style="text-align: right;">\$32</td> </tr> <tr> <td>61-90</td> <td style="text-align: right;">\$29</td> </tr> <tr> <td>91-120</td> <td style="text-align: right;">\$28</td> </tr> <tr> <td>121-150</td> <td style="text-align: right;">\$27</td> </tr> <tr> <td>151-180</td> <td style="text-align: right;">\$26</td> </tr> <tr> <td>181 - 210</td> <td style="text-align: right;">\$25</td> </tr> <tr> <td>210 and up</td> <td style="text-align: right;">\$24</td> </tr> </table> <p>New franchisees are subject to a minimum royalty fee based on 40 subjects beginning after two years of operation. Except as noted in Remarks, this applies immediately when a franchisee signs a renewal Franchise Agreement.</p>	Number of <u>Subjects</u>	<u>Fee</u>	1-30	\$35	31-60	\$32	61-90	\$29	91-120	\$28	121-150	\$27	151-180	\$26	181 - 210	\$25	210 and up	\$24		<p>minimum royalty fee does not apply to you.</p>
Number of <u>Subjects</u>	<u>Fee</u>																				
1-30	\$35																				
31-60	\$32																				
61-90	\$29																				
91-120	\$28																				
121-150	\$27																				
151-180	\$26																				
181 - 210	\$25																				
210 and up	\$24																				
Enrollment Fee	\$15 per student	As incurred	<p>This is a one-time fee, outside of the occasional corporate-sponsored free enrollment periods that is collected at the time: (i) a student initially enrolls at your Franchised Center, or (ii) re-enrolls after not having been enrolled during the immediately preceding 90 days.</p>																		
Brand Fund Contribution	Currently \$1 per subject	Monthly	<p>We may increase the Brand Fund Contribution up to \$3 per subject, per month. We will give you 30 days' notice before increasing required contributions.</p>																		

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks												
Cooperative Advertising	\$100 - \$300 depending on your region	Monthly	Payable if we have established and administer a cooperative advertising program within your regional marketing area. Payable as directed to us or an advertising cooperative.												
Audit Expenses <sup>3</sup>	All costs and expenses associated with audit, plus a fee of 150% of the funds owed if you underreported subjects	Upon demand	Audit costs payable only if the audit shows any understatement in amounts due.												
Late Fees <sup>4</sup>	<p>Late fee rates based on total outstanding monthly invoice or unpaid balance amount shown below:</p> <table data-bbox="511 961 870 1213"> <thead> <tr> <th data-bbox="511 961 732 1024">Total Unpaid Balance</th> <th data-bbox="732 961 870 1024">Late Fee Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="511 1045 732 1077">\$1-\$999.99</td> <td data-bbox="732 1045 870 1077">\$ 50</td> </tr> <tr> <td data-bbox="511 1077 732 1108">\$1,000 - \$1,999.99</td> <td data-bbox="732 1077 870 1108">\$100</td> </tr> <tr> <td data-bbox="511 1108 732 1140">\$2,000 - \$2,999.99</td> <td data-bbox="732 1108 870 1140">\$150</td> </tr> <tr> <td data-bbox="511 1140 732 1171">\$3,000 - \$3,999.99</td> <td data-bbox="732 1140 870 1171">\$200</td> </tr> <tr> <td data-bbox="511 1171 732 1203">\$4,000 and up</td> <td data-bbox="732 1171 870 1203">\$300</td> </tr> </tbody> </table> <p>The rate may not exceed the maximum interest rate allowed by law.</p>	Total Unpaid Balance	Late Fee Rate	\$1-\$999.99	\$ 50	\$1,000 - \$1,999.99	\$100	\$2,000 - \$2,999.99	\$150	\$3,000 - \$3,999.99	\$200	\$4,000 and up	\$300	Upon demand	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit.
Total Unpaid Balance	Late Fee Rate														
\$1-\$999.99	\$ 50														
\$1,000 - \$1,999.99	\$100														
\$2,000 - \$2,999.99	\$150														
\$3,000 - \$3,999.99	\$200														
\$4,000 and up	\$300														
Interest	18% per annum or the maximum interest rate allowed by law	Upon demand	Applies to all overdue fees you owe us. Interest shall accrue from the due date until paid.												
Early Termination Fee	\$2,500 plus an additional \$500 if less than 90 days' notice	Before termination	If you are not in default under the Franchise Agreement, you may terminate without cause provided you give us 180 days' advance written notice and pay the early termination fee. If you give us less												

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
			than 90 days' notice, you must also pay us an additional \$500.
Special Chargeable Items	As incurred	As invoiced	We may periodically supply you with certain items to be purchased from us, such as apparel, supplemental instructional material, promotional products, etc. We will publish prices for these items as we make the items available.
Extra Inventory Usage Fee	\$5 per workbook	As required	If you utilize any additional workbooks over the monthly allotted workbooks based on enrolled subjects, we will charge a fee for each additional overage of workbooks that exceeds the allowances. You must also pay us our shipping costs which will be included in the invoice for the Royalty Fee.
Evaluation of Products or Suppliers You Propose <sup>5</sup>	\$500 - \$1,000	Time of evaluation	Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved.
Insurance Reimbursement	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if you fail to maintain the required insurance coverage and we elect to obtain coverage for you.



Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Transfer Fee	Currently, \$9,000 for transfers to third parties or among owners	At the time of transfer	You must pay your Transfer Fee directly to us. The Transfer Fee does not apply to a transfer from an individual owner or owners to an entity, if the parties maintain their original ownership percentages. There are other conditions to transfer.
Renewal Fee	Currently \$1,000	At the time of renewal	You must pay your Renewal Fee directly to us.
System Modifications	Not more than \$10,000 at any one time	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or new Marks. These amounts may be payable to us or outside vendors we designate.
Customer Service <sup>6</sup>	All costs incurred in assisting your students	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your students.
Substitute or New Director Training/ Additional Training <sup>7</sup>	Currently \$1,250 per person, plus our expenses and your expenses as well as your employees' expenses in attending	Time of training	We provide a NFT program before you begin operations and ongoing training programs during the term of the franchise. If you have to repeat our NFT programs or if you have to send additional personnel for training later, we will charge you this fee.

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Additional Operations Assistance	Currently \$250 per day plus our expenses	Time of assistance	We provide assistance around the beginning of operations and during the term of the franchise. If you request additional assistance beyond what we provide, you will be charged a \$250 per day fee, plus our expenses if we need to travel to accommodate your request.
Non-Participation Fee	\$900	Upon demand	If you do not attend our Annual Franchise Conference, you will be charged a non-participation fee.
Non-Attendance Fee (Meetings)	\$300	Upon demand	If you do not attend at least 75% of the meetings each calendar year, you will be charged a non-attendance fee.
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing your obligations under the Franchise Agreement if we prevail.
Temporary Management Assistance	Our expenses	Each month that it applies	If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your Franchised Center.
Non-JEI Program Operating Fee	If your center fails to have at least 75 subjects offered for two (2) consecutive months, a	Each month that it applies	You must pay us the Non-JEI Program Operating Fee for offering Non-JEI

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
	fee of \$300 per month, is assessed.		Programs in your Franchised Center if enrollment falls below 75 subjects for two (2) consecutive months. If enrollment falls below 75 subjects for six (6) consecutive months, you will no longer be allowed to offer any Non-JEI Programs. We have the right to discontinue any and all Non-JEI Programs at our discretion. No Non-JEI test preparation programs are permitted.
Insufficient Funds	\$50	Upon demand	If bank funds are not available upon scheduled payments, this fee will be charged.
Indemnification	All costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Center.
Signage Removal Fee	Cost of sign removal and disposal plus \$500; reversal of any sign incentives	Upon demand	You must remove and dispose of all interior and exterior signage within 14 days of termination or expiration of the Franchise Agreement. If you do not, we can do so and you must pay our cost

**NOTES**

<sup>1</sup> All amounts are uniformly imposed by and are payable to us unless otherwise noted. All fees payable to us are non-refundable. Before you open your Franchised Center, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for all

amounts due to us. The Authorization Agreement for Pre-Arranged Payments is attached to the Franchise Agreement (Exhibit B to this Disclosure Document) as Exhibit G.

<sup>2</sup> You may, at your discretion, collect any amount you choose from students when they enroll. The Subject Fee payable to us is not calculated based on what you charge for enrollment.

<sup>3</sup> We assume costs vary depending on factors, including prevailing auditor’s rates in your area, the business activity being audited and how well you keep your books and records. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay to us the amount of the underpayment plus a late fee from the date such amount was due until the date it was paid plus our costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys’ fees). If we determine that you have underreported subjects, we may impose a late fee of 150% of the amounts you owe as a result.

<sup>4</sup> Late fees begin after 5 business days from the date payment was due, but not received, or date of underpayment. The maximum interest rate in California is 10% annually.

<sup>5</sup> Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

<sup>6</sup> Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only.

<sup>7</sup> We provide training programs to an individual you select to be the designated director of the franchise and 1 assistant. For any additional person, other than the designated director and one assistant, we will charge you a fee of \$1,250 per person. We do not charge fees for these programs, but if you replace your designated director or are required to repeat training, we will charge you a fee.

**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditures</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee <sup>1</sup>	\$22,500	Bank Check	Upon Signing of the Franchise Agreement	Us
JEI Initial Inventory Deposit <sup>2</sup>	\$5,500	Bank Check	Upon Signing of the Franchise Agreement	Us
JEI Initial Marketing Fee <sup>3</sup>	\$500	Bank Check	Upon Signing of the Franchise Agreement	Us
Real Estate/Rent <sup>4</sup>	\$2,000-\$5,000	As Arranged	Before Beginning Operations	Third Parties

Type of Expenditures	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Real Estate Security Deposit <sup>5</sup>	\$2,000 - \$10,000	As Arranged	Before Beginning Operations	Third Parties
Leasehold Improvements <sup>6</sup>	\$5,000 - \$20,000	As Arranged	Before Beginning Operations	Third Parties
Interior Design Build-Out <sup>7</sup>	\$4,000 - \$8,000	As Arranged	Before Beginning Operations	Third Parties
Office Supplies, Hardware, Software, Furniture, Fixtures & Equipment <sup>8</sup>	\$4,000 - \$6,000	As Arranged	Before Beginning Operations	Third Parties
Insurance <sup>9</sup>	\$1,000 - \$2,000	As Arranged	Before Beginning Operations	Third Parties
Travel for Initial Training <sup>10</sup>	\$250 - \$2,000	As Arranged	During Training	Third Parties
Signage <sup>11</sup>	\$2,000 - \$5,000	As Arranged	Before Beginning Operations	Third Parties
Grand Opening and Initial Marketing Expense <sup>12</sup>	\$6,000	As Arranged	Three months before and three months after Grand Opening Day	Third Parties
Legal & Accounting <sup>13</sup>	\$750 - \$2,000	As Arranged	Before Beginning Business	Third Parties
Licenses & Permits <sup>14</sup>	\$500 - \$1,000	As Arranged	Before Beginning Business	Third Parties
Additional Funds <sup>15</sup> (1-3 months)	\$4,000 - \$15,000	As Arranged	As Necessary	Third Parties
TOTAL <sup>16, 17, 18</sup>	\$60,000 - \$110,500			

#### NOTES

<sup>1</sup> Initial Franchise Fee. You must pay us an Initial Franchise Fee of \$22,500 when you sign the Franchise Agreement for the operation of your first Franchised Center. If you qualify for additional

Franchised Centers, for each additional Center, we will lower the Initial Franchise Fee by \$5,000 if the franchise is being purchased by an entity or individuals that own the same majority (51% or greater) ownership structure as the franchisee initially approved by us for your first Center and if you paid the full non-discounted Initial Franchise Fee for your first Center.

<sup>2</sup> JEI Initial Inventory Deposit. If your Franchise Agreement expires or is terminated, and such termination is not in connection with your purchase of a successor franchise, you will be required to return the initial inventory of Proprietary Products to us, and we will return the initial inventory deposit you actually paid, as shown on Exhibit E to your Franchise Agreement (Exhibit B to this Disclosure Document) (less \$5 for each missing or damaged workbook), provided the items are returned within 90 days of the termination, at your expense, and remain in an unopened or unused and pristine, saleable condition. You must also sign our documents for processing the refund which includes a general release. The initial inventory deposit is otherwise non-refundable and fully earned. If the fees for your missing or damaged workbooks exceed the deposit, you must pay such additional fees. Regardless of whether you will receive a refund, you are required to return all inventory to us upon termination.

<sup>3</sup> JEI Initial Marketing Fee. You are required to use the JEI LEARNING CENTER® website provided for your Franchised Center. This is a one-time \$500 fee and is payable to us. This fee covers various marketing/promotional items, website, and social media setup. This fee is nonrefundable. The website we provide is the only JEI website you can utilize, and you are not permitted to create and/or maintain your own personal JEI website.

<sup>4</sup> Real Estate/Rent. You must lease or otherwise acquire a suitable facility for the operation of the Franchised Center. We expect the facility to be located in retail shopping and residential areas in a highly visible location. The facility typically ranges in size from 800 to 1,200 square feet and has in-suite restroom(s). It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot, and required maintenance costs. The estimated range of cost in this category only includes your costs to enter into a lease agreement for the facility.

<sup>5</sup> Real Estate Security Deposit. We assume you will have to pay the first month's rent and a security deposit equal to one month's rent in advance.

<sup>6</sup> Leasehold Improvements. To adapt a newly-acquired facility for operation of the Franchised Center, the facility must be improved or renovated. The cost of the leasehold improvements will vary depending on factors including the size, condition and location of the facility, local wage rates, and material costs. The low estimate assumes that your landlord will provide a build-out allowance.

<sup>7</sup> Interior Design Build-Out. To adapt a newly-acquired facility for operation of the Franchised Center, it must be designed and built out according to our specifications. This amount also includes the center design package required to be purchased, which ranges from \$1,000 to \$2,000.

<sup>8</sup> Office Supplies, Hardware, Software, Furniture, Fixtures & Equipment. You must purchase general office supplies including stationery, business cards, and a personal computer/point-of-sale system with accompanying software. You will also be required to purchase and install equipment, fixtures, furniture, and items of décor necessary to outfit and operate your Franchised Center according to our specifications, including tables, chairs, lighting, filing cabinets, shelving, and other items. The cost of the office supplies, computers, furniture, fixtures, and equipment will vary according to local market conditions, the size of the Franchised Center, competition among suppliers, and other related factors.

<sup>9</sup> Insurance. You must purchase the amounts and types of insurance as required by our Confidential Operations Manual (the “Confidential Operations Manual”) from time to time. (See Item 8). Factors that may affect your cost of insurance include the size and location of your Franchised Center, value of the leasehold improvements, number of employees and other factors.

<sup>10</sup> Travel for Initial Training. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel, and the type of accommodations you choose.

<sup>11</sup> Signage. This range includes the cost of all signage used in the Franchised Center. The signage requirements and costs will vary based upon the size and location of the Franchised Center, local zoning, landlord requirements, and local wage rates for installation, among other things.

<sup>12</sup> Grand Opening and Initial Marketing Expense. You must spend \$6,000 on grand opening advertising during the three months before and the three months after your grand opening day. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the Franchised Center, time of year, and customer demographics in the surrounding area.

<sup>13</sup> Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Franchised Center. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants, and consultants.

<sup>14</sup> Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses, among other things. Your actual costs may vary based on the requirements of local government agencies.

<sup>15</sup> Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities, and employees’ salaries, for the first 3 months that the Franchised Center is open. These expenses are typically nonrefundable. Additional working capital may be required if sales are low or operating costs are high.

<sup>16</sup> Total. In compiling this chart, we relied on our predecessor’s industry knowledge and experience and nearly 30 years of knowledge and experience in operating JEI LEARNING CENTER® businesses. The amounts shown are estimates only and may vary for many reasons including the size of your Franchised Center, the capabilities of your management team, where you locate your Franchised Center, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

<sup>17</sup> Third Party Payments. Amounts payable to third parties are typically nonrefundable. You should inquire about the cancellation and refund policy of the suppliers and vendors at or before the time of payment.

<sup>18</sup> Financing. We do not offer direct or indirect financing to you for any items.

## **ITEM 8.**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Required Purchases of Goods and Services**

You must purchase your furniture, fixtures and equipment, including computer hardware and software under specifications in the Confidential Operations Manual. We have developed standards and specifications for appearance, quality, price, performance and functionality of goods and services that you must use to establish and operate your Franchised Center. Our standards and specifications are based on our years of knowledge and experience and in operating businesses of the type we are franchising and through research and testing in our businesses. We may communicate our standards and specifications directly to suppliers who wish to seek our approval of their product or services. We communicate our standards and specifications to you when we evaluate your proposed location for the Franchised Center, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location, and through the Confidential Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notice.

You are responsible for developing the Franchised Center. You are obligated, at your expense, to have an architect, engineer and/or general contractor prepare all required construction plans and specifications to suit the shape and dimensions of the Franchised Center and to ensure that such plans and specifications comply with applicable ordinances, building codes, permit requirements, lease requirements and restrictions, and the mandatory specifications and layout provided by us.

You will submit to us, for our prior approval, all advertising and promotional materials before you use them. We will use reasonable efforts to approve or disapprove such materials within 10 days after we receive them, but any materials not approved by us within this time period are deemed disapproved. You may not use any advertising or promotional materials that we have disapproved.

### **Approval of Alternative Suppliers**

If you would like to use any goods or service in establishing or operating the Franchised Center that we have not approved (for goods or services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and/or samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or alternative suppliers, which will range between \$500 and \$1,000. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approved suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods and/or services at competitive prices; production and delivery capability; and dependability and general reputation. We will notify you in writing of our approval or disapproval of the alternate supplier to become an approved supplier. Once the alternate supplier is approved, you may contract with the supplier directly.

Periodically, we may review our approval of any goods, service or supplier. We will notify you in writing if we revoke our approval of goods, service, or supplier, and you must immediately stop purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier.

### **Purchases from Us or Our Affiliates**

Our predecessors and we have developed and are continuing to develop certain proprietary items, such as course materials and workbooks ("Proprietary Products"), which are especially suited for use in JEI LEARNING CENTER® businesses. In order to maintain the uniformity of the System, you must purchase all of your requirements of Proprietary Products from us. You must also pay us all on-going shipping costs for the workbooks which will be included in the invoice for the Royalty Fee. We and our affiliates are the only approved suppliers of the above mentioned Proprietary Products. There are no alternative sources of



supply. We may introduce new or modify existing Proprietary Products. You must carry a sufficient inventory of Proprietary Products to operate the Franchised Center at full capacity, including any new Proprietary Products we may introduce as part of the System. While we have created standards and specifications for the development of your Franchised Center, we have not designated any vendors and suppliers for any products or services other than the above mentioned Proprietary Products.

### **Percent of Expenditures from Us or Approved Suppliers**

We estimate that approximately 10% to 20% of your expenditures for leases and purchases in establishing your Franchised Center will be for goods and services that must be purchased from us or an approved supplier or according to our standards and specifications. We estimate that approximately 1% to 18% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, an approved supplier or according to our standards and specifications.

### **Ownership in Approved Suppliers**

No officer of the franchisor nor anyone listed in Item 2 has any ownership nor other interest in any supplier.

### **Items We Derive Revenue From**

As a result of our supply of Proprietary Products to you and other franchisees, we will derive revenue equal to the price we charge you and other franchisees for such products. During the calendar year ended December 31, 2022, we received \$7,094 from the sale of extra workbooks and promotional items to franchisees, constituting 0.62% of our total revenues of \$1,141,362.

### **Negotiated Prices**

Whenever reasonably possible we negotiate pricing arrangements, including volume discounts, on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchises located in outlying markets that a particular supplier does not serve in significant volume.

### **Material Benefits**

We do not provide or withhold material benefits to you (including renewal rights or the right to additional JEI LEARNING CENTER® businesses) based on whether you purchase through the sources we designate or approve. We may take action, including terminating your franchises, if you purchase unapproved products or make purchases from unapproved suppliers.

### **Cooperatives**

We have no purchasing or distribution cooperatives serving our franchise system.

### **Insurance**

You must purchase and maintain in full force and effect, at your expense and from a company licensed in the state that you operate and which are rated “A” or better by AM Best. At a minimum, you must carry, in accordance with the standards and specifications set forth by us in writing, the following:

1. “all risk” property insurance coverage for assets of the Franchised Center;

2. workers' compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires;
3. comprehensive general liability insurance with a minimum liability coverage of \$1,000,000 per occurrence or higher if your state law requires;
4. business interruption insurance;
5. automobile liability insurance of at least \$1,000,000 or higher if your state law requires;
6. abuse and molestation insurance;
7. insurance coverage for contractual indemnity; and
8. such other coverages and limits as are described in the Operations Manual.

We may change the types and minimums of coverage periodically and all insurance must name us and our affiliates that we designate as additional insureds. You must supply us with evidence of coverage and all policies must provide for at least 30 days' prior written notice to us before termination or amendment of the insurance policy. You must also provide a waiver of subrogation in our favor and provide that your insurance policies are primary and non-contributory to any policies we may carry.

**ITEM 9.  
FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other ITEMS of this Disclosure Document.**

Obligation		Section in The Franchise Agreement	Disclosure Document ITEM
a.	Site selection and acquisition/lease	Sections 2 and 5	ITEMS 11 and 12
b.	Pre-opening purchases/leases	Sections 5, 13 and 15	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 and 8	ITEMS 7, 8 and 11
d.	Initial and ongoing training	Section 8	ITEMS 6, 7 and 11
e.	Opening	Sections 5, 8, and 11	ITEM 11
f.	Fees	Sections 3, 5, 8, 10, 11, 12, 13, 15, 18, 21 and 22	ITEMS 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 5, 6, 7, 9, 10, 11 and 13	ITEMS 8 and 16

<b>Obligation</b>		<b>Section in The Franchise Agreement</b>	<b>Disclosure Document ITEM</b>
h.	Trademarks and proprietary information	Sections 6, 7 and 9	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6, 7, 9 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	Section 13	ITEM 16
k.	Territorial development and sales quotas	Section 4.1	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 10 and 13	ITEM 6
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Sections 3 and 11	ITEMS 6 and 11
p.	Indemnification	Section 21	ITEM 6
q.	Owner's participation/management/staffing	Section 13	ITEM 15
r.	Records and reports	Section 12	ITEM 11
s.	Inspections and audits	Sections 6 and 12	ITEMS 6, 11 and 13
t.	Transfer	Section 18	ITEM 17
u.	Renewal	Section 4	ITEM 17
v.	Post-termination obligations	Section 17	ITEM 17
w.	Non-competition covenants	Sections 7 and 17	ITEM 17
x.	Dispute resolution	Sections 22 and 23	ITEM 17
y.	Other	Not Applicable	Not Applicable

**ITEM 10.  
FINANCING**

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

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

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

A. Before you open your Franchised Center, we will:

1. if we have not already authorized a site for the Franchised Center before signing the Franchise Agreement, designate the area which you must locate the Franchised Center, provide you with our criteria for site selection, and evaluate sites you have selected for the location of the Franchised Center, which must be located in a retail location with signage. (Franchise Agreement: Sections 2.3 and 5.1)

2. review and decide whether or not to approve your lease agreement or purchase agreement for the site for the accepted site for the Franchised Center. (Franchise Agreement: Section 5.2)

3. provide you with specifications for remodeling and equipping the Authorized Location, along with a list of required supplies, equipment and improvements, which you are required to purchase and install. (Franchise Agreement: Section 5.3)

4. provide, in the Confidential Operations Manual or in other written or electronic form, you with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, we may from time to time issue revisions to such lists and we will not deliver or install these items. (Franchise Agreement: Section 13.1.2)

5. provide an NFT program lasting not more than 10 days. (Franchise Agreement: Section 8.1)

6. provide to you on-site assistance and guidance for approximately 2 days to assist you with any questions you may have in operating the Franchised Center. (Franchise Agreement: Section 8.2)

7. provide to you, on loan, one copy of our Confidential Operations Manual.(Franchise Agreement: Section 9.1)

8. designate the Franchised Center name following our naming standards. (Franchise Agreement: Section 5.3)

B. After the opening of the Franchised Center, we will:

1. periodically advise you and offer knowledge and experience. We offer you advice and guidance on a variety of matters, including authorized services or products, as well as operational methods, accounting procedures, marketing, possible prices for products and services (you determine the prices you charge), and sales strategies. (Franchise Agreement; Section 14.1)

2. at our discretion, make periodic visits to the Franchised Center to provide you with consultation, assistance, and guidance in various aspects of the operation and management of the Franchised Center. We prepare written reports suggesting changes or improvements in the operations of the Franchised Center and detail any deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Franchise Agreement: Section 14.2)

3. make available to you operations assistance and ongoing training as we think necessary. (Franchise Agreement: Sections 8.2 and 8.5)

4. evaluate and decide whether or not to approve forms of advertising materials you will use for local advertising, grand opening advertising, and cooperative advertising. (Franchise Agreement: Section 11)

5. provide you with modifications to the Confidential Operations Manual as they are made available to franchisees. (Franchise Agreement: Section 9.2)

#### C. Confidential Operations Manual

The approximate total number of pages in the Confidential Operations Manual as of the date of this Disclosure Document is 194. The Table of Contents of the Confidential Operations Manual is included as Exhibit C to this Disclosure Document.

#### D. Grand Opening and Local Advertising

To support your grand opening, you must spend no less than \$6,000 on local advertisement and promotion of initial opening (grand opening advertising) during the three month period before and the three month period immediately after your grand opening, including but not limited to, digital marketing, print or news media and/or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We determine the minimum amount by assessing advertising costs in your area and taking into account the time of year that you are opening. We will provide you with guidance for conducting grand opening advertising, and we will review and approve the materials you use in your grand opening advertising. (Franchise Agreement: Section 11.1)

After your grand opening advertising is over following the first three months of operation, you must spend \$1,000 each month for the next six months of operation on advertising, promotions and endeavors in public relations in the local area surrounding the Franchised Center. Thereafter, you must spend \$500 each month during the remaining term of the Franchise Agreement. You will pay for your ads and promotions directly, but we will provide guidance in the form of yearly marketing guidelines, review, and approval of any and all advertisements. We will not spend any funds on advertising your Franchised Center in your local area. (Franchise Agreement: Section 11.2)

#### E. Brand Fund

We have developed a System-wide Brand Fund. You are required to make monthly contributions to the Brand Fund, and the amount of which shall be set by us and may be adjusted from time to time, upon 30 days' written notice to you, prior to changing the Brand Fund contribution requirements. Currently we are charging \$1 per subject, per month. At our discretion, we may increase the contribution requirement to \$3 per subject, per month. We will administer the Brand Fund as follows (Franchise Agreement: Section 11.3):

We control the creative concepts and the materials and media to be used, and we determine the placement and allocation of advertisements. We may use print, television, radio, Internet, or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Brand Fund.

We may use your contributions to meet any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail, and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We plan to conduct some advertising in-house, but we may use a national or regional advertising agency. We will maintain your contributions in a separate group account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Brand Fund. We will not use Brand Fund contributions for the direct solicitation of franchise sales.

We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the Brand Fund before using current contributions. We intend for the Brand Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the Brand Fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to contributing franchisees on a *pro rata* share.

All JEI LEARNING CENTER<sup>®</sup> businesses owned by us will make similar contributions to the Brand Fund as required of franchisees. The Brand Fund is not a trust and we assume no fiduciary duty in administering the Brand Fund. We may have an accounting of the Brand Fund prepared each year, and if we do, we will provide you with a copy if you request it. The Brand Fund is not audited.

We began collecting the Brand Fund in April 2022. During the year ended December 31, 2022, we did not make any expenditures from the Brand Fund.

#### F. Cooperatives

Although we are not obligated to do so, we may create from time to time a cooperative advertising program for the benefit of all JEI LEARNING CENTER<sup>®</sup> franchises located within a particular region, and you will contribute an amount we determine, currently \$100 to \$300 a month, depending on your region. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If a cooperative advertising program is implemented in a particular region, we may administer the program or establish an advertising council for franchisees in that region to self-administer the program. Franchisor-owned outlets will not be required to contribute to cooperative advertising programs.

As of the date of this Disclosure Document, we do not have an advertising council composed of franchisees. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. If we create a cooperative advertising fund, we, or an advertising agency we designate will be responsible for administration of the cooperative. We will operate from written governing documents that will be available for your review. Periodic financial statements will also be prepared and available for your review. (Franchise Agreement: Section 11.4)

#### G. Internet-Based Mediums

You are restricted from establishing a presence on or conducting any marketing activities using the Internet without our consent or for territories outside of your market, and at no time will you be allowed to operate on any platform not approved by us that is associated with your Franchised Center. We have an Internet website at the uniform resource locator (“URL”) [www.jeilearning.com](http://www.jeilearning.com) (the “Website”) that provides information about the System and the services that JEI LEARNING CENTER® businesses provide. We may (but are not required to) include on the Website an intranet section or an interior page containing information about the Franchised Center. If we include this information on the Website, you may be requested to prepare the page, at your expense, using our template. All information must be approved by us before it is posted. All Franchised Center associated Internet-based channels, including but not limited to, Google Business Profile, Facebook, Twitter, Instagram, Yelp, Pinterest, Snapchat, and YouTube are completely owned by us, and you will receive operational access to each Internet-based channel only upon written request and our approval. We reserve the right to deny your request or revoke permissions for any reason at any time. We retain the sole right to market on the Internet, including, without limitation, the use of websites, domain names, URL’s, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, social media, auction sites, e-commerce, and co-branding arrangements. Except for territories in your market, (i) you may not offer or sell JEI LEARNING CENTER® products or services through the Internet, except as authorized by us in the Confidential Operations Manual or otherwise in writing; and (ii) you may not advertise for students by social media or using related media or technology except as authorized by us in writing. You may be requested to provide content for our Internet marketing programs and you must follow our intranet and Internet usage rules, policies and requirements as described in the Confidential Operations Manual. We retain the sole right to use the Marks and the Copyrighted Materials on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our Website. (Franchise Agreement: Section 11.5)

#### H. Computer/Point-of Sale System

You must purchase and use any computer hardware and software programs that we designate. (Franchise Agreement: Section 12.5) We do not require you to use a specific computer system, but your computer system should meet with the following minimum specifications:

- Windows 7 or Microsoft Edge
- Firefox, Safari or Chrome
- Microsoft Office
- High-Speed Internet Access

The type of data required to be stored in our computer systems ensure the Franchised Center information, royalty information, diagnostic testing information, inventory management information, and sales metrics.

The approximate cost of the hardware and software is \$1,000. We may require you to update, modify or replace your system during the term of the franchise. (Franchise Agreement: Section 10.2)

You are not required to enter into any ongoing maintenance or support agreements, but you may find it advantageous to do so. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limits on our rights to do so. We have the right to independently access all information you collect or compile at any time without first notifying you. (Franchise Agreement: Sections 10.2, 12.5 and 12.6)



#### I. Methods Used to Select the Location of the Franchised Center

If you have a potential site for the Franchised Center, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area in which you must locate the Franchised Center and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Franchise Agreement: Section 2.3) At all times, you must have a physical address (that is not a home address) as the Franchised Center. (Franchise Agreement: Section 2.2). We will not own the premises and lease it to you.

We will provide you with written notice of our acceptance or rejection of any proposed site within a reasonable time (usually within 30 days) after receiving all requested information. There is no time period within which you must obtain a location for the Franchised Center except that it must be obtained in order to give you enough time to open within the 240-day timeline outlined below. In the event that we and you do not agree on a suitable site, an extension will be provided to find a location that meets our requirements. If you fail to timely select an accepted site, we have the right to terminate the Franchise Agreement without providing an opportunity to cure. The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other JEI LEARNING CENTER® businesses, lease requirements, traffic patterns, visibility, available parking and overall suitability. (Franchise Agreement: Section 5.1)

#### J. Typical Length of Time before Operation

The Authorized Location will be developed, equipped and improved according to our specifications. The typical length of time between the earlier of the signing the Franchise Agreement or the first payment of consideration for the franchise and the opening of your business is four to five months or more. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You must open your brick and mortar Franchised Center and be operational within 240 days after signing the Franchise Agreement. (Franchise Agreement: Sections 5.3 and 5.4)

#### K. Initial Training

We provide you a NFT program that covers material aspects of the operations of the Franchised Center. The topics covered are listed in the chart below. Under normal circumstances, this training will be conducted at our headquarters in Los Angeles, California, our Regional Office in Englewood Cliffs, New Jersey, or another location we designate. In times of extraordinary circumstances, such as a pandemic or shelter in place, where in-person training may not be feasible, we may provide the NFT remotely. You must designate a director for the Franchised Center and he or she must complete the initial training to our satisfaction approximately 4 weeks before the opening of the Franchised Center. One assistant of your choosing may also attend at your option. For any additional person, other than the designated director and 1 assistant, we will charge you a fee of \$1,250 per person. We expect that your attendees will advance through the training program at different rates depending on a variety of factors including background and experience. Training occurs on an as-needed basis. We will give you notice of the dates and locations of the training in advance.

The training will include the following instructional materials: The Confidential Operations Manual and Workbook Manual. The training will occur at our training center, at a designated Franchised Center, or online. The dates and location of the training will depend on the number of franchisees attending.



The time frames provided in the chart below are an estimate of the time it will take to complete training. We do not charge for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. You are responsible for training your own employees and other management personnel. This initial training is in addition to the 2 days of on-site training at a JEI LEARNING CENTER® business we designate. We will also provide you with up to 2 days of on-site opening assistance after the initial training and on-site training has been completed. Your Franchised Center must at all times be under the day-to-day supervision of a director who has completed our training program to our satisfaction approximately 4 weeks before the opening of the Franchised Center. If you replace your director and we determine that the replacement director requires training, you will be charged a training fee of \$1,250. Your new director must attend our training and complete the program to our satisfaction. After a replacement of the director, he or she has 30 days to complete initial training. You must pay all travel costs and living expenses for a new director's attendance. (Franchise Agreement: Section 8)

Ms. Christine See supervises the training programs. Ms. See has over 17 years of franchise experience in the industry and has been with JSLS and then JEI since 2016. Ms. Sunhee Park assists Ms. See with training. Ms. Park has over 14 years of industry experience and has been with the JSLS and then JEI since 2011.

### **TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB/REMOTE - ONLINE TRAINING <sup>2</sup>	LOCATION <sup>1</sup>
Introduction to JEI & How to Establish a Center	n/a	1.5	Corp. HQ, Regional Office, On Site and/or Home
Understanding Roles & Responsibilities The Business Plan & Market Research	n/a	1	Corp. HQ, Regional Office, On Site and/or Home
The Customer Experience	n/a	1.5	Corp. HQ, Regional Office, On Site and/or Home
Workbook Training: Part 1	n/a	1	Corp. HQ, Regional Office, On Site and/or Home
Introduction to Training	1	n/a	Corp. HQ, Regional Office, On Site and/or Home
Introduction to JEI & Establishing a JEI LEARNING CENTER® business	n/a	1.5	Corp. HQ, Regional Office, On Site and/or Home
Obligations of Franchisor and Franchisee	1	n/a	Corp. HQ, Regional Office, On Site and/or Home
JEI Self-Learning Method	3	n/a	Corp. HQ, Regional Office, On Site and/or Home

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB/REMOTE - ONLINE TRAINING<sup>2</sup></b>	<b>LOCATION<sup>1</sup></b>
Managing a JEI LEARNING CENTER® business	1.5	2	Corp. HQ, Regional Office, On Site and/or Home
Daily Operating Procedures	8	15	Corp. HQ, Regional Office, On Site and/or Home
JEI Global & Practical	2	5	Corp. HQ, Regional Office, On Site and/or Home
Advertising & Marketing	3.5	n/a	Corp. HQ, Regional Office, On Site and/or Home
Intro to Math	1.5	n/a	Corp. HQ, Regional Office, On Site and/or Home
Problem Solving Math	1	n/a	Corp. HQ, Regional Office, On Site and/or Home
Intro to English	1.5	n/a	Corp. HQ, Regional Office, On Site and/or Home
Reading & Writing	1.5	n/a	Corp. HQ, Regional Office, On Site and/or Home
Brain Safari	0.5	n/a	Corp. HQ, Regional Office, On Site and/or Home
Competitors	1	n/a	Corp. HQ, Regional Office, On Site and/or Home
Enrollment Counseling & Role Play	2	7.5	Corp. HQ, Regional Office, On Site and/or Home
Business Marketing Plan	n/a	1	Corp. HQ, Regional Office, On Site and/or Home
Evaluation Test	2	n/a	Corp. HQ, Regional Office, On Site and/or Home
Workbook Training: Part 2	n/a	1	Corp. HQ, Regional Office, On Site and/or Home
<b>TOTAL HOURS – 69</b>	<b>31</b>	<b>38</b>	

<sup>1</sup> Our Corporate Headquarters is located at 4465 Wilshire Blvd, Suite 302, Los Angeles, California 90010, and our Regional Office is located at 440 Sylvan Ave, Suite 212, Englewood Cliffs, New Jersey 07632.

<sup>2</sup> In times of extraordinary circumstances, such as a pandemic or shelter in place, where in-center approach may not be feasible, we may resort to other means of instruction and remote learning outside of the in-center approach that we normally conduct.

If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. Any substitute or additional trainer that we use will be trained by us and be required to have knowledge and experience with our System. There are no limits on our right to assign a substitute to provide training.

#### L. Ongoing Training and Retraining

Periodically you, your directors, managers, and/or employees must attend refresher-training programs to be conducted at our headquarters or another location we designate. If, at any time on or after the 24th month of operations, your Franchised Center has not maintained an average of at least 60 subjects during the immediately preceding 6 months you will be required to attend mandatory retraining. We will charge tuition for attendance at these programs. In addition, you are solely responsible for all of your costs and expenses to attend. (Franchise Agreement: Section 8.5)

You are required to attend the “Annual Franchise Conference” each year during the term of the Franchise Agreement. If you are not able to attend, you may send a staff member in your absence. If you or a staff member does not attend, a \$900 non-participation fee will be applied. You will be responsible for all travel and living expenses and employee salaries you incur in attending the Annual Franchise Conference.

You must also attend all meetings required by us, which may include regional quarterly meetings during the term of the Franchise Agreement. You will be responsible for all travel and living expenses and employee salaries you incur in attending all meetings. (Franchise Agreement: Sections 8.6 and 8.7).

### **ITEM 12. TERRITORY**

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 or our affiliates control.

#### **Protected Territory**

Once a location has been determined for your Franchised Center, we will grant you rights within a geographic area (“Protected Territory”). So long as your Franchise Agreement is in force and effect and you are not in default under any of its terms, subject to our reserved rights (see below), we shall not license, establish, own or operate any other JEI LEARNING CENTER<sup>®</sup> businesses within your Protected Territory. We determine the location and size of the Protected Territory in our sole and absolute discretion. The Protected Territory will be determined by the demographics and population size specific to the market within which your franchised Center will be located. There is no minimum population size for the target demographic group within your Protected Territory. Factors we consider when determining your Protected Territory are population, projected growth, estimated number of households, estimated number of families, age, income, marital status, age of children, workplace population, family data and household ownership. Also used in determining the boundaries of your Protected Territory are the major and restricting topographical features which define contiguous areas such as rivers, mountains, major roads, and undeveloped land areas, the density of residential and business entities, trading patterns and traffic flows and other factors as we deem relevant.

We do not place restrictions on you with respect to who may be a customer at your Franchised Center. Customers may reside anywhere, including within the boundaries of another Franchisee's Protected Territory, and customers can decide where they wish to travel to enroll and attend any center location of their choosing. However, you are not permitted to market/promote your Franchised Center within the boundaries of another franchisee's Protected Territory unless previously approved in writing by us and/or in collaboration with the franchisee within such Protected Territory.

### **Relocation**

You will operate your Franchised Center only from the Authorized Location within the Protected Territory. You may not relocate your Franchised Center without obtaining our prior written approval. In granting such approval, we will consider whether the lease for the Franchised Center has expired or terminated without fault on your part; if the Franchised Center has been destroyed, condemned or rendered unusable; changes in the character of the location of your Franchised Center sufficiently detrimental to your business potential to warrant a relocation; the location of other and future facilities; and other factors deemed relevant by us in our reasonable discretion. We do not charge a relocation fee. However, any relocation of your Franchised Center will be at your sole expense. All leases, subleases or other agreements you enter into to relocate the Franchised Center must conform to the provisions of the Franchise Agreement. Relocations must be seamless and provide little to no disruption of services to the subjects. If your Franchised Center needs to "temporarily close" due to an urgent need to relocate, such as loss of lease, fire, flood, damage, or other untenable conditions to stay, then JEI will allow your Franchised Center to temporarily close for up to 120 days until a reasonable replacement site is secured. You must meet certain conditions to receive the 120-day allowance. The policy and the requisite conditions are provided in the Confidential Operations Manual. If you re-locate the Franchised Center without our prior written approval, we have the right to terminate the Franchise Agreement.

### **Reserved Rights**

We expressly retain the right to:

1. establish, and license others to establish, JEI LEARNING CENTER<sup>®</sup> businesses at any location outside of the Protected Territory as we deem appropriate;
2. establish, and license others to establish, other businesses (including Competitive Businesses) under other systems using other proprietary marks at such locations, including within Franchisee's Protected Territory, and on such terms and conditions as Franchisor deems appropriate;
3. purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to the Franchised Center (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If we purchase or acquire franchises or licenses, we may, in our sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between us and such franchisee(s) or licensee(s). If we purchase or acquire such businesses within the Protected Territory which are not franchised or licensed, we may, in its sole discretion;
4. be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Territory;
5. sell the products and services authorized for JEI LEARNING CENTER<sup>®</sup> businesses using the Marks or other trademarks, service marks and commercial symbols through an

alternate channel of distribution such as joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate, provided however, that no such sales shall be made to a Competitive Business within the Protected Territory;

6. establish our presence and conduct all marketing activities using the Internet to develop 'direct business' with students and parents that may not include you; and

7. engage in any activities not expressly forbidden by the Franchise Agreement.

These activities may compete with your Franchised Center. We will not compensate you for any activity including sales made in your area through an alternate channel of distribution. With some exception, you may not directly market to or solicit customers located inside another franchisee's protected territory. Unless you are advertising cooperatively with another franchisee, you may not advertise in any media exclusively circulated within another franchisee's protected territory.

Unless specified in writing, you do not have options, a right of first refusal, or similar rights to acquire additional franchises in the Protected Territory, or otherwise. You do not have any rights to a specific geographic area because you request it. Territorial rights are only granted based on the terms of a Franchise Agreement we sign with you.

You do not have the right to conduct business on the Internet. We may permit you a temporary, limited right to conduct virtual sessions, but you may not do so without our prior written consent. You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Franchised Center on the Internet or any other public computer network or social media site except as required, sponsored, placed, or approved in writing by us. At no time will you be allowed to operate on any platform not approved by us that is associated with your Franchised Center. All Franchised Center associated Internet-based channels, including but not limited to, Business Profile, Facebook, Twitter, Instagram, and Yelp are completely owned by us, and you will receive operational access to each Internet-based channel only upon written request and our approval. We reserve the right to deny your request or revoke permissions for any reason at any time.

### **Non-JEI Programs**

Non-JEI Programs are academic and extra-curricular programs that are not offered by us but which we determine do not compete with our existing programs. You may offer Non-JEI Programs, but if enrollment in your other programs falls below 75 subjects for two consecutive months or more, you must pay us a Non-JEI Program Operating Fee of \$300.00 per month, starting on the third month. If you fail to have at least 75 subjects for six consecutive months, you may no longer offer Non-JEI Programs. We can discontinue any or all of the Non-JEI Programs at any time. You may not offer test preparation programs that are not authorized by us. Non-JEI Programs may only constitute a maximum of 5% of your total business operations and all students enrolled in Non-JEI Programs must be concurrently enrolled in JEI Self-Learning Systems® study programs.

### **Businesses Under Different Trademarks**

As of the date this Disclosure Document was issued, neither we nor any of our affiliates operates, franchises or has plans to operate or franchise a business under a different trademark that will offer similar services to the ones you will offer as a JEI Learning Center franchisee, but we reserve the right to do so. If we acquire or are acquired by another company that offers similar services, there may be businesses similar

to yours operating in your Protected Area and we reserve the right to continue to operate or franchise such businesses and additional businesses under that brand regardless of their locations.

### ITEM 13. TRADEMARKS

You will receive the right to operate your Franchised Center under the trademark “JEI LEARNING CENTER®,” which is the principal trademark used to identify our System of operation. You may also use any other current or future Mark to operate your Franchised Center that we designate in writing, including the logo on the front of this Disclosure Document.

JEIC has obtained registrations on the Principal Register of the United States Patent and Trademark Office (“USPTO”) for the following service marks:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	LAST RENEWAL DATE
JEI	2661126	December 17, 2002	October 5, 2022
JAENEUNG	2845145	May 25, 2004	May 7, 2014
A BETTER LIFE THROUGH BETTER EDUCATION	2910105	December 14, 2004	May 8, 2014
JEI SELF-LEARNING SYSTEMS	3310297	October 16, 2007	January 23, 2018
JEI (+ 4 Korean Letters) <b>JEI 재능교육</b>	3310299	October 16, 2007	August 28, 2018
<a href="http://www.jeilearning.com">www.jeilearning.com</a> (smile mark) 	3310295	October 16, 2007	November 7, 2017
<a href="http://www.jei-edu.com">www.jei-edu.com</a> (smile mark) 	3310296	October 16, 2007	October 1, 2018
Self-Learning JEI English Self-Learning <b>JEI English</b>	3310294	October 16, 2007	November 7, 2017
Self-Learning JEI Math Self-Learning <b>JEI Math</b>	3310293	October 16, 2007	November 7, 2017
4 Korean Characters	3310292	October 16, 2007	November 7, 2017

MARK	REGISTRATION NUMBER	REGISTRATION DATE	LAST RENEWAL DATE
<b>재능국어</b>			
JEI Self-Learning Method (standard character mark)	4048102	November 1, 2011	March 4, 2022
JEI Learning Centers (standard character mark)	4048101	November 1, 2011	March 7, 2022
JEI Learning Center	4974349	June 07, 2016	N/A
Brain Safari	5447854	April 17, 2018	N/A
Brain Safari (logo mark) 	5447850	April 17, 2018	N/A
JEI Pen	5381944	January 16, 2018	N/A

We have entered into a license agreement with JEIC under which we have a perpetual license to use, and license third parties to use, the Marks. The license agreement can be terminated by either party if: (a) either party files a petition in bankruptcy or is adjudicated as bankrupt or insolvent, or makes an assignment for the benefit of creditors or an arrangement pursuant to any bankruptcy law, or if a receiver is appointed for a party or for a party's business; (b) either party is unable to pay its debts as and when they become due and payable; (c) either party discontinues its business; or (d) if the other party fails to observe or perform any covenant or obligation herein and if such default is not cured within 60 days after the party receives written notice specifying such default. JEIC can also terminate the agreement upon 60 days' notice to us. Termination of the agreement will not impact any franchise agreements between us and our franchisees in effect at that time.

All necessary affidavits and renewal applications for the trademarks as required by the USPTO have been filed. The terms of this agreement can be terminated upon mutual agreement of both parties, our ceasing of business in the US and Canada; our bankruptcy, insolvency, or assignment of our assets to a creditor; or the appointment of a receiver or trustee to take charge unless vacated discharged or released within 30 days. Upon termination of the license agreement, you may be required to discontinue all uses of the trademarks and return materials bearing our trademarks.

There are currently no effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of this state or any state trademark administrator or any court, state or federal involving the Marks. We know of no pending infringement, opposition or cancellation proceeding; we know of no pending material federal or state court litigation regarding our use or ownership of the Marks.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which a JEI LEARNING CENTER<sup>®</sup> may be located.

Other than the above, there are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Center. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or

ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn of an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

If we request, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your Franchised Center for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

While we are not required to defend you against a claim against your use of our Marks, we may reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or website using any domain name containing the words “JEI LEARNING CENTER<sup>®</sup>” or any variation thereof without our prior written consent. All Franchised Center associated Internet-based channels, including but not limited to, Google Business Profile, Facebook, Twitter, Instagram, and Yelp are completely owned by us and you will receive operational access to each Internet-based channel only upon written request and our approval. We reserve the right to deny your request or revoke permissions for any reason at any time. We retain the sole right to advertise on the Internet and create websites using the “JEI<sup>®</sup>” name and any other domain names we may designate in the Confidential Operations Manual. If you are an entity, your entity name may not include the words “JEI,” “JEI Learning,” “JEI Learning System,” “JEI Learning Center,” or any combination of the foregoing. If you hold any unauthorized domains that promote JEI or Competitive Businesses, you must immediately cease use of the domain and surrender all ownership and authority to us.

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

No patents are material to the franchise. We have no pending patent applications that are material to the franchise. We and JEIC, own copyrights in the Confidential Operations Manual, our Proprietary Products, including course materials and workbooks, marketing materials, and other copyrightable items that are part of the System (“Copyrighted Materials”). While we claim copyrights in these and similar



items, we have not registered the Copyrighted Materials with the United States Register of Copyrights and need not do so to protect them. You may use the Copyrighted Materials only as we specify while operating the Franchised Center and you must stop using them if we direct you to do so.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the Copyrighted Materials. Our right to use or license Copyrighted Materials is not materially limited by any agreement or known infringing use.

You will not receive any rights to the Copyrighted Materials other than the nonexclusive right to use them in the operation of your Franchised Center. You may only use the Copyrighted Materials in accordance with our standards, operating procedures, and specifications. Any unauthorized use of the Copyrighted Materials by you is a breach of the Franchise Agreement and an infringement of our rights in the Copyrighted Materials. You may not contest the validity or ownership of the Copyrighted Materials, including new Copyrighted Materials that we develop and permit you to use after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Copyrighted Materials.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any of the Copyrighted Materials, or any claim by any person of any rights in any of the Copyrighted Materials, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning the Copyrighted Materials. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Copyrighted Materials.

We can require you to modify or discontinue the use of the Copyrighted Materials. We will not be required to reimburse you for modifying or discontinuing the use of the Copyrighted Materials. We are not obligated to reimburse you for any loss of goodwill associated with any modified or discontinued Copyrighted Materials. We are not obligated to reimburse you for any expenses you incur to promote modified or substitute Copyrighted Materials.

We may reimburse you for all of your expenses reasonably incurred in any copyright or similar legal proceeding disputing your authorized use of any of the Copyrighted Materials, but only if: (a) you notify us of the proceeding in a timely manner; (b) you have solely used the Copyrighted Materials according to the terms and conditions of the Franchise Agreement; (c) you have responded to such proceeding according to the terms and conditions of the Franchise Agreement and to our directions; and (d) you have not taken other actions, or failed to take actions, which we consider detrimental to our rights. We have the right to defend and control the defense of any proceeding arising directly from your use of the Copyrighted Materials. Our reimbursement does not include your expenses for discontinuing your use of any Copyrighted Materials. Our reimbursement also does not apply to any disputes where we challenge your use of the Copyrighted Materials. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You may not use any Copyrighted Materials in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You may not register or seek to register as a copyright, either with the United States Copyright Office or any state or foreign country, any of the Copyrighted Materials.

We have developed trade secrets or other confidential or proprietary information (“Confidential Information”), relating to the franchise, the System, the Marks, the Copyrighted Materials or the Proprietary

Products, including know-how, knowledge of and experience in, operating a JEI LEARNING CENTER<sup>®</sup>, methods, formats, specifications, policies, procedures, information, standards, business management and operating systems and techniques; record keeping and reporting methods; accounting systems; management and personnel training techniques; advertising and promotion techniques; specifications for signs, displays, business forms, and business stationery to be used by franchisees; designs, drawings, and specifications for the Authorized Location for the Franchised Center; the Confidential Operations Manual, ideas, research and development; student account data; lists of franchisees and suppliers; suggested pricing and cost information; information relating to computer hardware and software specifications, including technological manuals, system requirements, technological support systems, training programs or techniques; product information; the Franchise Agreement and any other information or material we identify as confidential or proprietary.

We will provide our Confidential Information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your Franchised Center. You may only divulge Confidential Information to employees who must have access to it in order to operate the Franchised Center. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to our Confidential Information, including your owners (and members of their immediate families and households), officers, directors, executives, managers, employees and representatives may be required to sign nondisclosure and non-competition agreements in substantially the form attached as Exhibit B to the Franchise Agreement.

During the term of the Franchise Agreement, if you conceive or develop any improvements or additions to the System, copyrightable works, Internet websites, or any other documents or information relating to the System or the franchise, or any advertising or promotional ideas related to the franchise (collectively "Improvements"), you must fully disclose the Improvements to us without disclosing the Improvements to others. You must also obtain our prior written approval before using any of the Improvements. If we approve the use of an Improvement, we and our other franchisees may use the Improvement and you will not be entitled to any royalty or similar fee for such use. All Improvements are deemed our sole and exclusive property and "works-made-for-hire" under the Franchise Agreement, or you must assign, at no cost or charge to us, all interests you have in any Improvement. You must assist us in securing copyrights, patents and trademark or service mark rights relating to any Improvement. We have the right to consider any Improvement our property and our trade secret. We permit you to use Improvements that are developed by other franchisees if we authorize general use of the Improvement.

#### **ITEM 15.**

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

The Franchised Center must always be under the direct full-time day-to-day supervision of a director, which is you if you are the single, individual owner of the franchise, or is an individual you select if you are a business entity. The director is the individual who is responsible for the day-to-day operation of the Franchised Center. If you are a corporation or other business entity, the director does not have to be one of your owners. The director must attend and satisfactorily complete our NFT program prior to opening the Franchised Center. You must keep us informed at all times of the identity of your director. If you must replace the director, your replacement must attend and satisfactorily complete our NFT program.

Your owners (and members of their immediate families and households), officers, directors, executives, managers, employees, representatives, and other individuals having access to Confidential Information may be required to sign nondisclosure and non-competition agreements in substantially the

form attached as Exhibit B to the Franchise Agreement (Exhibit B to this Disclosure Document). We will be a third-party beneficiary with the right to enforce the agreements.

If you are a corporation or wish to form a corporation or other business entity, including a limited liability company, to operate your Center, the Key Person must own at least 51% of such entity and must have the power to direct and control an entity's affairs. Anyone who owns a percentage interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement as Exhibit C. The spouse of an owner of the franchisee entity does not have to sign the Unlimited Guaranty and Assumption of Obligations if the spouse does not own any interest in the franchisee.

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

You may only use the Authorized Location for the operation of the Franchised Center, and you must not use, or permit the use of, the premises for any other purpose without our written consent. You must operate the Franchised Center in strict conformity with the methods, standards and specifications in the Confidential Operations Manual and as we may require otherwise in writing. You may not deviate from these standards, specifications and procedures without our written consent.

You must offer the services and products we specify periodically, in strict accordance with our standards and specifications. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time. In particular, you may not install or use any vending machines, amusement devices, jukeboxes, or other similar devices without our prior written approval. We may take action, including terminating your Franchised Center, if you purchase or sell unapproved products or make purchases from unapproved supplies.

You must obtain our written approval to offer Non-JEI Programs, as provided in the JEI Confidential Operations Manual. If enrollment at your Franchised Center falls below 75 subjects for two consecutive months, you must pay us a Non-JEI Program Operating Fee of \$300.00 per month for offering Non-JEI Programs, starting in the third month. If enrollment at your Franchised Center falls below 75 subjects for six consecutive months, you may no longer offer Non-JEI Programs. JEI has the right to discontinue any and all Non-JEI Programs at its discretion. No Non-JEI test preparation programs are permitted. Non-JEI Programs may only constitute a maximum of 5% of your total business operations and all students enrolled in Non-JEI Programs must be concurrently enrolled in JEI Self-Learning Systems® study programs. Please refer to the Operations Manual for further information.

We may periodically change required or authorized products or services. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications; however, you shall not be required to spend more than \$10,000 at any one time on such improvements or modifications.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing, your qualifications, and regional or local differences.

#### **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 agreement attached to this Disclosure Document.**

Provision		Section in the Franchise or Other Agreement	Summary
a.	Length of franchise term	Section 4.1	The initial term is 5 years (“Initial Term”).
b.	Renewal or extension of the term	Section 4.2	You may qualify for an additional term of 5 years (“Successor Term”), subject to (c) below.
c.	Requirements for franchisee to renew or extend	Section 4.2	At the time of your request for a renewal franchise of five years, you must comply with the following conditions: (i) you have had, for each of the 6 months preceding the expiration of the Initial Term, a minimum of 75 subjects per month; (ii) you have substantially complied with all of the provisions of the Franchise Agreement during its initial term; (iii) you maintain possession of your Franchised Center before the expiration date or are in full compliance with the specifications and standards then applicable for a substituted location accepted by us; (iv) you give notice of renewal to us at least 9 months, but no more than 12 months, prior to the expiration of the Initial Term; (v) you have satisfied all monetary obligations owed to us and our affiliates and have timely met these obligations throughout the term of the Franchise Agreement; (vi) you execute our then-current form of the Franchise Agreement, which may materially differ from the original Franchise Agreement disclosed in this Disclosure Document; (vii) you comply with our then-current qualification and training requirements; (viii) you execute a general release, in a form prescribed by us; (ix) at your expense, you upgrade the Franchised Center to conform to the then-current standards and specifications of the JEI LEARNING CENTER® System, and complete this upgrading within the time reasonably specified by us; and (x) you pay a renewal fee of \$1,000. If a delinquency occurs during the Initial Term, but approved steps are followed to resolve such delinquency, then you may be eligible for renewal. Details and specifications for an approval to resolve a delinquency are

Provision		Section in the Franchise or Other Agreement	Summary
			provided in the Confidential Operations Manual. If we determine you do not meet the requirements to be granted a renewal franchise, we will give you written notice of our rejection at least 6 months prior to the expiration of the Term of your Franchise Agreement and shall specify the reasons.
d.	Termination by franchisee with cause	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it and we fail to cure our breach within 180 days of receiving your written notice, or, if our breach cannot reasonably be cured within 180 days, then you may terminate if we do not promptly undertake to cure and use our continued efforts to cure the breach with a reasonable period of time.
e.	Termination by franchisee without cause	Section 16.1	If you are in compliance with the Franchise Agreement, you may terminate it without cause, by providing us 180 days' advance written notice of your intent to terminate subject to payment of an early termination fee of \$2,500 and compliance with your post-termination obligations; failure to provide at least 90 days' advance written notice will result in an additional fee of \$500.
f.	Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default.
g.	"Cause" defined-curable defaults	Section 16.2	You can avoid termination of the Franchise Agreement if you cure the following defaults within 30 days of receiving our notice of termination, except for the defaults that require cure in a shorter time and non-curable defaults in (h) below; failure to meet subject enrollment levels; failure to make payments due us; failure to maintain insurance; or failure to comply with mandatory specifications in the Franchise Agreement or Confidential Operations Manual. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.

Provision		Section in the Franchise or Other Agreement	Summary
h.	“Cause” defined-non-curable defaults	Section 16.2	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: are charged with a crime against minors; fail to timely select an approved site for or establish and equip the Franchised Center; fail to satisfactorily complete, or cause your director to complete, initial training; make a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Center; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either party or the Franchised Center; use the Confidential Operations Manual, trade secrets or Confidential Information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other Confidential Information sign nondisclosure and non-competition agreements or, if requested fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the Franchised Center for 5 consecutive days; surrender or transfer of control of Franchised Center in an unauthorized manner; fail to maintain the Franchised Center under the supervision of a director in the event of death or disability; submit reports on 2 separate occasions understating any amounts due (or the number of students or subjects) by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks or Copyrighted Materials; fail on 2 occasions within any 12 months to submit reports or records or to pay any fees due us; violate on 2 or more occasions any health, safety or other laws or operates the Franchised Center in a manner creating a

Provision		Section in the Franchise or Other Agreement	Summary
			health or safety hazard; take any action reserved to us; fail to comply with applicable law after notice; breach the Franchise Agreement or fail to comply with mandatory specifications on 2 or more occasions within any 12 consecutive months; or default under any other agreement with us such that we have the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
i.	Franchisee's obligations on termination/nonrenewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Center; de-identify your Franchised Center of all JEI branding; stop using any trade secrets, Confidential Information, the System, the Copyrighted Materials, the Proprietary Products, and the Marks; return your workbooks to us and sign a general release; if requested, assign your interest in the Authorized Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Confidential Operations Manual, Proprietary Products, trade secrets and all other Confidential Information; assign your telephone numbers to us; pay all amounts owed to your customers (including tuition refunds for services not rendered); continue to comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. Upon your notification to us regarding your intention not to renew, or our notification to you regarding our intention to terminate the franchise agreement, we have the right to immediately inspect your JEI Learning Center. We have the right to conduct a final walkthrough to verify de-branding and ensure no proprietary or branded materials remain on site.

Provision		Section in the Franchise or Other Agreement	Summary
j.	Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k.	“Transfer” by franchisee-definition	Section 18.2	“Transfer” includes transfer of ownership in the franchise, any interest in the Franchise Agreement (subject to the conditions in (m) below), the Authorized Location, the Franchised Center’s assets, the Key Person’s ownership in the franchisee entity or the franchisee entity in part or whole. A transfer fee will apply under this definition.
l.	Franchisor’s approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without notifying us first and receiving our prior written consent.
m.	Conditions for franchisor’s approval of transfer	Section 18.2	We will consent to a transfer if: we have not exercised our right of first refusal; Franchisee shall complete and submit to Franchisor its then-current transfer application; we approve the current Franchised Center and may require upgrades to meet current standards, which may include relocation; the Transferee must be approved by us and meet all current standards; all amounts you owe us and all outstanding obligations of the Franchised Center are paid prior to the transfer or arranged through escrow to be paid at the time of the transfer; you, your owners and the transferee have signed a general release in a form substantially similar to the General Release attached as Exhibit G to this Disclosure Document; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts, agreements and documentation related to the transfer; you or the transferee pay our then-current transfer-fee; the transferee or the owners of transferee have agreed to be



Provision		Section in the Franchise or Other Agreement	Summary
			personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form satisfactory to us; the transferee has agreed that its director will complete a NFT program prior to assuming management of the Franchised Center; and the transferee has obtained all necessary types of insurance. Our policy regarding transfer is detailed in the Confidential Operations Manual.
n.	Franchisor's right of first refusal to acquire franchisee's Franchised Center	Section 19	We may match a bona fide offer for your Franchised Center or for an ownership interest you propose to sell.
o.	Franchisor's option to purchase franchisee's Franchised Center	Section 17.4	Except as described in (n) above, we do not have the right to purchase your Franchised Center; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Center for fair market value, excluding any goodwill.
p.	Death or disability of franchisee	Section 18.6	If you (or one of your owners) die or become incapacitated, your representative must transfer, subject to the terms of the Franchise Agreement, your interest in the Franchised Center within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	Section 7.3	During the Initial Term and any Renewal Term, you, your owners (and members of families and households) agree not to: (1) engage in a competitive business, directly or indirectly, as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent independent contractor or otherwise, except under a Franchise Agreement with us; or (2) have any interest in an entity that is licensing or franchising the right to operate a competitive business.

Provision		Section in the Franchise or Other Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Section 17.2	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of families and households) and your officers, directors, executives, managers or professional staff are prohibited from: (1) owning or working for a competitive business operating at the Authorized Location, within a 25-mile radius of the Authorized Location or within the protected territory (whichever is greater), or within a 25-mile radius of any other JEI LEARNING CENTER® business; or (2) soliciting, diverting, taking away, interfering with or influencing any of our employees or business associates or any of our franchisees' employees or business associates to compete with us or terminate their relationship with us.
s.	Modification of the agreement	Section 22.7	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Confidential Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t.	Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 23	Except for claims relating to the Marks, Copyrighted Materials and Confidential Information, and claims for injunctive relief, and subject to state law, all disputes must be arbitrated in Bergen County, New Jersey.
v.	Choice of forum	Section 22.18	Subject to state law, any litigation must be pursued in courts located in Bergen County, New Jersey.
w.	Choice of law	Section 22.17	Subject to state law, New Jersey law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et

Provision	Section in the Franchise or Other Agreement	Summary
		seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

**ITEM 18.  
PUBLIC FIGURES**

We do not presently use any public figures 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 this 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 any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Eugene Ahn at 440 Sylvan Avenue, Suite 212, Englewood Cliffs, New Jersey 07632, (201) 567-0677, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

SYSTEM WIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	85	77	-8
	2021	77	60	-17
	2022	60	53	-7
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	85	77	-8
	2021	77	60	-17

	2022	60	53	-7
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**Table No. 2**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2020 TO 2022</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
New Jersey	2020	0
	2021	0
	2022	1
New York	2020	0
	2021	1
	2022	0
Texas	2020	0
	2021	0
	2022	1
Total	2020	0
	2021	1
	2022	2

**Table No. 3**

<b>STATUS OF FRANCHISE OUTLETS FOR YEARS 2020 TO 2022</b>								
<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 End of the Year</b>
California	2020	25	2	1	3	0	2 <sup>(1)</sup>	21
	2021	21	1	0	3	0	0	19
	2022	19	1	1	1	0	0	17
Delaware	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Florida	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Georgia	2020	3	0	0	1	0	0	2

STATUS OF FRANCHISE OUTLETS FOR YEARS 2020 TO 2022								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2021	2	1	0	1	0	0	2
	2022	2	0	1	0	0	0	1
Maryland	2020	3	0	0	0	0	0	3
	2021	3	0	1	0	0	0	2
	2022	2	0	1	0	0	0	1
Minnesota	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2020	30	0	0	2	0	0	28
	2021	28	0	2	8	0	0	18
	2022	18	0	3	0	0	0	15
New York	2020	10	0	1	1 <sup>(2)</sup>	0	0	8
	2021	8	0	0	1	0	0	7
	2022	7	0	0	0	0	0	7
North Carolina	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Texas	2020	5	0	0	0 <sup>(2)</sup>	0	0	5
	2021	5	0	0	2	0	0	3
	2022	3	1	1	0	0	0	3
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total*	2020	85	3	2	7	0	2	77
	2021	77	2	4	15	0	0	60
	2022	60	1	7	1	0	0	53

<sup>(1)</sup>Two centers in the state of California in 2020 were temporarily closed while relocating.

<sup>(2)</sup> One center in New York and one center in Texas remain open while transitioning to new ownership.

**Table No. 4**

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020 TO 2022							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total							
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**Table No. 5**

PROJECTED OPENINGS AS OF DECEMBER 31, 2022			
State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	3	0
Florida	0	1	0
Georgia	0	1	0
New Jersey	0	1	1
New York	0	2	0
Pennsylvania	0	1	0
Texas	1	1	0
Total*	1	10	1

Exhibit E lists the names of all current franchisees with their addresses and telephone numbers as of the date of this Disclosure Document.

Exhibit F lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of each franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date 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 years, no current or former franchisees have signed provisions restricting their ability to speak openly to you about their experience with the JEI LEARNING CENTER<sup>®</sup> franchise system.

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the JEI® franchise system.

**ITEM 21.  
FINANCIAL STATEMENTS**

Attached as Exhibit D to this Disclosure Document are our audited financial statements for the period of operation from inception (October 2020) through December 31, 2020 and for the years ended December 31, 2021 and December 31, 2022. We have not been in business for three years or more and cannot include all the financial statements required by the FTC's Franchise Rule for its last three fiscal years. Our fiscal year end is December 31 of each year.

**ITEM 22.  
CONTRACTS**

Franchise Agreement	Exhibit B to Disclosure Document
Non-Disclosure and Non-Competition Agreement	Exhibit B to Franchise Agreement
Unlimited Guaranty and Assumption of Obligations	Exhibit C to Franchise Agreement
Holders of Legal or Beneficial Interest in Franchisee	Exhibit D to Franchise Agreement
Conditional Assignment of Telephone and Directories	Exhibit F to Franchise Agreement
Authorization Agreement for Prearranged Payments	Exhibit G to Franchise Agreement
Franchise Compliance Certification	Exhibit H to Franchise Agreement
Lease Addendum	Exhibit I to Franchise Agreement
Form of General Release	Exhibit G to Disclosure Document
Multi-State Addenda	Exhibit H to Disclosure Document

**ITEM 23.  
RECEIPTS**

Our copy and your copy of the Franchise Disclosure Document Receipts are located on the last two pages of this Disclosure Document.

# **EXHIBIT A**



**EXHIBIT A TO THE DISCLOSURE DOCUMENT  
LIST OF STATE FRANCHISE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

If a state is not listed below, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed below.

<b>STATE</b>	<b>STATE FRANCHISE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>California</b>	<p>Commissioner of Financial Protection and Innovation 1-800-ASK-CORP (275-2677)</p> <p style="text-align: center;"><i>Los Angeles</i> 320 West 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500</p> <p style="text-align: center;"><i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205</p> <p style="text-align: center;"><i>San Diego</i> 1455 Frazee Road Suite 315 San Diego, CA 92108 (619) 610-2093</p> <p style="text-align: center;"><i>San Francisco</i> 1 Sansome Street Suite 600 San Francisco, CA 94104 (415) 972-8565</p>	<p>Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013</p>
<b>Hawaii</b>	<p>Commissioner of Securities 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744</p>	<p>Commissioner of Securities of the State of Hawaii 335 Merchant Street Honolulu, HI 96813</p>
<b>Illinois</b>	<p>Illinois Attorney General 500 South Second Street Springfield, IL 62701 (217) 782-4465</p>	<p>Illinois Attorney General 500 South Second Street Springfield, IL 62701</p>

STATE	STATE FRANCHISE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>Indiana</b>	Securities Commissioner Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>Maryland</b>	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2021
<b>Michigan</b>	Attorney General 670 G. Mennen Williams Bldg. 525 W. Ottawa Street, 1st Floor P.O. Box 30755 Lansing, MI 48933 (517) 335-7632	Corporations, Securities and Commercial Licensing Bureau 2407 N. Grand River Avenue Lansing, MI 48906
<b>Minnesota</b>	Commissioner of Commerce Main Office, Golden Rule Building 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
<b>New York</b>	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street New York, NY 10005 (212) 416-8236	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (518) 473-2492
<b>North Dakota</b>	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 (701) 328-2910	Securities Commissioner 600 East Boulevard Avenue Bismarck, ND 58505-0510
<b>Oregon</b>	Director, Department of Consumer and Business Services 350 Winter Street NE P.O. Box 14480 Salem, OR 97309-0405 (503) 378-4100	
<b>Rhode Island</b>	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, RI 02920

STATE	STATE FRANCHISE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>South Dakota</b>	Director, Division of Insurance and Securities Regulation 124 South Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501 (605) 773-3563	Director, Division of Insurance 124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501
<b>Virginia</b>	Director, Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 East Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219
<b>Washington</b>	Director, Department of Financial Institutions 150 Israel Road, SW Tumwater, WA 98501 (360) 902-8760	Director of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501
<b>Wisconsin</b>	Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139	Division Administrator Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705

# **EXHIBIT B**

**JEI LEARNING CENTERS, LLC**

**FRANCHISE AGREEMENT**

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

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- C. UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS
- D. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS;  
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- E. INITIAL INVENTORY
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- H. FRANCHISE COMPLIANCE CERTIFICATION
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**JEI LEARNING CENTERS, LLC**

**FRANCHISE AGREEMENT**

This Franchise Agreement made this day of , 20, is by and between JEI LEARNING CENTERS, LLC, a California limited liability company, having its principal place of business at 4465 Wilshire Blvd., Suite 302, Los Angeles, California 90010 (“**Franchisor**”), and \_\_\_\_\_, an individual/partnership/corporation/limited liability company established in the State of \_\_\_\_\_ and whose principal address is \_\_\_\_\_ (“**Franchisee**”).

**WITNESSETH:**

WHEREAS, Franchisor and its predecessors have developed or acquired a license to use and sublicense the use of, and are in the process of further developing, a System (as defined herein) identified by the service mark “JEI LEARNING CENTER<sup>®</sup>” and relating to the establishment and operation of learning centers (“**JEI LEARNING CENTER<sup>®</sup>**”) that offer a nurturing educational environment utilizing the “LEARNING SYSTEM” of helping students understand theories and concepts by working on their own;

WHEREAS, Franchisor has developed or acquired certain Proprietary Products (as defined herein) which are especially suited for use in the operation of JEI LEARNING CENTER<sup>®</sup>, and which Franchisor shall furnish to Franchisee and furnishes to other franchisees on a for-profit basis;

WHEREAS, in addition to the service mark, “JEI LEARNING CENTER<sup>®</sup>” and certain other Marks (as defined herein), and the Proprietary Products, the distinguishing characteristics of the System include, without limitation, uniform standards, policies and procedures for efficient business operations; products and supplies; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies; techniques and trade secrets; and the Confidential Operations Manual (as defined herein);

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a single JEI LEARNING CENTER<sup>®</sup> business at an authorized location using the System and the Marks;

WHEREAS, Franchisee has had the opportunity to examine the Franchise Disclosure Document (as defined herein) provided by Franchisor and to investigate the System and the competitive market in which it operates;

WHEREAS, Franchisee desires to establish and operate a JEI LEARNING CENTER<sup>®</sup> business and has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of Franchisee’s representations made in such application; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Center (as defined herein) in strict conformity with Franchisor’s System.

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NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements set forth hereinafter, and other good and valuable consideration, Franchisor and Franchisee, intending to be legally bound, hereby agree as follows:

**1. DEFINITIONS**

Whenever used in this Agreement, the following words and terms have the following meanings:

**“Affiliate”** means any business entity that controls, is controlled by, or is under common control with Franchisor;

**“Agreement”** means this agreement entitled “JEI LEARNING CENTERS, LLC Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

**“Applicable Law”** means all laws, statutes, ordinances, rules and regulations of the United States of America and any foreign country, and each state, commonwealth, city, county, municipality or other political subdivision thereof;

**“Authorized Location”** means the site for the operation of the Franchised Center selected by Franchisee and approved in writing by Franchisor, as identified in Section 2.2;

**“Approved Supplier(s)”** shall have the meaning given to such term in Section 13.1;

**“Brand Fund”** shall have the meaning given to such term in Section 11.3;

**“Brand Fund Contribution”** shall have the meaning given to such term in Section 11.3;

**“Competitive Business”** means any business which offers (or grants franchises or licenses to others to operate a business that offers or provides) products or services which are the same as, similar to or competitive with those provided by JEI LEARNING CENTER<sup>®</sup> or in which Confidential Information could be used to the disadvantage of Franchisor or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to any JEI LEARNING CENTER<sup>®</sup> business operated by Franchisee under a franchise agreement with Franchisor;

**“Confidential Information”** means any trade secrets or other confidential or proprietary information of Franchisor, regardless of the form or medium of such information or the manner of disclosure, relating to the Franchise, the System, the Marks, the Copyrighted Materials or the Proprietary Products, including, without limitation, know-how, knowledge of and experience in operating a JEI LEARNING CENTER<sup>®</sup>, methods, formats, specifications, policies, procedures, information, standards, business management and operating systems and techniques; record keeping and reporting methods; accounting systems; management and personnel training techniques; advertising and promotion techniques; specifications for signs, displays, business forms, and business stationery to be used by franchisees; designs, drawings, and specifications for the Authorized Location; the Confidential Operations Manual; ideas, research and development; student account data; lists of franchisees and suppliers; suggested pricing and cost information; information relating to computer hardware and software specifications, including, without limitation, technological manuals, system requirements, technological support systems, training programs or techniques; product information; this Agreement and any other information or material identified by Franchisor as confidential or proprietary; provided, however, that Confidential Information shall not include information that (a) is already in the possession of Franchisee at the time of its disclosure to

Franchisee by Franchisor, unless provided to Franchisee in connection with this Agreement and provided that such information is not subject to any other confidentiality or non-disclosure agreement; (b) is or becomes generally known to the public other than as a result of a disclosure, directly or indirectly, by Franchisor; or (c) is disclosed to Franchisee on a non-confidential basis by a person other than Franchisor, provided that such person is not in violation of a confidentiality or non-disclosure agreement with Franchisor in making such disclosure;

**“Confidential Operations Manual”** means the JEI Learning Centers, LLC Confidential Operations Manual, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, policies, procedures and specifications of the System, including, without limitation, other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

**“Cooperative Advertising”** means the combined advertising program of two or more Franchisees established within a common market that Franchisor may require for JEI LEARNING CENTER® within a particular region;

**“Copyrighted Materials”** means any materials provided to Franchisee by Franchisor, in which Franchisor owns and holds the copyright, including, without limitation, certain Proprietary Products, whether or not Franchisor has registered such materials with the United States Copyright Office;

**“Correspondence Student”** means a student for whom tutorial services are provided by mail.

**“Designated Area”** shall have the meaning given to such term in Section 2.3;

**“Director”** means the person designated by Franchisee who has primary responsibility for managing the day-to-day operations and affairs of the Franchised Center, provided that if Franchisee is an individual and not a business entity, the Director shall be Franchisee. The Director’s contact information must be updated on an ongoing basis in the manner required by Franchisor;

**“Effective Date”** means \_\_\_\_\_, 20\_\_\_\_; the date which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

**“Electronic Depository Transfer Account”** means an account established at a national banking institution approved by Franchisor and to which Franchisor shall have access to electronically withdraw any amounts due to Franchisor under this Agreement;

**“Entity”** means the structure of configuration of the Franchisee, such as individual/sole proprietor, partnership, limited liability company, corporation, etc.;

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks;

**“Franchise Disclosure Document”** means Franchisor’s Franchise Disclosure Document which Franchisor has provided to Franchisee in connection with this Agreement;

**“Franchise Fee”** shall have the meaning given to such term in Section 3.1;

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**“Franchised Center”** means the JEI LEARNING CENTER® business to be established and operated by Franchisee pursuant to this Agreement;

**“Franchisee”** means the individual or business entity identified as “Franchisee” in the introductory paragraph of this Agreement;

**“Franchisor”** means JEI LEARNING CENTERS, LLC;

**“Franchisor Indemnitees”** shall have the meaning given to such term in Section 21.3;

**“Grand Opening Advertising”** shall have the meaning given to such term in Section 11.1;

**“Gross Sales”** means the aggregate of all revenue from the sale of products and/or the provision of services from all sources in connection with the Franchised Center whether or not collected by Franchisee and whether in the form of check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance; provided, however, that Gross Sales shall not include (a) any refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) the value of any allowance issued or granted to any student of the Franchised Center that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Center, and (d) any rebate received by Franchisee from a manufacturer or supplier;

**“Incapacity”** means the inability of Franchisee or any holder of a legal or beneficial interest in Franchisee to operate or oversee the operation of the Franchised Center for a period of more than four calendar days by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**“Initial Inventory”** means the initial supply of Proprietary Products, which Franchisee shall obtain from Franchisor on loan prior to opening and commencing operations of the Franchised Center;

**“Initial Inventory Deposit”** shall have the meaning given to such term in Section 3.2;

**“Initial Term”** shall have the meaning given to such term in Section 4.1;

**“Internet”** means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

**“JEI LEARNING CENTER®”** shall have the meaning given to such term in the recitals to this Agreement;

**“JEI LEARNING CENTER® Initial Marketing Package Fee”** has the meaning given to such term in Section 3.5;

**“Key Person”** has the meaning given to such term in Section 18.2 and must at all times own no less than 51% of Franchisee;

**“Local Advertising”** shall have the meaning given to such term in Section 11.2;



“**Marks**” means the service mark “JEI LEARNING CENTER®” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with JEI LEARNING CENTER®, including, without limitation, the following: “Jaeneung,” “JEL,” “JEI Self-Learning Center,” “Jaeneung Classes,” “JEI Learning Centers, LLC,” “JEI Self-Learning Systems®,” “Jaeneung Mathematics,” “Jaeneung Korean,” “Jaeneung Chinese Character Class,” “Hanja,” “Jaeneung English Class,” “Thinking Pizza,” and “A Better Life Through Better Education;”

“**NFT**” means New Franchisee Training program;

“**Non-JEI Program**” is any academic or extra-curricular program that is not offered by Franchisor and Franchisor determines, in its sole and absolute discretion, does not compete with the existing programs offered by the System;

“**Non-JEI Program Operating Fee**” shall have the meaning given to such term in Section 3.6;

“**Opening Date**” shall have the meaning given to such term in Section 5.4.1.6;

“**Proprietary Products**” means such products and other items for use in connection with the Franchised Center which have been developed, invented, designed, created, made or acquired by Franchisor, including course materials, workbooks and other items, which are especially suited for use in connection with the Franchised Center and are specified by Franchisor from time to time as Proprietary Products in accordance with Section 13.2 hereof;

“**Protected Territory**” has the meaning given to such term in Section 2.5;

“**Royalty Fee**” shall have the meaning given to such term in Section 3.3;

“**Royalty Fee Reports**” shall have the meaning given to such term in Section 12.2;

“**Successor Franchise Agreement**” shall have the meaning given to such term in Section 4.2;

“**Successor Franchise Term**” shall have the meaning given to such term in Section 4.2;

“**System**” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may, from time to time, be added to, amended, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of JEI LEARNING CENTER®; and

“**Taxes**” shall have the meaning given to such term in Section 3.7.

## **2. GRANT OF FRANCHISE; AUTHORIZED LOCATION**

### **2.1 Grant**

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts from Franchisor, upon the terms and conditions herein contained, a revocable, limited license to operate one JEI LEARNING CENTER® business at the Authorized Location using the System, the Marks, the Copyrighted Materials and the Proprietary Products. Unless authorized by Franchisor in writing, Franchisee may only use the System, the Marks, the Copyrighted Materials and the Proprietary Products at the Authorized

Location to provide instruction to students who are physically present at the Authorized Location. From time to time, Franchisor may allow Franchisee to offer virtual instruction classes (“**Temporary Remote Learning**”) using only Franchisor’s proprietary systems, electronic study materials, through authorized platforms managed exclusively by Franchisor. Temporary Remote Learning sessions are only authorized by Franchisor under certain circumstances, such as during a health pandemic, and with special guidelines as set forth in the Confidential Operations Manual. If Franchisor authorizes Franchisee to conduct Temporary Remote Learning, Franchisee may only utilize third-party video conferencing platforms authorized by Franchisor for remote learning purposes. In such event, Franchisor-managed license(s) will be provided to Franchisee. Franchisee may not use any other forms of video conferencing other than what is provided by Franchisor.

**2.2 Authorized Location**

The street address (or detailed description of the premises) of the Authorized Location shall be:

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At all times, Franchisee must have a physical address (that is not a home address) as the Authorized Location Services cannot be offered under this Agreement by Franchisee unless Franchisee has a physical address as the Authorized Location.

**2.3 Authorized Location Not Determined**

If the Authorized Location is determined as of the Effective Date then this Section shall be inapplicable. If the Authorized Location of the Franchised Center has not been determined as of the Effective Date, then the geographic area in which the Franchised Center may be located shall be restricted to the geographic area described below (“**Designated Area**”). When the Authorized Location has been determined, its address shall be inserted into Section 2.2, by Franchisor and the Designated Area shall lapse. Franchisee shall select and submit possible sites for Franchisor’s evaluation in accordance with Section 5.1. The failure to insert such address shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection to Franchisee. The following is a detailed description of the geographic area or boundaries of the Designated Area:

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## **2.4 Sub-franchising/Agents**

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

## **2.5 Protected Territory**

So long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor's reservation of rights set forth in Section 2.6, Franchisor shall not license, establish, own or operate any other brick and mortar JEI LEARNING CENTER® business within a geographic area surrounding the Franchised Center and depicted in the map provided in Exhibit A of this Agreement ("**Protected Territory**").

## **2.6 Franchisor's Rights**

Franchisee acknowledges that except to the extent provided in Section 2.5 above, Franchisor expressly retains all rights and discretion with respect to the Marks, the System, the Copyrighted Materials and the Proprietary Products, including the right to:

2.6.1 establish, and license others to establish, JEI LEARNING CENTERS® at any location outside of the Protected Territory as Franchisor deems appropriate;

2.6.2 establish, and license others to establish, other businesses (including Competitive Businesses) under other systems using other proprietary marks at such locations, including within Franchisee's Protected Territory, and on such terms and conditions as Franchisor deems appropriate;

2.6.3 purchase or otherwise acquire and continue to develop the assets or controlling ownership of one or more businesses identical or similar to the Franchised Center (and/or acquire and continue to grant franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to individual franchise or license agreement(s) between Franchisor and franchisee(s) or licensee(s);

2.6.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Territory;

2.6.5 sell the products and services authorized for JEI LEARNING CENTER® businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution such as joint marketing with partner companies, direct mail, catalogue sales, virtual platforms, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate, provided however, that no such sales shall be made to a Competitive Business within the Protected Territory;

2.6.6 establish Franchisor's presence and conduct all marketing activities using the Internet to develop 'direct business' with students and parents that may not include Franchisee; and

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2.6.7 engage in any activities not expressly forbidden by this Agreement, including any Temporary Remote Learning Franchisee is not specifically authorized by Franchisor to conduct.

### 3. FEES

#### 3.1 Initial Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee to Franchisor of \$22,500.00 (“**Initial Franchise Fee**”). If Franchisee qualifies to purchase and operate additional JEI LEARNING CENTER® Franchised Centers, for each additional JEI LEARNING CENTER® Franchised Center, Franchisor will lower the Initial Franchise Fee by \$5,000.00; provided, however, that the entity or individuals purchasing the right to operate additional JEI LEARNING CENTER® Franchised Centers must be the same majority (51% or greater) ownership structure as Franchisee and provided, further, that Franchisee paid the full Initial Franchise Fee for its first JEI LEARNING CENTER® Franchised Center. If Franchisee is purchasing an additional Franchised Center after the initial signing of the first Franchised Center, Franchisee shall be required to have at least 100 subjects at Franchisee’s current Franchised Center for at least six consecutive months to be approved for an additional Franchised Center. The Initial Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Initial Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including, without limitation, general sales and marketing expenses, training, legal, accounting and other professional fees.

#### 3.2 JEI Initial Inventory Deposit

Upon execution of this Agreement, Franchisee shall pay a deposit of \$5,500.00 to Franchisor for the use of the Initial Inventory of proprietary course materials and other materials provided on loan as set forth in Exhibit E to this Agreement (“**JEI Initial Inventory Deposit**”). The JEI Initial Inventory Deposit is only refundable as provided in Subsection 17.1.8 and Exhibit E.

#### 3.3 Royalty Fee

3.3.1 Each month, in accordance with the payment schedule outlined in the Confidential Operations Manual, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature whatsoever, so long as this Agreement remains in effect, a royalty fee (“**Royalty Fee**”) which shall be the product of the number of subjects multiplied by the subject fee as set forth below:

Number of Subjects	Subject Fee
1-30	\$35
31-60	\$32
61-90	\$29
91-120	\$28

Number of Subjects	Subject Fee
121-150	\$27
151-180	\$26
181-210	\$25
211 and up	\$24

Provided, that beginning two (2) years after the Effective Date, Franchisee shall pay a minimum Royalty Fee based on the greater of: (i) 40 subjects per month; and (ii) the actual number of Franchisee’s subjects per month. If Franchisee executes this Agreement in connection with a successor or renewal term, this minimum Royalty Fee shall be due beginning on the Effective Date.

**3.4 Enrollment Fee**

Franchisee shall pay to Franchisor a fee of \$15 (“**Enrollment Fee**”), at the time (i) a student enrolls in subjects at Franchisee’s JEI LEARNING CENTER®, or (ii) re-enrolls after not having been enrolled during the immediately preceding 90 days, outside of any corporate-sponsored free enrollment periods.

**3.5 JEI LEARNING CENTER® Initial Marketing Package Fee**

Upon execution of this Agreement, Franchisee shall pay to Franchisor a fee (“**JEI LEARNING CENTER® Initial Marketing Package Fee**”) of \$500.00 for the set-up and maintenance of various marketing/promotional items, website and social media in connection with the operation of the Franchised Center. The JEI LEARNING CENTER® Initial Marketing Package Fee is payment, in part, for expenses incurred by Franchisor in obtaining, providing and maintaining the JEI LEARNING CENTER® Website. The JEI LEARNING CENTER® Initial Marketing Package Fee shall be deemed fully earned at the time of execution of this Agreement and is non-refundable.

**3.6 Non-JEI Program Operating Fee**

If Franchisee desires to offer Non-JEI Programs in its Franchised Center, Franchisee may be required to pay to Franchisor a “**Non-JEI Program Operating Fee**” as provided in the Confidential Operations Manual. If enrollment falls below 75 subjects for two consecutive months or more, Franchisee must pay to Franchisor a Non-JEI Program Operating Fee of \$300.00 per month for offering Non-JEI Programs, starting on the third month. If Franchisee fails to have at least 75 subjects in its Franchised Center for six consecutive months, Franchisee may no longer offer Non-JEI Programs. Franchisor has the right to discontinue any and all Non-JEI Programs at its discretion. By way of example and not in limitation of the foregoing, Franchisee may not offer any test preparation services including, without limitation, SAT test preparation services.

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**3.7 Taxes**

Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, withholding taxes, use taxes and similar taxes (“**Taxes**”) imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor, whether such services or goods are furnished by sale, lease or otherwise provided, however, that Taxes shall not include any income taxes assessed on Franchisor for doing business in the state where the Franchised Center is located.

**3.8 Electronic Transfer**

Franchisor shall have the right to require that Franchisee pay all Royalty Fees, Brand Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor under this Agreement, including any Taxes, through an Electronic Depository Transfer Account. At Franchisor’s request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such Electronic Depository Transfer Account for the purpose of receiving any payments due to Franchisor hereunder. Each month, in accordance with the payment schedule outlined in the Confidential Operations Manual, Franchisee shall make timely deposits to the Electronic Depository Transfer Account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any and all documents required to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor’s prior written consent. Franchisee shall execute an “Authorization Agreement” in a form the same as or similar to the Authorization Agreement attached as Exhibit G to this Agreement.

**3.9 Late Fees and Interest**

All Royalty Fees, Brand Fund Contributions, Non-JEI Program Operating Fees, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor under this Agreement, including any Taxes, that are not received by Franchisor within five business days after the monthly due date shall incur a late fee at a rate subject as set forth below from the date such payment is due until the date payment is received by Franchisor:

Amount of Unpaid Balance	Late Fee Rate
\$1-\$999.99	\$50
\$1,000-\$1,999.99	\$100
\$2,000-\$2,999.99	\$150
\$3,000-\$3,999.99	\$200
\$4,000 and up	\$300

In addition to the late fee, Franchisee shall pay Franchisor: (i) interest on the amount owed from the due date until paid at the lesser of the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Center is located or 18% per annum; (ii) a fee of \$50 if bank payment is refused for any check or pre-authorized draft received by Franchisor or its affiliates; and (iii) for all costs and expenses incurred by Franchisor in the collection of any unpaid and past due amounts, including, without limitation, reasonable accounting and attorneys' fees. This Section 3.9 shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

### **3.10 Application of Payments**

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments received from Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Brand Fund Contributions, Non-JEI Program Fees, amounts due for purchases from Franchisor, any late fees (including without limitation amounts due under Section 12.6) or any other amount owed to Franchisor, including any Taxes.

## **4. TERM AND SUCCESSOR FRANCHISE**

### **4.1 Initial Term**

This Agreement shall be effective and binding for an initial term of five years from the Effective Date, unless sooner terminated pursuant to Section 16 ("**Initial Term**").

### **4.2 Successor Franchise Term**

Upon expiration of this Agreement, subject to the conditions of this Section, Franchisee will have the right to acquire a successor franchise to operate a JEI LEARNING CENTER<sup>®</sup> business for an additional five year period ("**Successor Franchise Term**") on the terms and conditions of the franchise agreement Franchisor is then using in granting franchises for the JEI LEARNING CENTER<sup>®</sup> System, which may differ materially from the terms and conditions of this Agreement ("**Successor Franchise Agreement**"), and payment of a renewal fee of \$1,000.00, if:

4.2.1 The Franchised Center has had, for each of the 6 months preceding the expiration of the Initial Term, a minimum of 75 subjects per month;

4.2.2 Franchisee has substantially complied with all of the provisions of this Agreement during its term;

4.2.3 Franchisee maintains possession of the Authorized Location and, before the expiration date of this Agreement, presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Authorized Location for the duration of the term of the Successor Franchise Agreement; or, in the event Franchisee is unable to maintain possession of the Location or, in the judgment of Franchisor, the Authorized Location should be relocated, Franchisee secures a substitute location accepted by Franchisor and has furnished, stocked and equipped such premises to bring the JEI LEARNING CENTER<sup>®</sup> business at its substituted location into full compliance with the then-current specifications and standards of the JEI LEARNING CENTER<sup>®</sup> System before the expiration date of this Agreement;

4.2.4 Franchisee has given notice of its intent to obtain a successor franchise to Franchisor as provided hereinafter;

4.2.5 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates and has timely met these obligations throughout the term of this Agreement, or met the special approval provisions granted to resolve delinquencies or monetary obligations, which are outlined in the Confidential Operations Manual;

4.2.6 Franchisee has executed, upon the granting of the successor franchise by Franchisor, Franchisor's Successor Franchise Agreement, which such Successor Franchise Agreement shall supersede in all respect to this Agreement. Franchisee acknowledges and understands that the terms of the Successor Franchise Agreement may differ materially from the terms of this Agreement;

4.2.7 Franchisee has complied with Franchisor's then-current qualifications and training requirements;

4.2.8 Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its subsidiaries, affiliates and their respective officers, directors, agents, shareholders and employees;

4.2.9 Franchisee, at its expense, upgrades the Authorized Location to conform to the then-current standards and specifications of the JEI LEARNING CENTER® System, and completes this upgrading within the time reasonably specified by Franchisor; and

4.2.10 If applicable, Franchisee discontinues offering its Non-JEI Program unless such program meets the conditions set forth in Section 13.3 of this Agreement, and Franchisee agrees to pay to Franchisor the then-current Non-JEI Program Operating Fee charged by Franchisor under the terms of the Successor Franchise Agreement.

If Franchisee desires to obtain a Successor Franchise Agreement, Franchisee shall give Franchisor written notice of its desire to do so at least nine months, but not more than twelve months, prior to the expiration of the Term of this Agreement. Within 90 days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to grant Franchisee a successor franchise including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (2) Franchisor's then-current requirements relating to the images, appearance, decoration, furnishing, equipping and stocking of JEI LEARNING CENTER® businesses and a reschedule for effecting upgrading or modifications in order to bring the Authorized Location in compliance therewith, as a condition of granting the successor franchise. If Franchisor fails to respond to Franchisee's request for a successor franchise, Franchisee's request shall be deemed rejected. The granting of a successor franchise shall be conditioned upon Franchisee's compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of expiration of the Term or as set forth in writing by Franchisor.

## **5. AUTHORIZED LOCATION**

### **5.1 Selection of Site**

If an Authorized Location for the Franchised Center has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Center and shall notify Franchisor

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of such selection. Franchisor shall evaluate the site and notify Franchisee of its acceptance or rejection of the site within a reasonable time (usually 30 days) of receiving notice of the site from Franchisee. Such site shall be located in a retail location with in-suite restroom(s) and proper exterior signage. If Franchisor accepts such selection, the site shall be designated as the Authorized Location. If Franchisor does not accept such selection, Franchisee shall select and notify Franchisor of such alternative sites for the Franchised Center until such time as Franchisor has accepted a site for the Franchised Center. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Franchised Center. Franchisor has the right to accept or not accept a proposed location for the Franchised Center based on such factors as Franchisor, in its sole discretion, deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other JEI LEARNING CENTER<sup>®</sup>, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, in-suite restrooms, parking availability and overall suitability. Franchisee shall not locate the Franchised Center on a selected site without the prior written acceptance of Franchisor. If Franchisor and Franchisee cannot agree on a suitable site, Franchisor shall provide an extension to find a location that meets Franchisor's requirements. *Franchisor does not represent that it, or any of its owners or employees have special expertise in selecting sites for JEI LEARNING CENTER<sup>®</sup>. Neither Franchisor's assistance in selecting the location for the Franchised Center nor its acceptance is intended to indicate or in fact indicates that the Franchised Center will be profitable or successful at the Authorized Location. Franchisee is solely responsible for identifying the Authorized Location.*

## **5.2 Lease of Authorized Location**

After the designation of the Authorized Location, Franchisee shall execute a lease for, or a binding agreement to purchase, the Authorized Location, the terms of which must have been previously accepted by Franchisor, which acceptance shall not be unreasonably withheld. *Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Authorized Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee solely relies on its review and its attorneys' review of any such lease or purchase agreement.* Franchisor shall be entitled to require that nothing contained in the lease or purchase agreement is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Authorized Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Authorized Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease or purchase agreement shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor. At Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including, without limitation, the following:

5.2.1 Franchisee may not create any obligations on behalf of Franchisor, grant any rights against Franchisor or agree to any other term, condition, or covenant which is inconsistent with any term of this Agreement;

5.2.2 Franchisee agrees to duly and timely perform all terms, conditions, covenants and obligations under the Lease;

5.2.3 Except as otherwise provided in this Agreement, Franchisee may not assign, charge, encumber or transfer its Lease, or sublet all or any part of the Authorized Location, without Franchisor's prior written approval. All Leases or other agreements entered into by Franchisee to secure the Authorized Location must contain provisions acceptable to Franchisor and which provide that:

(i) Upon Franchisee's default and failure to cure under this Agreement or under the Lease for the Authorized Location, or if this Agreement is terminated, canceled, or not renewed, Franchisor (or, at Franchisor's option, Franchisor's designee) shall have the right, consistent with the terms of the Lease Addendum to unilaterally assume Franchisee's rights and obligations under the Lease for the Authorized Location;

(ii) The Lease shall state that the Lease shall not expire until the term of the Franchise Agreement expires and that the Location shall be used only for the operation of a JEI LEARNING CENTER®; and

(iii) Franchisor may also condition its acceptance of the proposed Lease on inclusion of the following provisions therein: (a) that Lessor agrees that, without its consent, the Lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to Franchisor or its designee, provided that Franchisor or its designee shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under the Lease from and after the time of such assignment; (b) that if Franchisor or its designee assumes the Lease, Franchisor (or its designee) shall not be responsible for any of Franchisee's debts or obligations to the Lessor that Franchisee incurred before the date of the assumption; (c) that if Franchisor (or its designee) assumes the Lease, the Lessor waives any administrative, assignment, or transfer fee that the Lease may otherwise require following an assignment or assumption; (d) that the Lessor provide Franchisor with copies of all notices of default given to Franchisee under the Lease; (e) that during the term of the Lease, the Lessor agrees to sign and deliver to Franchisee or Franchisor, within a reasonable number of days after a request from Franchisee or Franchisor (to be specified in the Lease), an estoppel certificate certifying that the Lease is in full force and effect, is unmodified, or if modified, describing the modification and that there are no defaults under the Lease, or if there are defaults claimed, describing the claimed defaults, the dates to which all rentals have been paid; and any other matters reasonably requested by Tenant or Franchisor; (f) that during the term of the Lease and extensions of that term, the Lessor grants Franchisee the exclusive right to operate a learning center in the shopping center in which the Location is located; (g) that the Lessor consents to Franchisee's use of the required colors, dimensions, and design for the "JEI LEARNING CENTER®" trade name and logo that Franchisee is required to use on the Leased premises' exterior and interior signs; (h) that Franchisee is prohibited from subletting or assigning (except to Franchisor) all or any part of Franchisee's occupancy rights under the Lease, extending the term of the Lease, or renewing the Lease without Franchisor's prior written consent; (i) that Franchisor or its appointed representatives have the right to enter the Leased premises to make any modification necessary to protect Franchisor's trademarks or to cure any default under the Franchise Agreement or the Lease; and (j) that Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to Lessee), of any default by Lessee under the Lease and Franchisor shall have, after expiration of the period during which Lessee may cure such default, an additional thirty (30) days to cure, at its sole option, any such default;

5.2.4 Franchisee shall furnish Franchisor and Franchisor's designated attorney with a copy of the executed Lease, including any ancillary documents related thereto, for its Authorized Location within ten days after execution of the same. Franchisee is required to provide Franchisor with any updates, renewals or newly executed Leases, including any ancillary documents related thereto, such that Franchisor has a current copy of the same on file at all times;

5.2.5 Franchisee and the lessor or sublessor for the Location must execute the Lease Addendum attached hereto as Exhibit I. If the lessor or sublessor for the Location refuses to sign the Lease Addendum, Franchisee shall be responsible for the attorneys' fees and costs incurred by Franchisor in the negotiation of such Lease Addendum.

**The parties acknowledge and agree that Franchisor's approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the Lease terms that Franchisor requires.**

### **5.3 Development of Authorized Location**

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a JEI LEARNING CENTER<sup>®</sup>, including exterior and interior design and layout, fixtures, equipment, décor and signs, ("**Specifications**"). The Specifications are subject to alteration as may be necessary in Franchisor's sole discretion. Franchisee shall cause the Authorized Location to be developed, equipped and improved in accordance with the Specifications. In connection with the development of the Authorized Location, Franchisee shall:

5.3.1 Employ a qualified licensed architect, general contractor or engineer to prepare preliminary specifications for improvement of the Authorized Location adapted from the Specifications;

5.3.2 Obtain all zoning classifications and clearances which may be required by applicable state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary Specifications required by Section 5.3.1;

5.3.3 Obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Center and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

5.3.4 Employ a qualified, licensed general contractor to complete construction of all required improvements to the Authorized Location;

5.3.5 Purchase any supplies or inventory necessary for the operation of the Franchised Center;

5.3.6 Purchase and install all equipment, signs, furniture and fixtures, including, without limitation, any point-of-sale and computer equipment, required for the operation of the Franchised Center;

5.3.7 Establish Internet access and obtain at least one telephone number solely dedicated to the Franchised Center; and

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5.3.8 Name the Franchised Center in accordance with Franchisor's standards and subject to Franchisor's approval.

#### **5.4 Opening**

5.4.1 Before opening the Franchised Center and commencing business, Franchisee must:

5.4.1.1 Fulfill all of Franchisee's obligations under this Section 5;

5.4.1.2 Furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.4.1.3 Complete initial training (currently called NFT) required under Section 8 of this Agreement to the satisfaction of Franchisor;

5.4.1.4 Hire and train such personnel as is necessary or required for the operation of the Franchised Center;

5.4.1.5 Obtain any and all necessary permits and licenses required for the operation of the Franchised Center;

5.4.1.6 Obtain Franchisor's permission and approval of an opening date ("**Opening Date**"); Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate;

5.4.1.7 If Franchisee is a business entity, cause each of its stock certificates or other evidence of ownership to be conspicuously endorsed upon the face thereof with a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments under this Agreement; and

5.4.1.8 Pay in full all amounts due to Franchisor, including, without limitation, the Franchise Fee.

5.4.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Center at the Authorized Location within 240 days following the Effective Date. The parties acknowledge and agree that time is of the essence under this Agreement.

#### **5.5 Failure to Open**

Should Franchisee fail to commence operations of the Franchised Center at the Authorized Location within 240 days after the Effective Date, Franchisor has the right to terminate this Agreement. If the opening of the JEI LEARNING CENTER® business takes longer than 240 days, an extension must be approved by Franchisor in writing.

#### **5.6 Use of Authorized Location**

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Franchisee shall not use, or permit any other person to use, the Authorized Location for any purpose other than the operation of a JEI LEARNING CENTER® business in full compliance with this Agreement and the Confidential Operations Manual without the prior written consent of Franchisor, which consent may be withheld for any reason.

## **5.7 Relocation**

Franchisee shall not relocate the Franchised Center without the prior written consent of Franchisor, which consent may be withheld or delayed at Franchisor's sole discretion. If the lease for the Authorized Location expires or terminates without the fault of Franchisee or if the Franchised Center's premises are destroyed, condemned or otherwise rendered unusable, Franchisee may make a request to relocate the Franchised Center either permanently or temporarily as appropriate under the circumstances and Franchisor shall not unreasonably withhold its consent to such relocation. Should Franchisee desire to relocate the Franchised Center for any other reason, Franchisee shall make a request to relocate and Franchisor may approve or disapprove such request. Any relocation of the Franchised Center shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.4. Franchisor has no obligation to provide relocation assistance to Franchisee. Relocations must be seamless and provide little to no disruption of services to subjects. If the Franchised Center needs to "temporarily close" due to an urgent need to relocate, such as loss of lease, fire, flood, damage, or other untenable conditions to stay, then JEI will allow the Franchised Center to temporarily close for up to 120 days until a reasonable replacement site is secured. Franchisee must meet certain conditions as set forth in the Confidential Operations Manual to obtain a 120-day allowance, including a concerted effort to secure an alternative, authorized location. If Franchisor and Franchisee do not agree upon a substitute site within 60 days (or 120 days in the event of a "temporary close") after the lease expires or is terminated or the Authorized Location is rendered unusable, this Agreement will terminate as provided in Section 16.2.1.

## **6. PROPRIETARY MARKS**

### **6.1 Ownership**

Franchisee's right to use the Marks and Copyrighted Materials is (a) derived solely from this Agreement; (b) is nonexclusive and limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement; and (c) subject to all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks or Copyrighted Materials by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks and Copyrighted Materials. Franchisee's use of the Marks and Copyrighted Materials, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks or Copyrighted Materials by virtue of any use it may make of the Marks or Copyrighted Materials. This Agreement does not confer any goodwill, title or interest in the Marks or Copyrighted Materials to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or Copyrighted Materials or assist any other person in contesting the validity or ownership of any of the Marks or Copyrighted Materials.

### **6.2 Limitations on Use**

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark or Copyrighted Materials in connection with the sale of any

unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. If Franchisee is authorized by Franchisor in writing to offer a Non-JEI Program product or service at the Franchised Center, Franchisee shall not use the JEI LEARNING CENTER® trademarks or copyrighted materials in conjunction with such product or service. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under Applicable Law to do business as a Franchised Center. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee under this Agreement. Franchisee shall not register or seek to register as a copyright, either with the United States Copyright Office or any state or foreign country, any of the Copyrighted Materials. Franchisee shall include on its letterhead, forms, cards and other identifying materials, and shall display at the Authorized Location, at least two prominent notices stating that the Franchised Center is an “Independently Owned and Operated JEI LEARNING CENTER® Franchise.” One of the foregoing notices shall be affixed to or near the main entry of the Authorized Location.

### **6.3 Notification of Infringements and Claims**

Franchisee shall immediately notify Franchisor of any (a) infringement of any of the Marks or its Copyrighted Materials; (b) challenges to Franchisee’s use of any of the Marks or Copyrighted Materials; or (c) claims by any person of any rights in any of the Marks or Copyrighted Materials. Franchisee shall not communicate with any person other than Franchisor and Franchisor’s counsel in connection with any such infringement, challenge or claim; provided, however, that Franchisee may communicate with Franchisee’s counsel at Franchisee’s own expense. Franchisor shall have sole discretion to take such action, as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any such infringement, challenge, or claim relating to any of the Marks or Copyrighted Materials. Franchisee shall execute any and all instruments and documents, render such assistance, and take such other actions as may, in the opinion of Franchisor or Franchisor’s counsel, be necessary or advisable to protect and maintain Franchisor’s interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor’s interest in the Marks or Copyrighted Materials.



#### **6.4 Reimbursement for Use of Marks or Copyrighted Materials**

Franchisor may reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark, copyright or similar proceeding disputing Franchisee's authorized use of any of the Marks or Copyrighted Materials, provided that Franchisee has: (a) notified Franchisor of the proceeding in a timely manner; (b) solely used such Mark or Copyrighted Materials pursuant to the terms and conditions of this Agreement; (c) complied with the provision of Section 6.3; (d) responded to such proceeding according to the terms and conditions of this Agreement and Franchisor's directions; and (e) not taken other actions, or failed to take actions, which Franchisor considers detrimental to its rights. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any of the Marks or Copyrighted Materials. Franchisor's obligation to reimburse Franchisee under this Section 6.4 shall not apply to: (a) the cost to Franchisee of removing signage or discontinuing use of the Marks or Copyrighted Materials; (b) litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks or Copyrighted Materials is disputed or challenged by Franchisor; or (c) any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks or Copyrighted Materials.

#### **6.5 Discontinuance of Use**

If it becomes necessary, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of any of the Marks or Copyrighted Materials and/or to use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions in that regard within ten business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of any of the Marks or Copyrighted Materials or any loss of goodwill associated with any modified or discontinued Marks or Copyrighted Materials or for any expenditure made by Franchisee to promote modified or substitute Marks or Copyrighted Materials.

#### **6.6 Right to Conduct Quality Control Inspection**

To preserve the validity and integrity of the Marks and Copyrighted Materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks and Copyrighted Materials in the operation of the Franchised Center, Franchisor and its designees shall have the right to enter and inspect the Franchised Center and the Authorized Location at all reasonable times and additionally, shall have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents, and related data to ensure that Franchisee is operating the Franchised Center in accordance with the quality control provisions and performance standards established by Franchisor under this Agreement. Such designees may include, but are not limited to, secret shoppers who may visit and observe the Franchised Center without notice or identification to Franchisee. Franchisor and its designees shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, used in the preparation of products offered for retail sale or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor and its designees shall have the right to observe Franchisee and its employees during the operation of the Franchised Center and to interview parents, students and employees and to photograph and videotape the Franchised Center. Upon expiration or termination of this Agreement, Franchisor also has the right to conduct a walk-through to

verify the Franchised Center is properly de-branded, and Proprietary Products are removed from Authorized Location.

#### **6.7 Franchisor's Sole Right to Domain Name**

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing any of the Marks or any variation thereof and at no time will Franchisee be allowed to operate on any platform not approved by Franchisor that is associated with Franchisee's Franchised Center. Franchisor has the exclusive right to advertise on the Internet and create websites using or containing any of the Marks (including "JEI LEARNING CENTER®"). Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Confidential Operations Manual. If Franchisee holds any unauthorized domains that promote the JEI LEARNING CENTER® brand or Competitive Businesses, Franchisee must immediately cease use of the domain and surrender all ownership and authority to Franchisor.

### **7. COVENANTS**

#### **7.1 Requirement of Confidentiality**

Franchisor shall disclose Confidential Information to Franchisee during the training program, through the Confidential Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Center and in performing its duties under this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes Franchisor's trade secrets and is disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Confidential Information by any of them.

#### **7.2 Improvements**

If Franchisee, during the term of this Agreement, conceives or develops any improvements or additions to the System, copyrightable works, Internet websites, or any other documents or information pertaining or relating to the System or the Franchise, or any new trade names, trademarks and service marks or other commercial symbols related to the Franchise, or any advertising or promotional ideas related to the Franchise (collectively, "**Improvements**"), Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's prior written approval before using any such Improvements. Any Improvement approved by Franchisor may be used by Franchisor and all other franchisees of Franchisor without any obligation to Franchisee for royalties or similar fees. Any and all Improvements shall be deemed the sole and exclusive property of Franchisor and "works-made-for-hire" under this Agreement. To the extent any Improvement does not qualify as a "work-made-for-



hire,” Franchisee shall assign to Franchisor, without charge, any and all rights or interests Franchisee has in such Improvements. Franchisor, in its sole discretion, may make application for, and own, copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may consider such Improvements as the property and trade secret of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees of Franchisor that has been generally authorized for use by such other franchisees.

### **7.3 In-Term Covenant Not to Compete**

7.3.1 Franchisee acknowledges that Franchisor must be protected against the potential for unfair competition by Franchisee’s use of Franchisor’s training, assistance and Marks in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared any information with Franchisee concerning Franchisor’s System, absent Franchisee’s agreement to strictly comply with the provisions of this Section 7.3. Franchisee, therefore, agrees that Franchisee, its owners (and members of families and households) shall not, during the Initial Term or any Renewal Term:

7.3.1.1 Engage in a Competitive Business, directly or indirectly, as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent, independent contractor or otherwise, except under a Franchise Agreement with Franchisor;

7.3.1.2 Have any direct or indirect interest in any entity that is awarded or is awarding licenses or franchises to others to operate any Competitive Business, except new Franchises under Franchise Agreements with Franchisor; or

7.3.2 Franchisee acknowledges that such restrictions are reasonable and necessary to protect the interests of Franchisor and other franchisees of Franchisor, and that because of the limited nature of the restrictions, they do not unduly restrict Franchisee’s ability to engage in gainful employment. The restrictions contained in this Section do not apply to the ownership for investment purposes of less than 5% of any class of stock of a publicly traded company that Franchisee would otherwise be prevented from owning under this Section 7.3, provided that Franchisee is otherwise not actively involved in the management or operation of such business and does not serve that business in any capacity other than as a shareholder.

### **7.4 Non-Disclosure and Non-Competition Agreements with Certain Individuals**

On or after the Effective Date, Franchisor shall have the right to require Franchisee to enter into a non-disclosure and non-competition agreement in substantially the form attached as Exhibit B hereto with any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager, employee or representative of Franchisee. Upon Franchisor’s request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section 7.4. Such non-disclosure and non-competition agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be considered a third party beneficiary under such agreements and shall have the right to enforce covenants contained in such agreements.

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## **7.5 Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that, without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, the Marks and the Copyrighted Materials and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

## **8. TRAINING AND ASSISTANCE**

### **8.1 Initial Training**

At least four weeks prior to the opening of the Franchised Center, the Director and up to one assistant shall attend and successfully complete, to Franchisor's reasonable satisfaction, the NFT program consisting of not more than ten business days of classroom, on-the-job, and remote online instruction pertaining to operation of the Franchised Center including, but not limited to, preparation and presentation of educational programs, sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, and reporting procedures and other operational issues. Under normal circumstances, Franchisor shall conduct the NFT program at its headquarters, regional office, or at another designated location. In times of extraordinary circumstances, such as a pandemic or shelter in place, where in-person training may not be feasible, Franchisor may provide the NFT remotely. Franchisor shall not charge tuition or similar fees for the training required under this Section 8.1; provided, however, that all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. For any additional person, other than the Director and one assistant, Franchisor will charge Franchisee a fee of \$1,250.00 per additional person. Franchisee shall be responsible for training its management and other employees.

### **8.2 Opening Assistance**

In conjunction with the opening of the Franchised Center, Franchisor shall make available to Franchisee for approximately two days, one of Franchisor's representatives, experienced in the System, for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Center. In addition to the initial training, Franchisee shall be required to complete two days of on-site training at a designated JEI LEARNING CENTER®. Franchisor shall also provide up to two days of on-site assistance at Franchisee's JEI LEARNING CENTER® business after the initial training and on-site training have been completed. In the event that Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Center, Franchisor, in its sole discretion, may make available to Franchisee such additional assistance as Franchisor deems necessary and appropriate; provided, however, that Franchisee shall pay Franchisor's then-current standard rates, currently \$250.00 per person plus expenses, for such additional assistance.

### **8.3 Failure to Complete NFT Program**

If Franchisor determines, in its sole discretion, that the Director, within 120 days of the Effective Date, is unable to complete the initial training program to Franchisor's reasonable satisfaction, Franchisor shall have the right to terminate this Agreement. If Franchisee is a business entity and the

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Director fails to complete the NFT program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute Director and such substitute Director shall complete the initial training to Franchisor's reasonable satisfaction.

#### **8.4 New Director**

If Franchisee is a business entity and Franchisee names a new Director following the opening of the Franchised Center, Franchisee must notify Franchisor of the identity of the new Director, then the new Director shall be required to complete the NFT program to Franchisor's reasonable satisfaction within 30 days after being named as the Director and pay a training fee of \$1,250.00. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Director's attendance at such training; and provided further that Franchisor shall have the right to require Franchisee to pay all costs of such training if Franchisor determines, in its sole discretion, that the appointment of Directors by Franchisee has become excessive or is caused by poor hiring practices.

#### **8.5 Ongoing Training and Retraining**

From time to time during the term of this Agreement, Franchisor may require the Director to attend ongoing training programs or seminars. In addition, if at any time on or after the date that is 24 months from the Opening Date, the Franchised Center has not maintained an average of at least 60 subjects during the immediately preceding six months, Franchisee will be required to attend mandatory retraining. Franchisor, in its sole discretion, may charge a fee for any ongoing training required hereunder. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Director's attendance at such training. Franchisor has the right to record all center telephone calls for Training and Quality Assurance purposes.

#### **8.6 Annual Franchise Conference**

8.6.1 Franchisee is required to attend the "Annual Franchise Conference" each year during the term of this Agreement. If Franchisee is not able to attend, Franchisee may send a staff member in Franchisee's absence. Full participation is required by Franchisee. If Franchisee or a staff member does not attend, a \$900.00 non-participation fee will be applied. The full or partial fee of the non-participation fee will be assessed should Franchisee not participate in all the sessions that have been scheduled. Franchisee shall be responsible for all travel and living expenses and employee salaries incurred by Franchisee and any employees in attending the Annual Franchise Conference.

8.6.2 Franchisee is also required to submit Franchisee's business plan to Franchisor in January every year prior to the Annual Franchise Conference on a form Franchisor will provide to Franchisee. Franchisee may modify the business plan during the year, provided that franchisee shall promptly submit all such modifications to Franchisor.

#### **8.7 Meetings**

Franchisee is required to attend all meetings required by Franchisor, which may include quarterly regional meetings at a JEI LEARNING CENTER® business designated by Franchisor during the term of this Agreement. If Franchisee is not able to attend, Franchisee may send a center director or administrator in Franchisee's absence a maximum of two (2) times in any calendar year. Full participation is required by Franchisor. If Franchisee or a staff member does not attend at least 75% of the required

meetings in a calendar year, a \$300.00 non-attendance fee will be assessed for any calendar year in which the 75% threshold is not met. Franchisee shall be responsible for all expenses and employee salaries incurred by Franchisee and any employees in attending the meetings.

## **9. CONFIDENTIAL OPERATIONS MANUAL**

### **9.1 Confidential Operations Manual**

During NFT, Franchisor shall provide to Franchisee one copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Center in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one or more separate manuals, guidebooks, policies, or other materials as designated by Franchisor and may be in written or electronic form. The Confidential Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

### **9.2 Revisions**

Franchisor shall retain the right to revise or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, policies, operating procedures and rules prescribed by Franchisor; provided, however, that no such revision or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor shall have the right to make such revisions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon receipt of any revisions or modifications to the Confidential Operations Manual, implement or conform to any such revisions or modifications and shall ensure that its copy of the Confidential Operations Manual is up-to-date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall control.

### **9.3 Confidentiality**

The parties acknowledge and agree that the Confidential Operations Manual constitutes Confidential Information under this Agreement and shall be subject to the confidentiality protections set forth in Section 7.1 hereof. Franchisee shall at all times ensure that its copy of the Confidential Operations Manual is available at the Authorized Location in a current and up-to-date form. Franchisee shall maintain the Confidential Operations Manual in a locked receptacle at the Authorized Location and shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the key or combination of such receptacle. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

## **10. FRANCHISE SYSTEM**

### **10.1 Uniformity**

Franchisee shall strictly comply, and shall cause the Franchised Center to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor. Franchisor reserves the right to periodically allow franchisees to offer virtual learning to subjects when

necessitated by extraordinary events; however, Franchisee may not offer virtual learning unless it has an Authorized Location at which it operates the Franchised Center.

### **10.2 Modification of the System**

Franchisor shall retain the right to revise or modify the System from time to time in any manner including, without limitation, by the adoption and use of new or modified Marks or Copyrighted Materials or the purchase and/or use of new or additional computer hardware, software, equipment, products, supplies or techniques. Franchisee shall accept and use any such revisions or modifications to the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such revisions or modifications in the System may reasonably require; provided, however, that Franchisee shall not be required to implement or conform to any such revisions or modifications to the extent that the cost of implementing or conforming to such revisions or modifications would exceed \$10,000.00 at any one time. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.4. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

### **10.3 Variance**

Franchisor shall have the right, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular JEI LEARNING CENTER®. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

## **11. ADVERTISING AND PROMOTIONAL ACTIVITIES**

### **11.1 Grand Opening Advertising and Initial Marketing**

Beginning three months before the initial opening of the Franchised Center and for the first three months of operation of the Franchised Center, Franchisee shall spend no less than \$6,000.00 on local advertisement and promotion of the initial opening of the Franchised Center (“**Grand Opening Advertising**”). Franchisor shall determine and specify an appropriate amount which Franchisee shall be required to expend on Grand Opening Advertising based upon Franchisor's general assessment of the area surrounding the Franchised Center and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors. Further, Franchisor shall specify the time at which Franchisee shall conduct Grand Opening Advertising. All materials to be used in Grand Opening Advertising must be approved by Franchisor prior to their use pursuant to the requirements of Section 11.2.2. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Brand Fund Contributions.

### **11.2 Local Advertising**

11.2.1 Franchisee shall continuously promote the Franchised Center. Following the first three months of operation of the Franchised Center, during which Franchisee has conducted Grand

Opening Advertising as set forth above, and continuing for the next six months of operation, Franchisee must spend \$1,000.00 each month on advertising, promotions and public relations within the immediate locality surrounding the Franchised Center (“**Local Advertising**”). Thereafter, beginning on the tenth month of operation of the Franchised Center and assuming Franchisee has complied with the foregoing advertising obligations, Franchisee must spend \$500.00 a month on Local Advertising throughout the remaining term of this Agreement. Such expenditures shall be made directly by Franchisee, subject to the approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within 30 days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of its expenditures on Local Advertising for the preceding month.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, ad copy, coupons, flyers and scripts. Franchisor shall use its commercially reasonable efforts to provide notice of approval or disapproval to Franchisee within 20 days from the date any such materials are received by Franchisor. If Franchisor does not approve submitted materials by the end of such 20-day period, such materials shall be deemed to be not approved. Franchisee shall not use any marketing or promotional material prior to receiving Franchisor’s approval. The submission of advertising and promotional materials to Franchisor for approval shall not affect Franchisee’s right to determine the prices at which Franchisee provides services or sells products. Franchisee may not market or promote its Franchised Center within the boundaries of another franchisee’s protected territory unless previously approved in writing by Franchisor and/or in collaboration with the franchisee within such protected territory.

### **11.3 Brand Fund**

Franchisor has established a Brand Fund. Franchisee shall be required to make monthly Brand Fund Contributions. Currently, the Brand Fund Contribution is \$1 per subject per month. This amount may be adjusted from time to time by Franchisor. Franchisor shall notify Franchisee at least 30 days prior to implementing or changing Brand Fund Contribution requirements. The Brand Fund shall be maintained and administered by Franchisor or its designee according to the following requirements:

11.3.1 Franchisor shall oversee all marketing programs, with sole discretion over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Brand Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

11.3.2 Franchisee’s Brand Fund Contributions may be used to meet the costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). Franchisor will separately account for any Branch Fund established, but will not be required to segregate any of the Brand Fund monies from other monies, and the Brand Fund shall not be used to defray any of the Franchisor’s general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Brand Fund.



11.3.3 Franchisor shall endeavor to spend all Brand Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Brand Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Brand Fund, and next out of prior year contributions and then out of current contributions.

11.3.4 Although Franchisor intends the Brand Fund, if established, to be of perpetual duration, Franchisor has the right to terminate the Brand Fund at any time. The Brand Fund shall not be terminated, however, until all Brand Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Brand Fund Contributions made in the aggregate by each franchisee.

11.3.5 Each JEI LEARNING CENTER® business operated by Franchisor shall make Brand Fund Contributions at the same rate as Franchisee or other franchisees of Franchisor.

11.3.6 If an accounting of the operation of the Brand Fund is prepared, it shall be available to Franchisee upon request. Franchisor shall retain the right to have the Brand Fund reviewed or audited and reported on an annual basis, at the expense of the Brand Fund, by an independent certified public accountant selected by Franchisor.

11.3.7 Franchisee acknowledges that the Brand Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Brand Fund.

11.3.8 Franchisee agrees to participate in all advertising, marketing, promotions, research, public relations and other programs instituted by the Brand Fund.

#### **11.4 Cooperative Advertising**

Franchisor shall have the right, but not the obligation, to create a Cooperative Advertising program for the benefit of the JEI LEARNING CENTER® businesses located within a particular region. When Franchisor implements the Cooperative Advertising program, Franchisee shall contribute an amount Franchisor determines, currently \$100.00 - \$300.00 a month, depending on Franchisee's region. Franchisor shall have the right to collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. Franchisor shall have the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor shall have the right to administer the Cooperative Advertising program or to establish an advertising council composed of franchisees within such region to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the rules and procedures established by the council and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

#### **11.5 Internet Advertising**

Franchisee may not establish a presence on or conduct any marketing using the Internet in connection with the Franchised Center without Franchisor's prior written consent and at no time will

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Franchisee be allowed to operate on any platform not approved by Franchisor that is associated with Franchisee's Franchised Center. Franchisee may not conduct any marketing using the Internet for territories outside of Franchisee's market. All Franchised Center-associated Internet-based channels, including but not limited to, Google Business Profile, Facebook, Twitter, Instagram, Pinterest, Snapchat, Yelp, and YouTube are completely owned by Franchisor and Franchisee will receive operational access to each Internet-based channel only upon written request and Franchisor's approval. Franchisor reserves the right to deny Franchisee's request or revoke permissions for any reason at any time. Franchisor has established and maintains an Internet website at the uniform resource locator ("URL") jeilearning.com ("Website") that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor shall supply an email address for the Franchised Center, which shall be used for company and center communications. Franchisor may (but is not required to) include on the Website an intranet section or an interior page containing information about the Franchised Center. If Franchisor includes such information on the Website, Franchisor shall have the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's prior written approval. Franchisor shall retain the sole right to market on the Internet, including, without limitation, the use of websites, domain names, URL's, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, social media and co-branding arrangements. Except for the Territory in Franchisee's market, (i) Franchisee shall not offer or sell Non-JEI Programs through the Internet, except as authorized by Franchisor in the Confidential Operations Manual or otherwise in writing; (ii) Franchisee shall not advertise for students by social media or using related media or technology except as authorized by Franchisor in writing. Franchisee may be requested to provide content for Franchisor's Internet marketing programs and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements as set forth in the Confidential Operations Manual. Franchisor shall retain the sole right to use the Marks and the Copyrighted Materials on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor shall retain the sole right to approve any linking to, or other use of, the Website.

## **12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS**

### **12.1 Records**

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing. In particular and not in limitation of the foregoing, Franchisee shall add students as they enroll and may not drop them from enrollment except as provided in the Confidential Operations Manual. Franchisee shall retain during the term of this Agreement, and for three years after the expiration or termination of this Agreement, all books and records related to the Franchised Center including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial books and records designated by Franchisor or required by Applicable Law. All student and parent records and files must be returned to Franchisor within five days of the termination or expiration of this Agreement.



## **12.2 Royalty Fee Reports**

Franchisee acknowledges that it must accurately report all enrollments as dictated in the Confidential Operations Manual. An invoice will be generated from the reported enrollments on or about the first day of each following month detailing any and all fees owed to Franchisor. If Franchisor discovers a discrepancy between Franchisee's records and actual student enrollment, Franchisee must immediately correct such records and shall pay Franchisor all amounts payable on account of such enrolled students from the date of actual enrollment.

## **12.3 Financial Statements**

Franchisee shall supply to Franchisor, upon request, in a form approved by Franchisor, a balance sheet and income statement as of the end of the last day of the preceding month and an income statement for the fiscal year-to-date. Franchisee shall, at its own expense, submit to Franchisor within 90 days after the end of each fiscal year, an income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year. Such financial statements shall be prepared in accordance with accounting principles applied on a consistent basis that accurately and completely reflect Franchisee's financial condition. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic financial reports in the manner and at the time specified in the Confidential Operations Manual or as otherwise specified in writing by Franchisor.

## **12.4 Other Reports**

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as specified in the Confidential Operations Manual or as Franchisor may reasonably request from time to time. Franchisor shall have the right to release financial and operational information relating to the Franchised Center to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all financial and other reports submitted pursuant to this Agreement.

## **12.5 Computer/Point-of-Sale System**

Franchisee shall purchase, install and use computer and point-of-sale systems consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of other direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

## **12.6 Right to Inspect Books and Records**

Franchisor or its designee shall have the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor: (i) the amount of underpayment owed; (ii) 150% of the amount of the underpayment; and (iii) a late fee and other fees and interest from the date such amount was due until the date it was paid, all as set forth in Section 3.9. If the inspection discloses any underpayment of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses

connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement.

### **12.7 Release of Records**

At Franchisor's request, Franchisee shall authorize and direct any third parties, including Franchisee's accountant, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Center including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, and expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the duration of this Agreement or until such time as Franchisor withdraws such request. Franchisee shall execute all documents necessary to facilitate the release of such records to Franchisor.

## **13. STANDARDS OF OPERATION**

### **13.1 Authorized Products, Services and Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its students. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Center only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. By way of clarification and not in limitation of the foregoing, Franchisee shall not offer any test preparation services including, without limitation, any SAT test preparation services. If required by Franchisor, any such items or services shall be purchased only from "**Approved Suppliers**" that Franchisor designates or approves (which might include, or be limited to, Franchisor). Franchisee shall not use, offer for sale, sell or provide through the Franchised Center or from the Authorized Location any products or services that Franchisor has not approved, including, without limitation, any products or supplemental materials that do not use Franchisor's Marks.

13.1.2 Franchisor shall provide Franchisee, in the Confidential Operations Manual or in other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such lists. If Franchisor is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor. If Franchisee desires to utilize any services or products not approved by Franchisor (with regard to services and products that require Franchisor's approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether such services or products comply with Franchisor's standards and specifications and whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve any item, service or supplier. Franchisor shall decide within a reasonable time period (usually 30 days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Franchisor may condition approval of a supplier on the following: (a) supplier's ability to provide sufficient quantity of product; (b) quality of products or services at competitive prices; (c) production and delivery capability; and (d) dependability and general reputation. Nothing in this Section 13.1.2 shall be construed to require

Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 Notwithstanding anything to the contrary in this Agreement, Franchisor shall have the right to review from time to time its approval of any products, services or suppliers. Franchisor may revoke its approval of any product, service or supplier at any time, and in its sole discretion, by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any products or services disapproved by Franchisor and cease purchasing products or services from suppliers disapproved by Franchisor.

13.1.4 Franchisor shall have the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences.

13.1.5 Franchisor shall have the right, in its sole discretion from time to time, to give its consent to one or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent shall be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

Franchisor shall have the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

## **13.2 Proprietary Products**

13.2.1 In order to maintain consistency, quality and uniformity of the System, Franchisor shall make the Proprietary Products available to Franchisee in reasonable quantities in accordance with the procedures for ordering, handling and shipping that Franchisor may establish from time to time and at prices and on credit terms, if any, that Franchisor may determine from time to time, provided that Franchisee is in compliance with this Agreement and all other agreements with Franchisor. Franchisee shall also pay on-going shipping costs together with the Royalty Fee. The shipping charges will be charged to the Franchisee as per the JEI Global System. These shipping costs will be included in the Royalty Fee invoice for the replenishment of the workbooks used at Franchisee's JEI LEARNING CENTER based on the usage of workbooks during the previous month.

13.2.2 Franchisee acknowledges and agrees that the Proprietary Products produced by Franchisor (or on behalf of Franchisor) are distinctive as a result of being produced pursuant to Franchisor's experience and are inextricably interrelated with the Marks and the Copyrighted Materials. Franchisee agrees to order and purchase all of its requirements of Proprietary Products exclusively from Franchisor or a supplier designated by Franchisor. Franchisor may require Franchisee to execute Franchisor's standard form supply agreement in connection with the purchase of the Proprietary Products. Franchisee agrees to, at all times, maintain an inventory of Proprietary Products sufficient to operate the Franchised Center at full capacity and to maintain such Proprietary Products in good condition.

13.2.3 For those products supplied by Franchisor, Franchisor shall provide the Proprietary Products at competitive prices; provided, however, that Franchisee acknowledges that Franchisor has the right to earn a reasonable profit on the sale or loan of the Proprietary Products.

### **13.3 Non-JEI Programs**

Please refer to the JEI Confidential Operations Manual for policies and procedures on offering Non-JEI Programs at the Franchised Center. Non-JEI Programs may only constitute a maximum of 5% of Franchisee's total business operations and all students enrolled in Non-JEI Programs must be concurrently enrolled in JEI programs to be eligible for Non-JEI Programs. Franchisor may retract its approval of the Non-JEI Program at any time for any reason or no reason at all, and Franchisee shall immediately cease offering the Non-JEI Program and discontinue the Non-JEI Program in the entirety upon completion of the program by students enrolled in the same as of the date Franchisor notifies Franchisee of the retraction of its approval. By way of example and not in limitation of the foregoing, Franchisee shall not offer any test preparation services including, without limitation, any non-JEI test preparation programs.

### **13.4 Appearance and Condition of the Franchised Center**

Franchisee shall, at all times, maintain the Franchised Center located at the Authorized Location in "like new" condition, and shall repair or replace equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Franchisor, Franchisee's lessor and any Applicable Laws. The expense of such maintenance shall be borne entirely by Franchisee and shall be in addition to any required System modifications, as provided in Section 10.2.

### **13.5 Ownership and Management**

The Franchised Center shall, at all times, be under the direct supervision of Franchisee. The Director shall devote his or her full-time efforts to the management of the day-to-day operation and affairs of the Franchised Center. As used in this Section 13.5, "full-time" means the expenditure of at least 25 hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Director.

### **13.6 Days of Operation**

Franchisee shall keep the Franchised Center open for business during normal business hours on all days specified in the Confidential Operations Manual. Franchisee must provide at least 2 weeks' advance notice to Franchisor if the Director will be absent from the Franchised Center for 5 days or more and must designate a substitute manager acceptable to Franchisor to operate the Franchised Center during the Director's absence, all in accordance with the procedures described in the Confidential Operations Manual.

### **13.7 Personnel**

Franchisee shall maintain competent and conscientious personnel to operate the Franchised Center in accordance with this Agreement and the Confidential Operations Manual. Franchisee shall train or cause the training of all personnel as and when required by prudent business practices, System standards or this Agreement. Franchisee must conduct, and keep on file during the Term, criminal background checks and abuse registry checks on all of its employees aged 18 or over and on independent contractors who will provide supplemental education to students or who frequent the Franchised Center to provide any services. At Franchisor's request, Franchisee must provide Franchisor with copies of employment materials or independent contractor agreements relating to each of Franchisee's personnel, including, but not limited to, employment or other application materials and the results of criminal background checks and abuse registry

checks. All costs associated with Franchisee's performance of its obligations under this Section shall be the sole responsibility of Franchisee.

### **13.8 Contributions and Donations**

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

### **13.9 Licenses and Permits**

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Center and shall operate the Franchised Center in full compliance with Applicable Laws. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Center. Franchisee shall be solely responsible for investigating and complying with Applicable Laws with regard to the operation of the Franchised Center.

### **13.10 Notification of Proceedings**

Franchisee shall notify Franchisor in writing of the receipt of a notice of demand or threatened claim of liability or verbal threats of, or damages against or involving, Franchisee or the Franchised Center not more than five days after Franchisee's receipt of such notice. Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Center, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Center not more than five calendar days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five calendar days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any Applicable Laws.

### **13.11 Compliance with Law and Good Business Practices**

Franchisee shall at all times operate the Franchised Center in full compliance with Applicable Law. Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereunder. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Center and shall at all times give prompt, courteous and efficient service to students of the Franchised Center. The Franchised Center shall in all dealings with its students, parents of students, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. Franchisee shall respond to all customer complaints in a timely manner. If Franchisor deems that Franchisee has not fairly handled a complaint, Franchisor shall have the right to intervene and satisfy the student or the parent of the student. Franchisor shall have the right to terminate this Agreement for repeated violation of this Section 13.11. Franchisee shall reimburse

Franchisor for all costs and expenses incurred by Franchisor in servicing a student or parent of a student of the Franchised Center pursuant to this Section 13.11.

### **13.12 Uniforms**

Franchisee shall abide by any uniform requirements stated in the Confidential Operations Manual or as otherwise specified in writing by Franchisor. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms. Franchisee must obtain Franchisor's approval in advance for uniforms bearing the JEI logo.

### **13.13 Vending Machines**

Franchisee shall not install or use at the Franchised Center any vending machines, amusement devices, jukeboxes, or other similar devices without Franchisor's prior written approval.

### **13.14 Credit Cards**

Franchisee shall, at its own expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Center to accept such methods of payment from its customers.

### **13.15 Best Efforts**

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Center. Franchisee shall require all of Franchisee's personnel, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

### **13.16 Correspondence Status**

Franchisee shall not recruit or maintain Correspondence Students.

### **13.17 Franchised Center Name**

Franchisor shall designate the name for the Franchised Center following its naming guidelines.

### **13.18 Data Protection**

Franchisee agrees and undertakes that Franchisee shall:

13.18.1 Comply with the provisions of all applicable laws, regulations and best practices relating to privacy and data protection ("**Data Protection Laws**") in the use and processing of

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any personal data, including student contact information (such as name, telephone numbers, e-mail and postal addresses), and transactional information collected by Franchisee from students and prospective students of the Franchised Center (“**Student Personal Data**”);

13.18.2 Refrain from otherwise modifying, amending or altering the contents of the Student Personal Data or disclosing or permitting the disclosure of any of the Student Personal Data to any third party unless required by Applicable Law or specifically authorized in writing by Franchisor;

13.18.3 Implement and maintain throughout the Term appropriate technical and organizational measures to protect Student Personal Data against an unauthorized or unlawful processing, access or use and/or accidental loss, destruction, damage, alteration or disclosure (“Data Breach”);

13.18.4 Promptly notify Franchisor in writing if Franchisee suspects there has been a Data Breach, in which event Franchisee shall do all such acts and things (at Franchisee’s own expense) as we may require in order to remedy or mitigate the effects of the Data Breach; and

13.18.5 Promptly notify Franchisor of any complaint, communication or request relating to the Applicable Data Protection Laws.

#### **14. FRANCHISOR’S ADDITIONAL OPERATIONS ASSISTANCE**

##### **14.1 General Advice and Guidance**

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee with respect to planning, opening and operating the Franchised Center. Franchisor shall not charge for this service, provided, however, that Franchisor retains the right to charge a fee for or discontinue this service should Franchisee, in Franchisor’s discretion, be deemed to be utilizing this service too frequently or in an unintended manner. Franchisor’s advice or guidance to Franchisee relative to prices for products and services that, in Franchisor’s judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating JEI LEARNING CENTER® business and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged for products and services at the Franchised Center.

While the System is designed for in-person instruction, Franchisor’s discretion to grant variances from System standards includes the ability to permit some or all franchisees to offer remote learning for such periods of time as determined by Franchisor. Franchisee may only offer remote learning if authorized by Franchisor in writing and only for those periods of time authorized by Franchisor in writing.

##### **14.2 Periodic Visits**

Franchisor or Franchisor’s representative shall make periodic visits to the Franchised Center (including, in Franchisor’s discretion and without limitation, a visit to the Franchised Center for final inspection prior to the opening) , which may be announced or unannounced, for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Center. Franchisor and Franchisor’s representatives who visit the Franchised Center may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operation of the Franchised Center. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements within 30 days.



## 15. INSURANCE

### 15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within 60 days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by Applicable Law, or by a lender or a lessor in connection with the Franchised Center, Franchisee shall procure:

15.1.1 "All risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Center. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 Workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Center is located and employer liability coverage with a minimum limit of \$100,000.00 or, if higher, the statutory minimum limit as required by Applicable Law;

15.1.3 Comprehensive general liability insurance against claims for bodily harm and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Center, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of \$1,000,000.00 per occurrence or, if higher, the statutory minimum limit required by Applicable Law;

15.1.4 Automobile liability insurance for owned or hired vehicles, with a combined single limit of at least \$1,000,000.00 per occurrence or, if higher, the statutory minimum limit required by Applicable Law;

15.1.5 Abuse and molestation insurance coverage in amounts and with terms acceptable to Franchisor; and

15.1.6 Business interruption insurance in amounts and with terms acceptable to Franchisor; and such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3.

### 15.2 Future Increases

Franchisor shall have the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

### 15.3 Carrier Standards

The insurance policies required by Section 15.1 shall be written by an insurance company licensed in the state in which the Franchised Center is located and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.



**15.4 Evidence of Coverage**

Franchisee’s obligation to obtain and maintain the foregoing insurance policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee’s performance of this obligation relieve it of liability under the indemnification provisions set forth below. Franchisee shall provide to Franchisor, annually and upon demand, certificates of insurance showing compliance with the foregoing requirements and such other evidence of coverage as Franchisor shall require. Such certificates shall state that such insurance policy or policies shall not be canceled or altered without at least 30 days’ prior written notice to Franchisor and shall reflect proof of payment of premiums.

**15.5 Failure to Maintain Coverage**

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor shall have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be immediately payable by Franchisee upon notice.

**16. DEFAULT AND TERMINATION**

**16.1 Termination by Franchisee**

If Franchisee is in substantial compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within 180 days after receiving written notice thereof, Franchisee shall have the right to terminate this Agreement unless such breach cannot reasonably be cured within 180 days. If the breach cannot reasonably be cured within 180 days, Franchisee shall have the right to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

If Franchisee is in substantial compliance with all of the terms of this Agreement, Franchisee may terminate this Agreement without cause by providing us 180 days’ advance written notice of Franchisee’s intent to terminate subject to payment of an early termination fee of \$2,500 and Franchisee’s compliance with Section 17. If Franchisee ceases operating the Franchised Center in accordance with this section but does not provide at least 90 days’ advance written notice, Franchisee shall pay Franchisor a fee of \$500 in addition to the early termination fee.

**16.2 Termination by Franchisor**

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 or its owner or Director is charged with a crime against minors;

16.2.1.2 Fails to timely select an accepted site for or establish and equip and commence operations of the Franchised Center pursuant to Section 5;

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16.2.1.3 Fails to satisfactorily complete, or to cause its Director to complete, the NFT program pursuant to Section 8;

16.2.1.4 Makes any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.5 Is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Center;

16.2.1.6 After notices to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Center;

16.2.1.7 Discloses, duplicates and/or otherwise uses in an unauthorized manner any portion of the Confidential Operations Manual, trade secrets or any other Confidential Information;

16.2.1.8 If required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.1.9 Abandons, fails or refuses to actively operate the Franchised Center for five or more consecutive days (unless the Franchised Center has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Center following the expiration or termination of the lease for the Authorized Location, the destruction or condemnation of the Authorized Location or any other event rendering the Authorized Location unusable;

16.2.1.10 Surrenders or transfers control of the operation of the Franchised Center without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;

16.2.1.11 Fails to maintain the Franchised Center under the primary supervision of a Director during the 180 days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee, pursuant to Section 18.6;

16.2.1.12 Submits to Franchisor on two or more separate occasions at any time during the term of this Agreement any reports or other data, information or supporting records that misstate student enrollment or that understate any Royalty Fee or other fees owed to Franchisor by more than 3% for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.13 Is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if

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a final judgment against the Franchised Center remains unsatisfied of record for 30 days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against the Authorized Location or equipment used in the Franchised Center is instituted against Franchisee and not dismissed within 30 days or is not in the process of being dismissed;

16.2.1.14 Misuses or makes an unauthorized use of any of the Marks or Copyrighted Materials or commits any other act that can reasonably be expected to impair the goodwill associated with any of the Marks or Copyrighted Materials;

16.2.1.15 Fails on two or more separate occasions within any period of 12 consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Brand Fund Contribution, amounts due for purchases from Franchisor or other payment when due to Franchisor, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.16 Violates on two or more occasions, any health or safety law, ordinance or regulation, or operates the Franchised Center in a manner that presents a health or safety hazard to its students, employees or the public;

16.2.1.17 Engages in any activity exclusively reserved to Franchisor;

16.2.1.18 Fails to comply with any Applicable Law or regulation within ten days after being given notice of noncompliance;

16.2.1.19 Breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Confidential Operations Manual on two or more separate occasions within any period of 12 consecutive months, whether or not previous breaches or failures are cured;

16.2.1.20 Defaults under any other agreement between Franchisor and Franchisee, such that Franchisor, as the case may be, has the right to terminate such agreement or such agreement automatically terminates;

16.2.1.21 As of the second anniversary of the opening of the Franchised Center, Franchisee has fewer than 60 subjects enrolled; or

16.2.1.22 Relocates or attempts to relocate the Franchised Center without Franchisor's prior written approval and without complying with the requirement of Section 5.7.

16.2.2 Except for those items listed in Sections 16.2.1 and Section 16.2.3, Franchisee shall have 30 days after written notice of default from Franchisor within which to remedy the default and provide evidence of that remedy to Franchisor. If any default is not cured within that time, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, Franchisee shall have that additional time to correct the default as Franchisor believes to be reasonably required (not to exceed 90 days) provided that Franchisee begins taking the actions necessary to correct the default during the 30 day cure period and diligently and in good faith pursues those actions to completion. Franchisee shall be in default under this Section 16.2.2 for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in

writing, including failure to have at least 60 subjects enrolled at the Franchised Center after the Franchised Center has been open for 2 years, or to carry out the terms of this Agreement in good faith. Franchisee is prohibited from operating or conducting any other form of business at the Franchised Center at any time, except for Non-JEI Program approved by the Franchisor. Franchisor may discontinue any and all Non-JEI Programs at its sole discretion.

16.2.3 Notwithstanding the provisions of Section 16.2.2, if Franchisee fails to pay any monies owed to Franchisor or its affiliates when those monies become due and payable and Franchisee fails to pay those monies within five days after receiving written notice of default, this Agreement shall terminate effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing.

### **16.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination or cancellation other than in accordance with Applicable Law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with Applicable Law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

### **16.4 Right of Franchisor to Suspend Performance**

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor shall have the right, in its sole discretion, to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products to Franchisee for which Franchisor is an Approved Supplier, until such time as Franchisee cures such breach. Franchisor has the right to communicate with and notify students and parents of the closing center, and offer incentives to attend other franchised centers in the System.

## **17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **17.1 Actions to be Taken**

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 Immediately cease to operate the Franchised Center and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 Cease to use the trade secrets, Confidential Information, the System, the Copyrighted Materials, the Proprietary Products and the Marks including, without limitation, all signs, trade dress, slogans, symbols, logos, advertising materials, stationery, forms and any other items that display or are associated with the Marks;

17.1.3 Upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Authorized Location to

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Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 Take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "JEI LEARNING CENTER<sup>®</sup>" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement;

17.1.5 Pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of an early termination of this Agreement, and any other amounts due to Franchisor;

17.1.6 Pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 Immediately return to Franchisor the Confidential Operations Manual and all other Confidential Information including, without limitation, books and records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Center (all of which are acknowledged to be Franchisor's property);

17.1.8 Immediately return all workbooks that were loaned to Franchisee as part of the Proprietary Products and sign Franchisor's then-current form of general release, releasing Franchisor from any and all claims, including releases of Franchisor's officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate or individual capacities), in their corporate and individual capacities including, without limitation, from claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement, upon receipt of which Franchisor will return the Initial Inventory Deposit to Franchisee;

17.1.9 Assign all telephone listings and numbers for the Franchised Center to Franchisor, notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers associated with the Franchised Center in any regular, classified or other telephone directory listing; and authorize transfer of such numbers to or at the direction of Franchisor;

17.1.10 Grant access to the Franchised Center to Franchisor and permit Franchisor to inspect the Franchised Center and determine whether Franchisee has taken all action necessary to ensure that the Franchised Center no longer resembles a JEI LEARNING CENTER<sup>®</sup>; and

17.1.11 Continue to comply with any ongoing obligations under this Agreement.

If Franchisee fails to remove and dispose of all interior and exterior signage within 14 days of expiration or termination of this Agreement, Franchisor may do so and Franchisee must immediately reimburse

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Franchisor for its costs in doing so and pay an additional \$500 to Franchisor as an administrative fee. Franchisee shall obtain the landlord's consent to Franchisor's access to the Franchised Center and to remove signage from the premises. In addition, if Franchisee received any discounts or incentives on the purchase of signage, Franchisee shall pay those amounts to Franchisor.

## **17.2 Post-Termination Covenant Not to Compete**

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section 17.2 and in Section 7 hereof are fair and reasonable as to time, scope and geography and are justifiably required for various purposes, including, without limitation, the following:

17.2.1.1 To protect the Marks and other Confidential Information of Franchisor;

17.2.1.2 To induce Franchisor to grant the Franchise to Franchisee; and

17.2.1.3 To protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Director.

17.2.2 Franchisee acknowledges that Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance and Marks in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or any or shared information with Franchisee concerning Franchisor's System, absent Franchisee's agreement to strictly comply with the provisions of this Section 17.2. Therefore, except as otherwise approved in writing by Franchisor, for a period of two years after the expiration or termination of this Agreement, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, nor any member of any of their immediate families, may, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 Own any interest whatsoever as an owner, investor, partner, director, officer, employee, consultant, representative, agent or in any capacity, in any Competitive Business located or operating: (a) at the Authorized Location; (b) within a 25 mile radius of the Authorized Location or within the Protected Territory (whichever is greater); or (c) within a 25 mile radius of the location of any other JEI LEARNING CENTER<sup>®</sup> business in existence, under construction, or for which a lease has been signed by Franchisor or a franchisee or licensee of Franchisor, at the time of such expiration or termination.

17.2.3 The mileage restrictions set forth in this Section 17.2 shall be measured based on roadways open as of the date of expiration or termination of this Agreement.

17.2.4 The restrictions contained in this Section 17.2 do not apply to the ownership for investment purposes of less than 5% of any class of stock of a publicly traded company that Franchisee would otherwise be prevented from owning under this Section 17.2, provided that Franchisee is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

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17.2.5 Franchisee acknowledges and agrees that violations of these non-competition covenants will result in immediate and irreparable injury to Franchisor for which no adequate remedy at law is available. Therefore, in addition to being responsible for any damages caused to Franchisor arising from Franchisee's violation of these non-competition covenants, Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the non-competition covenants contained herein. Franchisee specifically agrees to pay any and all costs and attorneys' fees of Franchisor in connection with the enforcement of any provision of this Section 17.2.

17.2.6 Franchisee also acknowledges and agrees that if Franchisee should violate the provisions of Section 17.2.2, then the period for which the prohibition stated therein is applicable shall extend until two years following the date Franchisee ceases all activities that are in violation of such provision.

17.2.7 If a court of competent jurisdiction determines that the restrictions contained in Section 17.2.2 are unenforceable due to geographic scope, time period or otherwise, such court may reduce such restriction to the level that provides the maximum restriction permitted by law.

17.2.8 In furtherance of this Section 17.2, Franchisor may require Franchisee or certain individuals associated with Franchisee to execute a Nondisclosure and Non-Competition Agreement in substantially the form attached as Exhibit A hereto.

17.2.9 Franchisee may not attempt to circumvent these restrictions through a spouse, partner, or adult child.

### **17.3 Unfair Competition**

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. This Section 17.3 is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Authorized Location following expiration or termination, Franchisee shall make such modifications or alterations to the Authorized Location (including changing telephone numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Authorized Location. Franchisee shall make such specific additional changes to the Authorized Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all trade dress or other physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section 17.3, Franchisor shall have the right to enter upon the Authorized Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

### **17.4 Franchisor's Option to Purchase Certain Business Assets**

Franchisor shall have the right (but not the duty), for a period of 30 days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Center including, but not

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limited to, leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to such assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price. If Franchisor and Franchisee cannot agree on the fair market value of such assets, an independent appraiser selected by Franchisor shall determine the fair market value. In the event that Franchisor elects to purchase the business assets at fair market value, Franchisee shall convey said assets to Franchisor by a bill of sale, free and clear of all liens, encumbrances and security interests. Franchisor may utilize all or a portion of the purchase price to directly satisfy liens or security interests on such assets.

### **17.5 Survival of Certain Provisions**

All obligations of Franchisor and Franchisee that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until satisfied or their natural expiration.

## **18. TRANSFERABILITY OF INTEREST**

### **18.1 Transfer by Franchisor**

Franchisor has the unrestricted right to transfer or assign ownership interests in Franchisor and all or any part of its interest in this Agreement to any person or legal entity without Franchisee's consent. Franchisee agrees that Franchisor shall have no liability after the effective date of transfer or assignment for the performance of, or any failure to perform, any obligations under this Agreement. Franchisor also has the right to delegate to others the performance of its duties under this Agreement.

### **18.2 Transfer by Franchisee to a Third Party**

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee, the Key Person (defined below), nor any other holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Authorized Location used in operating the Franchised Center, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. For the avoidance of doubt, this restriction applies to any transfer by the Key Person or any change in the designated Key Person. "**Key Person**" means the individual designated immediately before the signature lines of this Agreement who owns at least 51% of the Franchise, the Franchised Center or the Franchisee. At all times the Key Person must maintain such majority ownership percentage and shall directly communicate with Franchisor on any and all matters concerning the Franchised Center. Key Person must be the 51% owner (or greater) for at least two (2) years prior to changing the percentage of ownership internally. The policy regarding transfers is detailed in the Confidential Operations Manual. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

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18.2.2 Franchisee shall complete and submit to Franchisor its then-current transfer application;

18.2.3 Franchisor must approve the current Franchised Center and may require upgrades to meet current standards, which may include relocation;

18.2.4 The transferee must be approved by Franchisor and meet all current standards;

18.2.5 All amounts owed to Franchisor, and all other outstanding obligations relating to the Franchised Center, are fully paid and satisfied prior to the Transfer or arranged through escrow at the time of the Transfer with JEI prioritized as first paid, as detailed in the Confidential Operations Manual;

18.2.6 Franchisee (and any owners, if Franchisee is a business entity) has executed Franchisor's then-current form of general release, releasing Franchisor from any and all claims, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate or individual capacities), in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by Applicable Law;

18.2.7 The prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require, in its sole discretion, to demonstrate ability to conduct the Franchised Center;

18.2.8 The transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Brand Fund Contribution rates and other material provisions, and the Franchise Agreement then executed shall be for the term specified in such agreement;

18.2.9 The transferee has executed a general release, in Franchisor's then-current form, releasing Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate or individual capacities), in their corporate and individual capacities, with respect to any representations regarding the Franchise, the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.10 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.11 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the then-current amount Franchisor charges, in its sole and absolute discretion, which may be modified by Franchisor at any time;

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18.2.12 The transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.13 The transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Authorized Location) and has complied with Applicable Laws in connection with the transfer;

18.2.14 Franchisee has, and if Franchisee is an entity, all of the holders of any interest in Franchisee have executed and delivered to Franchisor a non-disclosure and non-competition agreement in a form satisfactory to Franchisor and in substance substantially the same as the non-disclosure and non-competition covenants contained in Sections 7 and 17 hereof;

18.2.15 The transferee agrees that its Director shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operations and affairs of the Franchised Center; and

18.2.16 The transferee has obtained all necessary types of insurance as described in Section 15.1.

### **18.3 Transfer to a Controlled Entity**

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee or, if individuals, each individual executing this Franchise Agreement in the same ownership percentages as owned prior to the proposed transfer ("**Controlled Entity**"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 The Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Center;

18.3.1.2 Franchisee or all holders of any interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 All obligations of Franchisee to Franchisor are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee;

18.3.1.4 The Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Center. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor;

18.3.1.5 All holders of any interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 Each stock certificate or other evidence of ownership interest of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 Copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Center, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

#### **18.4 Franchisor's Disclosure to Transferee**

Franchisor shall have the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Center or to the history of the relationship between the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any and all claims, losses, injuries or damages resulting from an inspection of Franchisor's records relating to the Franchised Center by an intended transferee identified by Franchisee.

#### **18.5 For-Sale Advertising**

Franchisee shall not, without the prior written consent of Franchisor, place in, on or upon the location of the Franchised Center, or in any communication media, any form of advertising relating to the sale of the Franchised Center or the rights granted hereunder.

#### **18.6 Transfer by Death or Incapacity**

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of any interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in the Franchised Center or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such 180 day period, the Franchised Center must remain at all times under the primary management of a Director who otherwise meets Franchisor's management qualifications.

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18.6.2 Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Center until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Center.

## **19. RIGHT OF FIRST REFUSAL**

### **19.1 Submission of Offer**

If Franchisee, or any of its owners, proposes to sell the Franchised Center (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except to regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

### **19.2 Franchisor's Right to Purchase**

Franchisor shall have, for 30 days from the date of delivery of all documents under Section 19.1, the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor shall have the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to 60 days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

### **19.3 Non-Exercise of Right of First Refusal**

If Franchisor does not exercise this right of first refusal within 30 days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within 120 days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section 19.

## **20. BENEFICIAL OWNERS OF FRANCHISEE**

Franchisee represents and warrants to Franchisor, and Franchisor enters into this Agreement in reliance upon such representation and warranty, that the individuals identified in Exhibit D hereto as Holders of a Legal or Beneficial Interest in Franchisee, are the sole holders of a legal or beneficial interest (in the stated proportions) of Franchisee.

## **21. RELATIONSHIP AND INDEMNIFICATION**

### **21.1 Relationship**

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This Agreement does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the Initial Term and any Renewal Term of this Agreement, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Center operating the Franchised Center pursuant to a Franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Authorized Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt or any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Center. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

### **21.2 Standard of Care**

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **21.3 Indemnification**

Franchisee shall hold harmless and indemnify Franchisor, all holders of a legal or beneficial interest in Franchisor, and all of their respective officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "**Franchisor Indemnitees**") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Center; (b) violation, breach or asserted violation or breach of Applicable Laws; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor; (d) breach of the lease for the Authorized Location; (e) defamation of Franchisor or the System; (f) acts, errors or omissions committed or incurred in connection with the Franchised Center, including any negligent or intentional acts; or (g) infringement, violation or alleged infringement or violation of any of the Marks, the Copyrighted Materials, or patent rights of Franchisor or any misuse of the Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

### **21.4 Right to Retain Counsel**

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor shall have the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor shall have the right to, at any time without notice, take such

remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section 21.4 to take remedial or corrective action causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee has or may have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

## **21.5 General Release**

Except to the extent prohibited by Applicable Law, Franchisee (and, if individuals, each on behalf of himself and his heirs, representatives, successors and assigns and, if a business entity, on behalf of itself and its parent and subsidiaries, and their respective past and present officers, directors, shareholders, agents, members, managers and employees, in their corporate and individual capacities) (collectively, "**Releasors**") freely and without any influence forever release and covenant not to sue Franchisor, its parent, subsidiaries and affiliates and their and Franchisor's respective past and present officers, directors, shareholders, members, managers, agents and employees, in their corporate and individual capacities, with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**Claims**"), that any Releasor now owns, has or claims to have or holds, or may in the future own or hold, or at any prior time owned, held, had or claimed to have, based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the Effective Date, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances and Claims arising out of, or relating to this Agreement and all other agreements between any Releasor and Franchisor or its parent, subsidiaries or affiliates, the sale of any franchise to any Releasor, the development and operation of the Franchised Center and the development and operation of all other businesses operated by any Releasor that are franchised by Franchisor. Releasors expressly agree that fair consideration has been given by Franchisor for this release, and they fully understand that this is a negotiated, complete and final release of all claims. Franchisee also expressly agrees that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived. That Section reads as follows: "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." Notwithstanding the foregoing, claims arising from representations in Franchisor's Franchise Disclosure Document, or its exhibits or amendments, are expressly excluded from this release.

## **22. GENERAL CONDITIONS AND PROVISIONS**

### **22.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by

Franchisor of any payment or payments due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **22.2 Injunctive Relief**

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

## **22.3 Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by any reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one of this Agreement or such other address as Franchisee may designate in writing to Franchisor. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

JEI LEARNING CENTERS, LLC  
Attn: Eugene Ahn, COO  
440 Sylvan Avenue, Suite 212  
Englewood Cliffs, NJ 07632

## **22.4 Cost of Enforcement or Defense**

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

## **22.5 Unlimited Guaranty and Assumption of Obligations**

All holders of any interest in Franchisee shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit C hereto, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

## **22.6 Approvals**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such and, except as otherwise provided herein, any



approval or consent granted shall be effective only if given in writing by Franchisor. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

## **22.7 Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the Franchised Center and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus or other similar document required or permitted to be given to Franchisee pursuant to Applicable Law.

## **22.8 Severability and Modification**

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

## **22.9 Construction**

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. References to “including” shall mean “including without limitation.”

## **22.10 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the



reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

**22.11 Timing**

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

**22.12 Withholding Payments**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees, Brand Fund Contributions or other amounts due to Franchisor. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor shall be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor shall have the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by Applicable Law. Franchisor shall have the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off or withhold sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

**22.13 Further Assurances**

Each party to this Agreement shall execute and deliver such further instruments, contracts, forms or other documents, and shall perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

**22.14 Franchisor's Discretion**

Franchisor has the unrestricted right to transfer or assign ownership interests in Franchisor and all or any part of its interest in this Agreement to any person or legal entity without Franchisee's consent. Franchisee agrees that Franchisor shall have no liability after the effective date of transfer or assignment for the performance of, or any failure to perform, any obligations under this Agreement. Franchisor also has the right to delegate to others the performance of its duties under this Agreement.

**22.15 Third-Party Beneficiaries**

Notwithstanding anything to the contrary contained herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

**22.16 Multiple Originals**

Both parties shall execute multiple copies of this Agreement, and each executed copy shall be deemed an original.

**22.17 Choice of Law**

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Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without reference to its conflict of laws principles; provided, however, that if the Franchised Center is not located in the State of New Jersey and Franchisee is not a resident of, or domiciled in the State of New Jersey, the provisions of any New Jersey law regulating the sale of franchises and governing the relationship between a franchisor and franchisee shall not apply to this Agreement or the Franchise relationship created hereby, unless the jurisdictional requirements of any such New Jersey law are met independently without reference to this Section 22.17. The Federal Arbitration Act shall govern all matters subject to arbitration pursuant to Section 23 hereof. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

#### **22.18 Consent to Jurisdiction**

With respect to any action brought by either party, except those claims required to be submitted to arbitration pursuant to Section 23 hereof, Franchisee may file any suit against Franchisor only in the federal or state court having jurisdiction in Bergen County, New Jersey. Franchisor may file suit in the federal or state court located in Bergen County, New Jersey, in the jurisdiction where its principal offices are located at the time suit is filed, in the jurisdiction where Franchisee resides or does business or where the Franchised Center is or was located or where the claim arose. Franchisor and Franchisee waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested or by any other manner provided by law. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards pursuant to Section 23 in any appropriate jurisdiction.

#### **22.19 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

#### **22.20 Limitations of Claims**

Any claim concerning the Franchised Center or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

#### **22.21 Limitations of Damages**

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and attorneys' fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential

damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

**22.22 Waiver of Jury Trial**

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM UNDER THIS AGREEMENT.

**22.23 Electronic Notices, Waivers and Amendments**

For purposes of providing notices required or permitted by this Agreement, waiving any right under this Agreement, or amending any term of this Agreement and notwithstanding any law recognizing electronic signatures or records, "a writing signed," "in writing" and words of similar meaning, shall mean only a writing in a tangible form bearing an actual "wet" signature in ink manually applied by the person authorized by the respective party, unless both parties agree otherwise by making a specific reference to this Section 22.23.

**23. ARBITRATION**

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of the Marks or Copyrighted Materials or the unauthorized use or disclosure of Franchisor's trade secrets or other Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this Agreement or any other agreement between the parties, shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect.

The demand for arbitration shall be filed with the AAA office nearest to Bergen County, New Jersey. The arbitration shall be conducted before one arbitrator selected in accordance with the AAA Rules. The arbitrator shall follow applicable law and judicial precedent. The arbitrator shall not entertain or permit any class or consolidated proceeding. The arbitrator shall afford the parties such reasonable discovery as the arbitrator deems appropriate.

The decision of the arbitrator shall be final and binding upon the parties to the dispute; however, either party may appeal the award to the AAA and the arbitrator may not under any circumstances: (a) stay the effectiveness of any award pending termination of this Agreement; (b) assess punitive or exemplary damages; or (c) make any award which extends, modifies, or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

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

## **24. ACKNOWLEDGMENTS**

### **24.1 Receipt of this Agreement and the Franchise Disclosure Document**

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least 14 calendar days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

### **24.2 Consultation by Franchisee**

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

### **24.3 True and Accurate Information**

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

### **24.4 Risk**

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a JEI LEARNING CENTER® business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

### **24.5 No Guarantee of Success**

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Center. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in Franchisor's Franchise Disclosure Document or this Agreement.

### **24.6 No Violation of Other Agreements**

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

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

**KEY PERSON**

**The Key Person is:** \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

JEI LEARNING CENTERS, LLC:

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

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

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

FRANCHISEE: \_\_\_\_\_

(type/print name)

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

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

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

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

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

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

[or] [if an individual(s)]

Signed: \_\_\_\_\_

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

Signed: \_\_\_\_\_

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

Signed: \_\_\_\_\_

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

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**

**MAP OF THE PROTECTED TERRITORY**

Description of the Protected Territory (map is attached):

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

**EXHIBIT B TO THE FRANCHISE AGREEMENT**

**NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This “Agreement” made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, (“Franchisee”) (d/b/a JEI LEARNING CENTER® Franchise) and \_\_\_\_\_ (“Individual”).

**WITNESSETH:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) by and between Franchisee and JEI LEARNING CENTERS, LLC (“Company”); and

WHEREAS, Franchisee desires Individual to have access to and/or to review certain confidential materials, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials; and

WHEREAS, Individual agrees not to disclose any such information to any other party and/or use such information to compete against Company, Franchisee or any other franchisee of Company in the same and/or a similar business now or in the future.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

**1. Proprietary Information**

(a) Individual understands Franchisee possesses and will possess Proprietary Information, which is important to its business. For purposes of this Agreement, “Proprietary Information” is information that was or will be developed, created, or discovered by or on behalf of Franchisee, or which became or will become known by, or was or is conveyed to Franchisee, and which has commercial value in Franchisee’s business. “Proprietary Information” includes, but is not limited to, operation manual(s), information about trade secrets, computer programs, designs, technology, ideas, know-how, processes, formulas, compositions, data, techniques, improvements, inventions (whether patentable or not), works of authorship, business and product development plans, other information concerning Franchisee’s actual or anticipated business, research or development related to the JEI LEARNING CENTER® System and/or any of Franchisee’s other business operations or procedures. Any information expressly designated by Company as “Proprietary Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Proprietary Information. Individual understands Franchisee’s providing of access to the confidential information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Proprietary Information.

(b) Individual understands that Franchisee possesses or will possess Franchise Materials that are important to its business. “Franchise Materials” are documents or other media or

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

tangible items that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Franchise, whether such documents have been prepared by Individual or by others. Franchise Materials include, but are not limited to, blueprints, drawings, designs, photographs, charts, graphs, notebooks, student lists, computer disks, tapes or printouts, sound recordings and other printed, typewritten or handwritten documents, as well as samples, prototypes, models, products and the like.

## 2. Confidentiality/Non-Disclosure

(a) Individual agrees not to communicate or divulge to, (or use for the benefit of himself or herself), any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any information, including, but not limited to, any operation manual(s), trademarks, trade names, patents, inventions, discoveries, improvements, processes, formulae, apparatus, equipment, methods, trade secrets, research, secret data, or other confidential matters developed, possessed, owned, or used by Franchisee, the discovery, development or knowledge of which is known to or acquired by Individual by reason of his or her meeting with, and/or participation in the business and affairs of, or as a result of his or her association with, or which may be revealed to him or her by Franchisee.

(b) Individual agrees that his or her obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future student, client or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in the JEI -Learning Center System.

## 3. Non-Competition

(a) Individual agrees that for a period of two (2) years hereafter, Individual shall not, directly or indirectly, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within: (1) twenty-five (25) miles of the premises of Franchisee's JEI LEARNING CENTER® business located at: \_\_\_\_\_, or within the Protected Territory (whichever is greater); or (2) twenty-five (25) miles of any JEI LEARNING CENTER® business without the express written consent of Franchisee.

(b) "Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business which offers or provides) children's education the same as or similar to those provided by JEI LEARNING CENTER® franchises or in which Confidential Information could be used to the disadvantage of Company or its other franchisees; provided, however, that the term Competitive Business shall not apply to (a) any business operated under a Franchise Agreement with Company, or (b) any business operated by a publicly held entity in which Individual owns less than a five percent (5%) legal or beneficial interest.

## 4. Miscellaneous

(a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions

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



between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

(b) Individual agrees that if one (1) or more provisions of this Agreement are held to be illegal or unenforceable under Applicable Law, such illegal or unenforceable portion(s) shall be limited or excluded from this Agreement to the minimum extent required so that this Agreement shall otherwise remain in full force and effect and enforceable in accordance with its terms. Individual also agrees to reimburse Franchisee for any and all costs and attorney fees incurred by Franchisee in the enforcement of the terms of this Agreement.

(c) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns.

(d) This Agreement can only be modified by a subsequent written agreement executed by an authorized officer of Franchisee.

(e) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

(f) No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

(g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

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

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE:

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

Its: \_\_\_\_\_

INDIVIDUAL:

Signature: \_\_\_\_\_

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

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

**EXHIBIT C TO THE FRANCHISE AGREEMENT**

**UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of \_\_\_\_\_, 20, in connection with that certain Franchise Agreement of even date herewith (which Franchise Agreement, as may have been modified, amended and/or supplemented in writing, is hereunder called the Franchise Agreement) by and between JEI Learning Centers, LLC as “**Franchisor**” and \_\_\_\_\_ as “**Franchisee**”.

In consideration of, and as an inducement to, the execution of the Franchise Agreement, each of the undersigned hereby personally and unconditionally, jointly and severally: (a) guarantee to JEI Learning Centers, LLC and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several with all other current and future guarantors of Franchisee’s obligations; (2) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Franchise Agreement; and (5) this Guaranty shall apply to any amounts recovered from Franchisor as a preference, fraudulent transfer or otherwise in bankruptcy or similar proceeding.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Franchise Agreement was executed.

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

GUARANTOR

% OF INTEREST IN FRANCHISEE ENTITY

\_\_\_\_\_

\_\_\_\_\_

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

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

\_\_\_\_\_

GUARANTOR

% OF INTEREST IN FRANCHISEE ENTITY

\_\_\_\_\_

\_\_\_\_\_

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

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

\_\_\_\_\_

GUARANTOR

% OF INTEREST IN FRANCHISEE ENTITY

\_\_\_\_\_

\_\_\_\_\_

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

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

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT D TO THE FRANCHISE AGREEMENT**

**HOLDERS OF ANY INTEREST  
IN FRANCHISEE**

**Holder of Any Interest:**

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

Position/Title: \_\_\_\_\_

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

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_\_%

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

Position/Title: \_\_\_\_\_

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

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_\_%

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

Position/Title: \_\_\_\_\_

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

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership \_\_\_\_\_%

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

Position/Title: \_\_\_\_\_

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

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership \_\_\_\_\_%

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

**EXHIBIT E TO THE FRANCHISE AGREEMENT**  
**INITIAL INVENTORY ON LOAN TO FRANCHISEE**

**WORKBOOKS**

- A. Math A-L
- B. English AA-J
- C. Reading and Writing C-I
- D. Problem Solving Math D-I
- E. Brain Safari C-F

All workbooks remain the property of Franchisor. The deposit is for the Franchisee's use of the workbooks. Franchisee will carefully store the workbooks at its premises, but Franchisee does not acquire any ownership interest in the workbooks.

Franchisee acknowledges and understands that if Franchisee's Franchise Agreement is terminated or expires, and such termination or expiration is not in connection with Franchisee purchasing a successor franchise, Franchisor will return the JEI Initial Inventory Deposit set forth below (less \$5 for each missing, damaged or opened workbook, based on Franchisor's Global Database which maintains current inventory levels). Such refund is conditioned upon the inventory being returned within 90 days of the termination, at Franchisee's expense, in an **unopened or unused and in pristine, saleable condition** and on Franchisee's execution of Franchisor's then-current form of general release.

If the fees for missing, damaged, or opened workbooks exceed the Initial Inventory Deposit remitted by Franchisee, the Initial Inventory Deposit will not be refunded, and Franchisee must immediately pay Franchisor the amount of the fees that exceeds the Initial Inventory Deposit.

Franchisee hereby confirms that the Initial Inventory Deposit actually remitted to Franchisor in conjunction with the execution of the Franchise Agreement was \$\_\_\_\_\_.

FRANCHISEE: \_\_\_\_\_  
(type/print name)

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

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

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

[or] [if an individual(s)]

Signed: \_\_\_\_\_

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

Signed: \_\_\_\_\_

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT**  
**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER**  
**AND DIRECTORY LISTINGS**

In consideration of JEI Learning Centers, LLC (“Assignee”) concurrently granting a JEI LEARNING CENTER® franchise (“Franchised Center”) to \_\_\_\_\_ (“Assignor”), and other valuable consideration, Assignor assigns to Assignee all telephone numbers, directory listings, fax numbers, e-mail addresses, Internet website addresses and domain names, and other listings, whether in electronic or other media, used or to be used by Assignor in the operation of the Franchised Center. This assignment will take effect on the effective date Assignee specifies below. Assignee assumes the performance of all of the terms, covenants, and conditions of the telephone or directory company with respect to these listings with the same force and effect as if they had been originally issued to Assignee. This Assignment is valid on the date signed and is irrevocable. Assignee has the right to fill in, add, or change the effective date and the listings at any time. The telephone or directory company is authorized to rely on this Assignment. The parties will hold harmless and indemnify the telephone or directory company from any claims based on reliance on this Assignment.

**ASSIGNOR:**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ASSIGNEE:**

**JEI LEARNING CENTERS, LLC:**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

*(To be entered by Assignee on the date of termination, expiration or non-extension of the Franchise Agreement as determined in the sole discretion of Assignee.)*

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

**EXHIBIT G TO THE FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby authorize JEI LEARNING CENTERS, LLC, or its affiliates (“**Company**”), to initiate debit entries and/or credit correction entries to the undersigned’s checking or savings account indicated below, hereinafter called DEPOSITORY, and to debit the same to such account. Depositor acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

**Depository**

Depository Name (Financial Institution Name)	
Depository Address	
Routing Number	
Account Number	
Account Type	<input type="checkbox"/> Checking <input type="checkbox"/> Savings

In the event of an error, Depositor authorizes the COMPANY to make correction entries through ACH Transaction(s) to the account. This authorization is to remain in full force and effect until COMPANY has received written Notification from Depositor of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.

**Authorized Signature**

If you have more than one authorized signer on this account, please attach additional sheets as necessary to include their names and signatures.

I certify that I am the authorized signer of the bank account named above. I authorize the COMPANY to present debit entries for the bank account and the financial institution named above.

\_\_\_\_\_  
DEPOSITOR (Print Name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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



**EXHIBIT H TO FRANCHISE AGREEMENT**

**FRANCHISE COMPLIANCE CERTIFICATION**

**If you are located in a state that has adopted the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements adopted on September 18, 2022 and effective January 1, 2023, you do not have to sign this Franchise Compliance Certification.**

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. You had your first face-to-face meeting with our representative on: \_\_\_\_\_, 202\_\_.

2. Have you received and personally reviewed our Franchise Agreement, each Addendum (if any) and any related agreement (i.e., personal guaranty) attached to them?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Did you receive the Franchise Agreement, each Addendum (if any) and any related agreement (i.e., personal guaranty) containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?\*

Yes \_\_\_\_\_ No \_\_\_\_\_

\* This does not include changes to any agreement arising out of negotiations you initiated with us.

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum (if any) and any related agreement (i.e., personal guaranty) provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Franchise Agreement, each Addendum (if any) or any related agreement (i.e., personal guaranty) do you not understand? (Attach additional pages, if necessary.)

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

5. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”) that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

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

6. Did you receive the FDD at least 14 days before signing the Franchise Agreement, each Addendum (if any), any related agreement (i.e., personal guaranty), this document or any related agreement, or before paying any funds to us or an affiliate?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Did you sign a receipt for the FDD indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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9. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Have you discussed the benefits and risks of purchasing a JEI LEARNING CENTER® franchise with an attorney, accountant or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a JEI LEARNING CENTER® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please explain:

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12. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a JEI LEARNING CENTER® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please explain:

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13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a JEI LEARNING CENTER® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please explain:

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14. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please explain:

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15. Do you understand that the Franchise Agreement, each Addendum (if any) and any related agreement (i.e., personal guaranty) contain the entire agreement between you and us concerning the JEI LEARNING CENTER® franchise, meaning that any prior oral or written statements not set out in such Agreements will not be binding?\*

Yes \_\_\_\_\_ No \_\_\_\_\_

\* Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

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16. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, each Addendum (if any) and any related agreement (i.e., personal guaranty) can be relied upon?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. You acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below constitute all of the executive officers, partners, shareholders, investors and/or principals of the Applicant, or constitute the duly authorized representatives or agents of the foregoing.

APPLICANT:

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_, 202\_\_\_\_\_

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_, 202\_\_\_\_\_

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_, 202\_\_\_\_\_

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

**EXHIBIT I TO FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

THIS ADDENDUM TO LEASE (“**Addendum**”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“**Lessee**”), \_\_\_\_\_ (“**Lessor**”), and JEI Learning Centers, LLC, a California limited liability company (“**Franchisor**”).

Lessee and Lessor have entered into a Lease dated \_\_\_\_\_ with respect to the Premises commonly known as \_\_\_\_\_ (“**Premises**”); and

Lessee is a franchisee of Franchisor. The Franchise Agreement between Lessee and Franchisor requires Lessee to enter into a lease for the Premises and for such lease to contain certain provisions.

NOW, THEREFORE, in consideration of the covenants between the parties and for other valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. During the term of the Lease, the Premises shall be used only for a JEI LEARNING CENTER®.

2. Lessee has the right to assign its interest in the Lease to Franchisor or Franchisor’s nominee at any time without the consent of Landlord and without rent increase or penalty. Lessee may not assign the Lease to anyone else without Franchisor’s consent.

3. If Franchisor notifies Lessor that the Franchise Agreement has expired or has been terminated, Lessor agrees that Franchisor (or its nominee) may assume the Lease.

4. If Franchisor (or its nominee) assumes the Lease, Franchisor (or its nominee) shall not be responsible for any of Franchisee’s obligations to Lessor that Franchisee incurred before the date of the assumption.

5. Lessor shall provide Franchisor with copies of all notices of default given to Franchisee under the Lease and the opportunity to cure the default.

6. Lessee may not assign (except to Franchisor) any of Lessee’s rights under the Lease without Franchisor’s prior written consent.

7. Franchisor or its representatives have the right to enter the Premises to make any change necessary to protect the Franchisor’s trademarks, to cure any default under the Lease or to make any changes or to remove signage if Lessee is no longer a franchisee of Franchisor.

8. All notices to be given under the Lease shall be in writing and delivered personally or deposited in the United States Mail, certified or registered mail with return receipt requested, postage prepaid, addressed as follows:

Lessor: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
Lessee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisor: JEI LEARNING CENTERS, LLC  
  
Attention: Mr. Eugene Ahn, COO  
4465 Wilshire Blvd., Ste. 302  
Los Angeles, CA 90010

or to such other person or such other address designated by notice sent by Lessor, Lessee, or Franchisor. Notice delivered personally shall be effective upon delivery and notice by mail shall be deemed to be effective on the second day following the date on which the notice was deposited in the United States Mail as provided in this Paragraph.

9. In the event of any conflict between this Addendum and the Lease, the terms and conditions of this Addendum shall supersede and control.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first above written.

LESSOR:  
  
\_\_\_\_\_  
  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

LESSEE:  
  
\_\_\_\_\_  
  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:  
JEI LEARNING CENTERS, LLC  
A California limited liability company

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

# **EXHIBIT C**

# **JEI** Learning Center®

## **FRANCHISE OPERATIONS MANUAL**

**COPYRIGHT © 2020 BY  
JEI Self-Learning Systems, Inc.**

ALL RIGHTS RESERVED.  
NO PART OF THIS PUBLICATION MAY  
BE REPRODUCED IN ANY FORM  
WITHOUT PERMISSION IN WRITING  
FROM JEI SELF-LEARNING SYSTEMS,  
INC.

This confidential operations manual must be kept secure at your center at all times. Employees are encouraged to read this manual, but you as a franchisee are ultimately responsible to ensure that the contents are kept strictly confidential. Failure to do so is a breach of the agreement you have signed with JEI Self-Learning Systems, Inc.



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# **EXHIBIT D**

**JEI LEARNING CENTERS, LLC**

**(A WHOLLY-OWNED SUBSIDIARY OF JEI HOLDINGS  
CORPORATION)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

JEI LEARNING CENTERS, LLC

(A WHOLLY-OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)

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## INDEPENDENT AUDITOR'S REPORT

Management and Members of  
JEI LEARNING CENTERS, LLC  
Los Angeles, CA

### **Opinion**

I have audited the accompanying financial statements of JEI LEARNING CENTERS, LLC (a CA limited liability company), which comprise the balance sheets as of December 31, 2022, and 2021, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEI LEARNING CENTERS, LLC as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matters**

Management's plans with respect to recurring operating losses incurred by the Company are described in Note 2 of the financial statements.

As described in Note 3, the Company has changed its method of accounting for leases in 2022 due to the adoption of the FASB Accounting Standards Codification (Topic 842), Leases.

My opinion is not modified with respect to these matters.

### **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 JEI LEARNING CENTERS, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

My 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 my 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 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, I:

- 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 JEI LEARNING CENTERS, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JEI LEARNING CENTERS, LLC's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



### **SPENCER HONG CPA**

3435 Wilshire Blvd., Suite 1400  
Los Angeles, CA 90010

March 13, 2023

JEI LEARNING CENTERS, LLC  
(A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 345,435	\$ 1,266,251
Investment	2,984,986	3,427,724
Accounts receivable, less allowance for doubtful accounts of \$28,077 and \$48,406, respectively	189,467	384,309
Course materials	268,236	392,381
Prepaid expenses and other current assets	19,799	331
Total current assets	<u>3,807,923</u>	<u>5,470,996</u>
Accounts receivable, non-current	45,745	-
Property and Equipment, net	3,587	5,786
Right of Use Assets - operating leases, net	50,127	-
Right of Use Assets - financing leases, net	16,799	-
Other assets	23,420	23,420
Total assets	<u>\$ 3,947,601</u>	<u>\$ 5,500,202</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 13,274	\$ 1,376
Accounts payable due to Affiliates	132,172	2,020,870
Due to related party	-	56,797
Accrued expenses and other current liabilities	152,024	192,225
Deferred revenues	179,662	210,038
Lease liabilities - operating	57,403	-
Lease liabilities - financing	6,943	-
Income taxes payable	1,700	3,000
Total current liabilities	<u>543,178</u>	<u>2,484,306</u>
Accounts payable due to Affiliates	2,086,205	166,527
Lease liabilities - financing	10,139	-
Deferred income taxes	-	84,600
Refundable deposits	172,794	193,223
Commitments and contingencies	-	-
Members' equity	<u>1,135,285</u>	<u>2,571,546</u>
Total liabilities and members' equity	<u>\$ 3,947,601</u>	<u>\$ 5,500,202</u>

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC  
(A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenues		
Franchise fees	\$ 84,484	\$ 125,971
Net royalties and enrollment fee	1,120,072	1,223,965
Ancillary franchise and royalty fees	56,162	68,639
Total revenue	1,260,718	1,418,575
Operating expenses		
Franchise support and training	821,776	811,682
Marketing and advertising	603,666	460,215
General and administrative	1,027,782	874,271
Depreciation	2,199	8,774
Total operating expenses	2,455,423	2,154,942
Loss from operations before other income/(expenses)	(1,194,705)	(736,367)
Other income/(expense)		
Unrealized holding gain/(loss) on investment	(442,738)	976,257
Dividends	130,491	133,221
Related party billing discount	-	239,154
Others	(11,609)	(5,358)
Total other income/(expense), net	(323,856)	1,343,274
Income/(loss) before provision/(benefit) for income taxes	(1,518,561)	606,907
Provision/(benefit) for income taxes		
Current - state taxes	2,300	3,000
Deferred	(84,600)	84,600
	(82,300)	87,600
Net income/(loss)	\$ (1,436,261)	\$ 519,307

See accompanying notes to financial statements



JEI LEARNING CENTERS, LLC  
 (A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
 STATEMENTS OF MEMBERS' EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Members' Capital</u>	<u>(Accumulated Deficit)</u>	<u>Total Members' Equity</u>
January 1, 2021	\$ 2,085,239	\$ (33,000)	\$ 2,052,239
Net income/(loss)	-	519,307	519,307
December 31, 2021	2,085,239	486,307	2,571,546
Net income/(loss)	-	(1,436,261)	(1,436,261)
December 31, 2022	<u>\$ 2,085,239</u>	<u>\$ (949,954)</u>	<u>\$ 1,135,285</u>

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC  
(A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$ (1,436,261)	519,307
Adjustments to reconcile net income/(loss) to net cash provided by /(used) in operating activities		
Changes in assets and liabilities		
Amortization of right of use asset - financing leases	7,153	-
Bad debt/(recovery), net	(35,346)	(1,173)
Deferred income taxes	(84,600)	84,600
Depreciation	2,199	8,774
Interest expense on finance lease	230	-
Unrealized holding (gain)/loss on investment	442,738	(976,257)
Changes in assets and liabilities		
Accounts receivable	184,443	(30,576)
Course materials	124,145	(83,926)
Prepaid expenses and other current assets	(19,468)	2,127
Right of use assets	7,276	-
Accounts payable	11,898	1,376
Accounts payable due to affiliates	30,980	234,615
Due to related party	(56,797)	56,797
Accrued expenses and other current liabilities	(40,201)	(51,308)
Deferred revenues	(30,376)	(94,471)
Income taxes payable	(1,300)	3,000
Refundable deposits	(20,429)	1,610
	522,545	(844,812)
Net cash provided by/(used) in operating activities	(913,716)	(325,505)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	-	303,526
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on financing leases	(7,100)	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(920,816)	(21,979)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	1,266,251	1,288,230
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 345,435	\$ 1,266,251
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 1,800	\$ -

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 1 — ORGANIZATION AND NATURE OF OPERATIONS

JEI LEARNING CENTERS, LLC (the “Company” or “Successor”) was formed as a Limited Liability Company under the State of California statutes on October 27, 2020 (“Inception”). The Company is wholly owned by affiliates (“Affiliates”) and JEI Holdings Corporation (“Parent”) which are headquartered in Seoul, South Korea. Affiliates are subsidiaries of the Parent.

The Company is a spun-off entity of a franchisor, JEI SELF-LEARNING SYSTEMS, INC. (“JSLS” or “Predecessor”), a related party through common ownership (Note 4). JSLS was a franchisor of JEI Learning Centers, a neighborhood learning center, which grants its franchisees the right to use (i) education methods developed over decades by the Parent and Affiliates; (ii) proprietary, copyrighted course materials; and, (iii) JEI and other trademarks offered by JSLS and an Affiliate. Students enrolled in the JEI Learning Center classes range from Pre-Kindergarten to 9<sup>th</sup> grade and receive supplemental education.

The Company became a successor franchisor of JEI Learning Centers effective December 31, 2020, and subsequently obtained approvals to operate as a franchisor in all states that require registration.

The Company also operates its franchise business in foreign countries including Canada and India (Note 2).

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

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

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Use of Estimates

Significant estimates include allowance for doubtful accounts receivable and contingencies (Note 8) and it is reasonably possible that changes may occur in the near term that would affect management's significant estimates.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank accounts and money market accounts free of encumbrances and having original maturities of less than three months. At times, the Company maintains bank and money market account balances in excess of federally insured limits. No losses have been experienced on such balances and management believes the risk of loss to be minimal.

Accounts Receivable

The Company grants credit to its franchisees generally without collateral. Accounts receivable primarily represent royalties and related fees due from its franchisees.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2022, and 2021, the net accounts receivable balance due from franchisees located in Canada amounted to \$150,343 and \$262,110, respectively (Note 8). The total account balance due from a franchisee in India was not significant for both years.

Estimated credit losses have been provided for in the financial statements and have been generally within management's expectations in the past.

Course Materials

Course materials consist of ready-to-use learning books that are valued at the lower of cost or net realizable value (Note 4).

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Investment

The Company invests in marketable securities of a publicly traded company.

Investment in marketable securities is measured and recorded at fair value on a recurring basis based on quoted market prices (Level 1 input) and totaled \$2,984,986 and \$3,427,724 as of December 31, 2022, and 2021, respectively. Changes in fair value, whether realized or unrealized, are recorded in the accompanying Statements of Operations.

The cost basis of marketable securities was \$2,746,947 as of December 31, 2022, and 2021.

The Company's investment account value may exceed the insurable limits under the Security Investor Protection Corporation ("SIPC"). No losses have been experienced on such balances and management believes the risk of loss to be minimal.

Dividends declared on shares of common stock held by the Company are to be recognized as income on the dividend declaration date. During the years ended December 31, 2022, and 2021, dividends declared and received by the Company amounted to \$130,491 and \$133,221, respectively, which are classified as part of other income/(expenses) in the accompanying Statements of Operations.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) issued *ASC 820*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value of Financial Instruments (Continued)

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and deferred revenues are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Property and Equipment

Property and equipment are recorded at their cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are depreciated over the shorter of their economic life or term of the lease. The estimated useful lives of property and equipment are as follows:

Machinery and equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Refundable Deposits

Refundable deposits represent deposits made by franchisees for the purchase of an initial stock of course materials when the learning center initially opens. The initial course material deposit amount is netted with returned course materials in the event that the franchisee ceases to operate its learning center(s) and the remaining course material is returned to the Company at which point the Company returns the deposits. As of December 31, 2022, and 2021, refundable deposits amounted to \$172,794 and \$193,223, respectively, and have been classified as part of non-current liabilities in the accompanying Balance Sheet.

Concentrations and Credit Risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and cash equivalents, investment, and accounts receivable for which the Company mitigates its losses by performing ongoing credit evaluations of its franchisees.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Franchises

Below is a roll-forward of the Company’s franchisees located in the United States and Canada for the years ended December 31, 2021, and 2022:

Beginning - January 1, 2021:	83
New center openings	3
Closures	(17)
Ending – December 31, 2021:	69
New center openings	2
Closures	(10)
Ending – December 31, 2022:	<u>61</u>

There were no learning centers owned and operated by the Company during the years ended December 31, 2022, and 2021.

Franchisees located in the district of Ontario, Canada are operated by an area licensee located in Canada (Note 8). The total number of franchisees located in Canada was 7 and 9 of which 3 and 4 are sub-franchisees of the area licensee as of December 31, 2022, and 2021, respectively.

Franchise Revenue Recognition

The Predecessor adopted the Accounting Standards Codification 606 - *Revenue from Contracts with Customers* (“ASC 606”) effective January 1, 2019, and continues to record revenues in accordance with ASC 606. Under ASC 606, revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to a customer. The Company generates all of its franchise-related fees from contracts with customers. The Company’s franchise agreement provides for a five-year term and includes performance obligations as follows: protected territory designation, access to proprietary education methods and copy-righted course materials, pre-opening services such as initial training and advertising program development, and, ongoing assistance and consulting services, promotion of brand name, marketing, and promotion items, operational computer software, and use of the Company’s intellectual property (i.e. trade names). These performance obligations are highly interrelated with the use of the Company’s brand name and are considered to represent a single performance obligation. The franchise agreement permits the franchisees to renew the contract for an additional five years.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Franchise Revenue Recognition (Continued)

Franchise Fee and Transfer fee: the initial franchise fees are fully collectible and non-refundable when the franchise agreement becomes effective. The initial franchise fee is recognized on a straight-line basis over the initial five-year contract period as the performance obligations are delivered throughout the franchise contract term. The initial franchise fees are amortized as franchise fees on the accompanying Statements of Operations and amounted to \$72,640 and \$111,649 for the years ended December 31, 2022, and 2021, respectively. An unamortized and deferred portion of the initial franchise fee is classified as part of the deferred revenues in the accompanying Balance Sheets (see the below summary).

A transfer fee is charged by the Company when a new franchisee either purchases or assumes an existing franchise location from an existing franchisee. Under the revenue recognition standards, the Company also recognizes transfer fees received on a straight-line basis over the remaining five-year period as the contract modification is deemed to be a continuation of an existing franchise agreement. The transfer franchise fees amortized for the years ended December 31, 2022, and 2021, amounted to \$11,844 and \$14,322, respectively, and are classified as part of franchise fees on the accompanying Statements of Operations. An unamortized and deferred portion of the transfer fee is classified as part of the deferred revenues in the accompanying Balance Sheets (see the below summary).

Initial franchise fees and transfer fees amortized during the years ended December 31, 2022, and 2021, amounted to \$84,484 and \$125,971, respectively.

Deferred revenues consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Initial franchise fees	\$ 130,176	\$ 185,315
Transfer fees	21,879	24,723
Marketing	<u>27,607</u>	<u>-</u>
	<u>\$ 179,662</u>	<u>\$ 210,038</u>



JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Franchise Revenue Recognition (Continued)

Royalty fees charged to its franchisees are recognized by the Company monthly, calculated per the number of courses that the students take based on a pre-determined royalty fee matrix. The performance obligations by the Company relating to monthly royalty fees are satisfied as course materials are delivered to its franchisees and the month's end is reached. Royalties, net of discounts of \$1,102,726 and \$1,206,917 have been reported and classified as part of net royalties and enrollment fees in the accompanying Statements of Operations for the years ended December 31, 2022, and 2021, respectively.

Enrollment fees are charged when students sign up for class(es) at the franchise locations and amounted to \$17,346 and \$17,048 for the years ended December 31, 2022, and 2021, respectively, which are classified as part of net royalties and enrollment fees in the accompanying Statements of Operations.

For the years ended December 31, 2022, and 2021, total revenues generated from franchisees located in Canada amount to approximately \$122,000 and \$128,000, respectively, and revenues from a franchisee located in India were insignificant for both years.

Marketing and Advertising

Marketing and advertising costs are expensed as incurred and amounted to approximately \$604,000 and \$460,000 during the years ended December 31, 2022, and 2021, respectively.

Income Taxes

The Company made an election to be taxed as a C corporation at its inception.

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. If it is more likely than not that the tax position will not be sustained on audit, an uncertain tax position is recorded. The Company reevaluates these uncertain tax positions on an annual basis and assesses that there are no uncertain tax positions to account for as of December 31, 2022, and 2021. See further information related to income taxes in Note 6.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Recent Accounting Pronouncement Adopted

Effective January 1, 2022, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The Company has elected the package of practical expedient, using the modified retrospective method permitted in ASC Topic 842. Accordingly, the Company accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether the classification of the operating lease and capital leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 (a) lease liabilities – operating leases of \$170,996 which represents the present value of the remaining lease payments of \$171,537 discounted using the risk-free rate of 0.44% since the rate implicit in leases was undeterminable, and the Company made an election to use the risk-free rate option available for private companies (Note 7). There were no lease incentives received or any unamortized initial direct costs.

In connection with the adoption of the new lease accounting guidance, the Company also recognized on January 1, 2022, a lease liability for finance lease obligations of \$23,952 and Right of Use Asset - financing leases for the same amount as the discount rate used (risk-free rate of 0.44%). There were no lease incentives received or any unamortized initial direct costs. The Company delayed recording capital lease obligations entered into in late 2021 and recorded them as part of adopting the new lease accounting standards effective January 1, 2022 (Note 7).

Recent Accounting Pronouncement Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments—Credit Losses*, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The guidance is effective for fiscal years beginning after December 15, 2019. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326)*, which pushes back the effective date to fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new standard will have on its financial statements.

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 3 — PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following on December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 2,878	\$ 2,878
Machinery and equipment	5,624	5,624
Furniture and fixtures	<u>6,058</u>	<u>6,058</u>
Sub-total:	14,560	14,560
Less: accumulated depreciation:	<u>10,973</u>	<u>8,774</u>
	<u>\$ 3,587</u>	<u>\$ 5,786</u>

Total depreciation expense recorded during the years ended December 31, 2022, and 2021 amounted to \$2,199 and \$8,774, respectively.

NOTE 4 — RELATED PARTY TRANSACTIONS

Course Material Purchase

The Company exclusively purchases its course materials from one of its Affiliates. As of December 31, 2022, and 2021, the total accounts payable due to Affiliates amounted to \$2,218,377 and \$2,187,397, respectively. The accounts payable balance due to Affiliates has been transferred to the Successor by the Predecessor (Note 1), which represents an accumulated accounts payable balance due for purchases of course materials less the payments made over the years. Ordinarily, the accounts payable due to Affiliate is due 730 days or 2 years from the receipt of the course materials. However, as of December 31, 2022, the Company negotiated its repayment terms whereby the Affiliates have agreed to receive \$132,172 in 2023 and the remaining balance of \$2,086,205 thereafter (Note 9). As such, \$132,172 has been classified as part of current liabilities and \$2,086,205 as part of long-term liabilities in the accompanying Balance Sheet as of December 31, 2022.

During the years ended December 31, 2022, and 2021, the Company purchased \$32,079 and \$166,527 in course materials from the Affiliate, respectively.

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 4 — RELATED PARTY TRANSACTIONS (CONTINUED)

Information Technology Service

An Affiliate of the Company has developed a website for the Company and billed \$68,088 for the services rendered during the year ended December 31, 2021, for which the balance is included as part of the accounts payable to Affiliates. Instead of capitalization of some portion of these charges, the Company expensed them in their entirety since the website will be rebuilt in the near future.

Brand Usage Fee

The Company incurred and paid brand usage charges to the Parent for approximately \$1,000 and \$2,000 during the years ended December 31, 2022, and 2021, respectively.

Employees Leasing and General Service Agreement with Predecessor

In connection with the spin-off transaction, the Predecessor and Company entered into an employee leasing agreement whereby the Company leased certain employees from the Predecessor. In return, the Company reimbursed the Predecessor for payroll and payroll-related costs incurred.

Following is a summary of transactions entered into with the Predecessor during the year ended December 31, 2021:

Employee leasing charges (payroll and payroll-related costs) from JSLS to the Successor for the employees leased:	\$ 939,763
Expenditures paid by JSLS on Company's behalf	106,606
Funds advanced/borrowed from JSLS	331,629
Royalties collected by JSLS to pay for payroll, payroll-related, and other expenditures	( 1,080,388)
Discounts received on billings from JSLS	( 239,154)
Others	<u>( 1,659)</u>
Balance due to JSLS	<u>\$ 56,797</u>

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 4 — RELATED PARTY TRANSACTIONS (CONTINUED)

Employees Leasing and General Service Agreement with Predecessor (Continued)

The Company received a billing discount from the Successor for employee leasing charges of \$239,154 which has been classified as part of other income/(expense) in the accompanying Statement of Operations for the year ended December 31, 2021.

During the year ended December 31, 2022, the Company ceased the employee leasing arrangement with the Predecessor but the Predecessor collected royalties and paid for payroll and benefits on Company's behalf up through May 2022. The Predecessor submitted the net amount due to the Company. As of December 31, 2022, a cumulative balance resulting from related party transactions with JSLS has been settled and no balance is due to or from the Predecessor.

NOTE 5 — ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Settlement of dispute with an area licensee (Notes 2 and 8)	\$ -	\$ 79,016
Royalties residual due to an area licensee (Notes 2 and 8)	-	69,658
Professional fees (Note 8)	134,195	32,198
Others	<u>17,829</u>	<u>11,353</u>
	<u>\$ 152,024</u>	<u>\$ 192,225</u>

NOTE 6 — PROVISION/(BENEFIT) FOR INCOME TAXES

The current provision for income taxes consists of minimum state income taxes and deferred income taxes for the years ended December 31, 2022, and 2021.

The Company is not required to file an income tax return in Canada; instead, its franchisees are required to file a tax return based on gross receipts for which the Company reimburses them. Furthermore, the Company was not required to file income taxes in any other foreign jurisdictions such as India and any income or losses generated from conducting operations overseas are subject to income taxes in the United States of America.

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 6 — PROVISION FOR INCOME TAXES (CONTINUED)

The Company's effective income tax rate for 2021 is lower than what would be expected if the federal statutory rate were applied to income before income taxes primarily due to the domestic stock dividends deduction applied, the impact of spin-off transactions on deferred income taxes calculation, and utilization of operating loss carryforwards.

As of December 31, 2022, and 2021, the Company has available unused net operating loss carryforwards of approximately \$1,693,000 and \$565,000, respectively, for federal income tax purposes which may be applied against future taxable income indefinitely.

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets as of December 31, 2022.

Deferred income tax assets/(liabilities) consisted of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
Allowance for doubtful accounts	\$ ( 5,400)	\$ ( 13,000)
Deferred revenues	8,100	25,300
Refundable deposit	( 5,500)	( 300)
Accrued expenses and other current liabilities	10,800	13,800
Unrealized holding gains on investment	(118,700)	(261,600)
Net operating loss carryforward	<u>453,700</u>	<u>151,200</u>
	<u>343,000</u>	<u>( 84,600)</u>
Valuation allowance	<u>(343,000)</u>	-
Net	<u>\$ -</u>	<u>\$ ( 84,600)</u>

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 7 - COMMITMENTS

Leases

In connection with the spin-off transaction, the Company assumed certain lease agreements consisting of regional office spaces and a warehouse both located in New Jersey. Both leases are non-cancelable operating leases, expiring at various dates through 2023. Finance leases are office equipment leases and expire in 2024 and 2025.

Office space is subject to escalating rent payments. Under the terms of the lease agreements, the Company is responsible for insurance, maintenance, and real estate taxes associated with these facilities.

The Company determines if an arrangement is a lease at lease inception. Under the new lease standard, operating leases are included in the Right Of Use assets – operating and lease liabilities - operating in the accompanying Balance Sheet. Leases with an initial term of 12 months or less are not recorded. Fixed lease expense for lease payments is recognized in the accompanying Statements of Operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

Right of Use assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Right of Use assets – operating and lease liabilities - operating are recognized at the lease commencement date or January 1, 2022, the new lease accounting standards adoption date, based on the present value of lease payments over the lease term (Note 2).

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 7 – COMMITMENTS (CONTINUED)

Leases (Continued)

The Company’s annual undiscounted cash flows for operating and finance leases are as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>	<u>Financing</u>
2023	\$ 57,461	\$ 7,104
2024	-	5,688
2025	-	4,565
	57,461	17,357
Effect of discounting	( 58)	( 275)
	<u>\$ 57,403</u>	<u>\$ 17,082</u>

During the years ended December 31, 2022, and 2021, the Company recognized \$132,151 and \$123,180 in operating lease expenses, respectively.

Below is supplemental cash flows information for the year ended December 31, 2022.

Right of Use Assets obtained in exchange for lease obligations:

- Operating leases	\$ 170,996
- Finance leases	\$ 23,952

Cash paid for amounts included in the measurement of lease obligations:

- Operating leases	\$ 114,076
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The weighted average remaining lease term for financing leases is 2.7 years. All operating leases expire in 2023.

The Company reported Right of Use Assets and related lease liabilities either as operating or financing, current and non-current as shown in the accompanying Balance Sheet as of December 31, 2022.



JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 8 - CONTINGENCIES

Loss Contingencies

The Company may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its franchise business activities, including disputes with its franchisees.

As of December 31, 2022, the Company and Predecessor were named as defendants in counterclaim lawsuits that have been asserted against the Company by three former franchisees. The Company initially asserted legal claims against the four former franchisees for alleged breaches of contract under the terms of their franchise agreement and unfair business practices. In response, all four defendants have denied material allegations and three of the four defendants have made counterclaims against the Company alleging breach of the terms of the franchise agreement. Subsequent to December 31, 2022, in February and March of 2023, the Company and former franchisees that were involved in the legal disputes have agreed to dismiss the lawsuits and release all parties of all past, present, or future actions, causes of actions, and damages (Note 10).

During the year ended December 31, 2022, the Company resolved its dispute with a Canadian area franchisee. The final settlement amount approximated the accruals made by the Company as of December 31, 2021 (Notes 2 and 5), netted with the accounts receivable balance due as of the settlement date. The final settlement amount is due in seven quarterly installments, of which three installments totaling \$45,745 are due in 2024 and has been classified as accounts receivable, non-current in the accompanying Balance Sheet as of December 31, 2022.

Risks and Uncertainties

On March 13, 2020, the President of the United States declared a national emergency as a result of the novel coronavirus (“COVID-19”) pandemic in the U.S., which resulted in a severe negative impact on the U.S. economy, retail business sector, and franchising industry. Due to the current situation, the Company’s planned business operations have been negatively impacted such as (i) reduction in the number of students enrolling in the learning centers; (ii) reduction in the number of new franchisees signing up and opening; (iii) closure of operating franchise locations due to reduced business activities; and, (iv) significant loss of royalties revenues resulting from the above conditions (Notes 2 and 9).

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

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NOTE 8 - CONTINGENCIES (CONTINUED)

Risks and Uncertainties (Continued)

The Company anticipates that there may be further disruptions to its intended business operations; however, the full financial impact of the pandemic cannot be reasonably estimated at this time due to uncertainty as to the pandemic's severity and duration, uncertain and unpredictable developments of the virus, its impact on the economy, and any new information that may emerge concerning the spread of the virus. The Company intends to continuously evaluate the potential short and long-term implications of the COVID-19 on its financial statements.

NOTE 9 — COMPANY CONDITIONS

For the years ended December 31, 2022, and 2021, the Company generated operating losses of approximately (\$1,195,000) and (\$736,000), respectively, and cash flows used in operations of approximately (\$914,000) and (\$326,000), respectively. Furthermore, for the year ended December 31, 2022, the Company incurred net losses of approximately (\$1,436,000).

The global pandemic Covid-19, which began on March 20, 2020, in the United States, has profoundly impacted the supplemental education industry for lower-grade students. Lockdown orders caused temporary closures of learning centers and a decrease in the attendance of students.

The Company experienced a significant drop in the number of operating franchises as a result of the pandemic leading to a corresponding reduction in royalty revenues. As the impact of the Covid-19 pandemic waned, the Company anticipates recovery of its business. The Company plans on implementing aggressive marketing strategies to attract new franchisees and increase the number of students enrolling at the learning centers. Furthermore, the Company implemented an overhead cost reduction plan that is expected to yield significant cost savings going forward.

Even more, as of December 31, 2022, the Company has a working capital surplus of approximately \$3,265,000, due to the negotiation of repayment terms of its accounts payable due to Affiliates (Note 4). With the support from its Affiliates and Parent, and implementation of overhead cost reduction and effective marketing plans, the Company assesses that it has sufficient liquidity to support its growth strategies and operations for a period of one year from the date that the financial statements are available to be issued.

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 and 2021

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NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 13, 2023, the date the financial statements were available to be issued. With the exception of the dismissal of the legal disputes as discussed in Note 8, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

**JEI LEARNING CENTERS, LLC**

**(A WHOLLY-OWNED SUBSIDIARY OF JEI HOLDINGS  
CORPORATION)**

**DECEMBER 31, 2021 AND 2020**

JEI LEARNING CENTERS, LLC

(A WHOLLY-OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)

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## INDEPENDENT AUDITOR'S REPORT

Management and Members of  
JEI LEARNING CENTERS, LLC  
Los Angeles, CA

### **Opinion**

I have audited the accompanying financial statements of JEI LEARNING CENTERS, LLC (a CA limited liability company), which comprise the balance sheets as of December 31, 2021, and 2020, and the related statements of operations, members' equity, and cash flows for the year ended December 31, 2021, and for the period from October 27, 2020 (Inception) through December 31, 2020, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEI LEARNING CENTERS, LLC as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021, and for the period from October 27, 2020 (Inception) through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of JEI LEARNING CENTERS, LLC and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 JEI LEARNING CENTERS, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My 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 my 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, I:

- 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 JEI SELF-LEARNING SYSTEMS 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JEI SELF-LEARNING SYSTEMS INC.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



SPENCER HONG CPA  
3435 Wilshire Blvd., Suite #1400  
Los Angeles, CA, 90010

February 18, 2022

JEI LEARNING CENTERS, LLC  
(A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,266,251	\$ 1,288,230
Investment	3,427,724	-
Accounts receivable, less allowance for doubtful accounts of \$48,406 and \$0, respectively	384,309	352,560
Course materials	392,381	308,455
Prepaid expenses and other current assets	331	2,458
Total current assets	<u>5,470,996</u>	<u>1,951,703</u>
Property and Equipment, net	5,786	14,560
Investment	-	2,754,993
Other assets	23,420	23,420
Total assets	<u>\$ 5,500,202</u>	<u>\$ 4,744,676</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,376	\$ -
Accounts payable due to Affiliates	2,020,870	1,613,592
Due to related party	56,797	-
Accrued expenses and other current liabilities	192,225	243,533
Deferred revenues	210,038	304,509
Income taxes payable	3,000	-
Total current liabilities	<u>2,484,306</u>	<u>2,161,634</u>
Accounts payable due to Affiliate	166,527	339,190
Deferred income taxes	84,600	-
Refundable deposits	193,223	191,613
Commitments and contingencies	-	-
Members' equity	<u>2,571,546</u>	<u>2,052,239</u>
Total liabilities and members' equity	<u>\$ 5,500,202</u>	<u>\$ 4,744,676</u>

See accompanying notes to financial statements



JEI LEARNING CENTERS, LLC  
 (A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
 STATEMENTS OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2021 AND  
 FOR THE PERIOD FROM OCTOBER 27, 2020 (INCEPTION) THROUGH DECEMBER 31, 2020

	2021	Inception through December 31, 2020
Revenues		
Franchise fees	\$ 125,971	\$ -
Net royalties and enrollment fee	1,223,965	-
Ancillary franchise and royalty fees	68,639	-
Total revenue	1,418,575	-
Operating expenses		
Franchise support and training	811,682	-
Marketing and advertising	460,215	-
General and administrative	874,271	33,000
Depreciation	8,774	-
Total operating expenses	2,154,942	33,000
Loss from operations before other income/(expenses)	(736,367)	(33,000)
Other income/(expense)		
Unrealized holding gain on investment	976,257	-
Dividends	133,221	-
Related party billing discount	239,154	-
Other	(5,358)	-
Total other income, net	1,343,274	-
Income/(loss) before provision for income taxes	606,907	(33,000)
Provision for income taxes		
Current - state taxes	3,000	-
Deferred	84,600	-
	87,600	-
Net income/(loss)	\$ 519,307	\$ (33,000)

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC  
 (A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
 STATEMENTS OF MEMBERS' EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2021 AND  
 FOR THE PERIOD FROM OCTOBER 27, 2020 (INCEPTION) THROUGH DECEMBER 31

	<u>Members' Capital</u>	<u>(Accumulated Deficit)</u>	<u></u>
Balance as of October 27, 2020 (Inception)	\$ -	\$ -	\$
Initial contribution (Note 5)	100,000	-	
Contribution - Spin Off Transaction (Notes 2 and 5)	1,985,239	-	
Net loss	<u>-</u>	<u>(33,000)</u>	
December 31, 2020	<u>2,085,239</u>	<u>(33,000)</u>	
Net income	<u>-</u>	<u>519,307</u>	
December 31, 2021	<u><u>\$ 2,085,239</u></u>	<u><u>\$ 486,307</u></u>	<u><u>\$</u></u>

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC  
(A WHOLLY OWNED SUBSIDIARY OF JEI HOLDINGS CORPORATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND  
FOR THE PERIOD FROM OCTOBER 27, 2020 (INCEPTION) THROUGH DECEMBER 31, 2020

	2021	Inception through December 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$ 519,307	\$ (33,000)
Adjustments to reconcile net income/(loss) to net cash used in operating activities		
Changes in assets and liabilities		
Bad debt recovery	(1,173)	-
Depreciation	8,774	-
Deferred income taxes	84,600	-
Unrealized holding gain on investment	(976,257)	-
Changes in assets and liabilities		
Accounts receivable	(30,576)	-
Course materials	(83,926)	-
Prepaid expenses and other current assets	2,127	-
Accounts payable	1,376	-
Accounts payable due to affiliates	234,615	-
Due to related party	56,797	-
Accrued expenses and other current liabilities	(51,308)	33,000
Deferred revenues	(94,471)	-
Income taxes payable	3,000	-
Refundable deposits	1,610	-
	(844,812)	33,000
Net cash used in operating activities	(325,505)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	303,526	-
Net cash provided by investing activities	303,526	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Initial contribution	-	100,000
Contribution - spin off transaction	-	1,188,230
Net cash provided by financing activities	-	1,288,230
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 (21,979)	 1,288,230
CASH AND CASH EQUIVALENTS, BEGINNING	1,288,230	-
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,266,251	\$ 1,288,230
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		

During the period from October 27, 2020 (Inception) through December 31, 2020, the Company received non-cash assets and assumed non-cash liabilities, with the net assets amounting to \$797,009 from a related party by executing a spin off transaction (Note 2).

See accompanying notes to financial statements

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 — ORGANIZATION AND NATURE OF OPERATIONS

JEI LEARNING CENTERS, LLC (the “Company” or “Successor”) was formed as a Limited Liability Company under the State of California statutes on October 27, 2020 (“Inception”). The Company is wholly owned by affiliates (“Affiliates”) and JEI Holdings Corporation (“Parent”) which are headquartered in Seoul, South Korea. Affiliates are subsidiaries of the Parent.

The Company is a spin-off entity of an existing and operating franchisor, JEI SELF-LEARNING SYSTEMS, INC. (“JSLS” or “Predecessor”), a related party through common ownership (Note 2). JSLS was a franchisor of JEI Learning Centers, a neighborhood learning center, which grants its franchises the right to use (i) education methods developed over decades by the Parent and Affiliates; (ii) proprietary, copyrighted course materials; and, (iii) JEI and other trademarks offered by JSLS and Licensor (Note 2). Students enrolled in the JEI Learning Center classes range from Pre-Kindergarten to 9<sup>th</sup> grade and receive supplemental education.

The Company was established for the purposes of becoming a successor franchisor of JEI Learning Centers and obtained approvals to operate as a franchisor in all states that require registration except for five states for which the Company is in the process of obtaining an approval.

The Predecessor also operated its franchise business in foreign countries including Canada and India which were also assumed by the Successor (Notes 2 and 3).

NOTE 2 — SPIN-OFF TRANSACTION

As of December 31, 2020, the Predecessor completed a spin-off transaction of its franchise operations and franchise development business. As a result of the completion of the spin-off transaction, the Predecessor ceased its franchise and franchise development business which were assumed by the Successor. In connection with the spin-off, a series of related agreements have been executed between the Predecessor and Successor which would enable the Successor to continue the Predecessor’s franchise and franchise development business seamlessly.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 2 — SPIN-OFF TRANSACTION (CONTINUED)

Through transfer and assignment agreements executed in connection with the spin-off, certain operating assets and liabilities related to the franchise business operations have been transferred from the Predecessor to the Successor, together with all existing franchise agreements. As of the date of the spin-off, there were 83 franchise agreements in effect of which 74 franchise agreements were with franchisees located within the United States of America and the remaining 9 franchises located in Canada. The Predecessor operated 4 learning centers in the district of Ontario, Canada through an area licensee with the exclusive right to sub-franchise in the district of Ontario, Canada (Notes 3, 6, and 8).

The Successor received/assumed the following assets and liabilities from the Predecessor at their carrying values as of the date of the spin-off:

Cash and cash equivalents:	\$	1,188,230
Accounts receivable		352,560
Course materials		308,455
Prepaid and other current assets		2,458
Property and equipment		14,560
Investment		2,754,993
Security deposits		23,420
Accounts payable due to Affiliate		(1,952,782)
Accrued expenses and other current liabilities		(210,533)
Deferred revenues		(304,509)
Refundable deposits		(191,613)
Net assets transferred:	\$	<u>1,985,239</u>

Total cash and cash equivalents transferred from the Predecessor to the Successor equaled \$1,188,230, and other non-cash operating assets and liabilities transferred totaled \$797,009, net, which has been classified as non-cash investing and financing activities in the accompanying Statement of Cash Flows for the Period from October 27, 2020 (Inception) through December 31, 2020.

As the Successor assumed the entire franchise business operations of the Predecessor, it also assumed all preexisting, known, and unknown loss contingencies as of the date of spin-off transaction. The Successor has agreed to indemnify the Predecessor for any losses, damages, claims, and liabilities related to the franchise business operations (Notes 6 and 8).

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

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NOTE 2 — SPIN-OFF TRANSACTION (CONTINUED)

Since franchise business-related assets and liabilities have been transferred as of December 31, 2020, the Predecessor recognized franchise business-related revenues and operating expenses on its financial statements for the year ended December 31, 2020.

In connection with consummating the spin-off transaction, the Company entered into an intellectual property license agreement with JEI Corporation, a related party (“Licensor”), who is a holder/owner of certain intellectual properties utilized in the franchise business operations. By the terms of this agreement, the Successor was granted the right to use various trademarks, licenses, and know-how of operating JEI Learning Centers at no charge.

The Company has not been transferred employees who devote their time to the franchise business operations from JSLS during the year ended December 31, 2021. The Company has been leasing its employees from JSLS and reimbursed JSLS for payroll and payroll-related costs during the year ended December 31, 2021 (Note 5). However, effective January 1, 2022, franchise business-related employees have been transferred from JSLS to the Company (Note 9).

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

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

JEI LEARNING CENTERS, LLC  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

Significant estimates include allowance for doubtful accounts receivable and reserves relating to a dispute (Notes 6 and 8) and it is reasonably possible that changes may occur in the near term that would affect management's significant estimates.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank accounts and money market accounts free of encumbrances and having original maturities of less than three months. At times, the Company maintains bank and money market account balances in excess of federally insured limits. No losses have been experienced on such balances and management believes the risk of loss to be minimal.

Accounts Receivable

The Company grants credit to its franchisees generally without collateral. Accounts receivable primarily represent royalties and related fees due from its franchisees.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2021, and 2020, the net accounts receivable balance due from franchisees located in Canada amounted to \$262,110 and \$208,979, respectively (Notes 1 and 2).

Estimated credit losses have been provided for in the financial statements and have been generally within management's expectations in the past.

Course Materials

Course materials consist of ready-to-use learning books that are valued at the lower of cost or net realizable value (Note 2 and 5).

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Investment

The Company applies the provisions of the FASB issued Accounting Standards Update No. 2016-01 (*ASU 2016-01*) "*Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*"

As of December 31, 2021, and 2020, the Company's investment consisted of shares of common stock of a public company which is traded on the Nasdaq Stock exchange. The investment is classified as a current asset as of December 31, 2021, and a long-term asset as of December 31, 2020, and reported at fair value (Level 1 input) on a recurring basis which amounted to \$3,427,724 and \$2,754,993, respectively, as of December 31, 2021, and 2020. (Note 2). During the year ended December 31, 2021, the Company changed its intent on the holding period of the investment and correspondingly changed its classification to short-term asset from long-term asset. The cost basis of the investment was \$2,746,947 and \$3,047,607 as of December 31, 2021, and 2020, respectively.

Dividends declared on shares of common stock held by the Company are to be recognized as income on the dividend declaration date. During the year ended December 31, 2021, dividends declared and received by the Company amounted to \$133,221 which is classified as part of other income/(expenses) in the accompanying Statement of Operations.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) issued *ASC 820*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value of Financial Instruments (Continued)

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and deferred revenues are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Property and Equipment

Property and equipment are recorded at their carry values from the Predecessor (Note 2) and are depreciated using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are depreciated over the shorter of their economic life or term of the lease. Estimated useful lives of property and equipment are as follows:

Machinery and equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Refundable Deposits

Refundable deposits represent deposits made by franchisees for the purchase of initial stock of course materials when the learning center initially opens. Initial course material deposit amount is netted with returned course materials in the event that franchisee ceases to operate its learning center(s) and remaining course material is returned to the Company. As of December 31, 2021, and 2020, refundable deposits amounted to \$193,223 and \$191,613, respectively (Note 2).

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Concentrations and Credit Risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and cash equivalents and accounts receivable for which the Company mitigates its losses by performing ongoing credit evaluations of its franchisees.

Franchisees

Below is a roll-forward of the Company's franchisees located in the United States and Canada from January 1 through December 31, 2021 (Notes 1 and 2):

Beginning - January 1, 2021	83
New center openings	3
Closures	<u>(17)</u>
Ending – December 31, 2021	<u>69</u>

There were no learning centers owned and operated by the Company during the year ended December 31, 2021.

Franchise Revenue Recognition

The Predecessor adopted the Accounting Standards Codification 606 - *Revenue from Contracts with Customers* ("ASC 606") effective January 1, 2019, and records revenues in accordance with ASC 606 for all contracts that had not been completed as of January 1, 2019, using the modified retrospective method without utilizing the practical expedients. The Successor continues to record revenues in accordance with the ASC 606. Under ASC 606, revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to a customer. The Company generates all of its franchise-related fees from contracts with customers. The Company's franchise agreement provides for a five-year term and includes performance obligations as follows: protected territory designation, access to proprietary education methods and copy-righted course materials, initial training, on-going assistance, consulting, promotion of brand name, marketing and promotion items, initial advertising program development, operation computer software, and use of the Company's intellectual property (i.e. trade names). These performance obligations are highly interrelated with the use of the Company's brand name and are considered to represent a single performance obligation. The franchise agreement permits the franchisees to renew the contract for an additional five years.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Franchise Revenue Recognition (Continued)

Franchise Fee and Transfer fee: the initial franchise fees are fully collectible and non-refundable when the franchise agreement becomes effective. The initial franchise fee is recognized on a straight-line basis over the initial five-year contract period as the performance obligations are delivered throughout the franchise contract term. The initial franchise fees are amortized as franchise fees on the accompanying Statement of Operations and for the year ended December 31, 2021, amounted to \$111,649. An unamortized and deferred portion of the initial franchise fee of \$185,315 is classified as deferred revenues in the accompanying Balance Sheet as of December 31, 2021.

Transfer fee is charged by the Company when a new franchisee either purchases or assumes an existing franchise location from an existing franchisee. Under the new revenue standards, the Company also recognizes transfer fees received on a straight-line basis over the remaining five-year period as the contract modification is deemed to be a continuation of an existing franchise agreement. The transfer franchise fees amortized for the year ended December 31, 2021, amounted to \$14,322 and are classified as part of franchise fees on the accompanying Statement of Operations. An unamortized and deferred portion of \$24,723 is classified as part of deferred revenues on the accompanying Balance Sheet as of December 31, 2021.

The total unamortized and deferred portion of the initial and transfer fee amounted to \$210,038 as of December 31, 2021, and \$304,509 as of December 31, 2020, which has been transferred from the Predecessor (Note 2).

Royalty fees charged to its franchisees are recognized by the Company monthly, calculated per the number of courses that the students take based on a pre-determined royalty fee matrix. The performance obligations by the Company relating to monthly royalty fees are satisfied as course materials are delivered to its franchises and students complete their study of selected subject matters conducted over a calendar month. Royalties, net of discounts, of \$1,206,917 have been reported and classified as part of net royalties and enrollment fees in the accompanying Statement of Operations for the year ended December 31, 2021.

Enrollment fees are charged when students sign up for class(es) at the franchise locations and amounted to \$17,048 for the year ended December 31, 2021, which is classified as part of net royalties and enrollment fees in the accompanying Statement of Operations for the year ended December 31, 2021.

For the year ended, total revenues generated from franchisees located in Canada amount to approximately \$128,000, and franchisees located in India were significant.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Marketing and Advertising

Marketing and advertising costs are expensed as incurred and were approximately \$460,000 during the year ended December 31, 2021.

Income Taxes

The Company made an election to be taxed as a corporation at its inception.

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. The calculation of the tax liabilities involves dealing with uncertainties in the application of complex tax regulations. If it is more likely than not that the tax position will not be sustained on audit, an uncertain tax position is recorded. The Company re-evaluates these uncertain tax positions on an annual basis, see further information related to income taxes on Note 7.

Recent Accounting Pronouncements

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. *ASU 2016-02* is effective for fiscal years beginning after December 15, 2021, which is 2022 for the Company. The Company is currently evaluating the impact of this accounting standard on the financial statements and related disclosures.

JEI LEARNING CENTERS, LLC  
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NOTE 4 — PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at December 31,:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,878	\$ 2,878
Machinery and equipment	5,624	5,624
Furniture and fixtures	<u>6,058</u>	<u>6,058</u>
Sub-total:	14,560	14,560
Less: accumulated depreciation:	<u>8,774</u>	<u>-</u>
	<u>\$ 5,786</u>	<u>\$ 14,560</u>

Total depreciation expense recorded during the year ended December 31, 2021, amounted to \$8,774.

NOTE 5 — RELATED PARTY TRANSACTIONS

Capital Contribution

The Successor was initially capitalized by Affiliates and Parent in the amount of \$100,000 for which the funds have been contributed by the Predecessor on their behalf.

In exchange for the net assets of \$1,985,239 contributed by the Predecessor to the Successor in connection with the spin-off transaction (Note 2), the Successor in return issued membership interests to the Predecessor for an equal amount, which was then concurrently received and transferred by the Predecessor to the Affiliates and Parent in its entirety.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

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NOTE 5 — RELATED PARTY TRANSACTIONS (CONTINUED)

Course Material Purchase

The Successor exclusively purchases its course materials from an Affiliate. As of December 31, 2021, and 2020, the total accounts payable due to the Affiliate was \$2,119,309 and \$1,952,782, respectively. The accounts payable balance due to Affiliate as of December 31, 2020, has been transferred to the Successor by the Predecessor (Note 2), which represents an accumulated accounts payable balance due by the Predecessor to the Affiliate for purchases of course materials less the payments made over the years. The accounts payable due to Affiliate is due upon 730 days or 2 years from the receipt of the course materials. As such, the total balance due has been classified either as current or long-term liabilities in accordance with the due date on the accompanying Balance Sheets. During the year ended December 31, 2021, the Company purchased \$166,527 in course materials from the Affiliate.

Information Technology Service

An Affiliate of the Company has developed a website for the Company and billed \$68,088 for the services rendered during the year ended December 31, 2021, for which the balance is included as part of the accounts payable to Affiliate. Instead of capitalization of some portion of these charges, the Company expensed them in its entirety since the website will be rebuilt in 2022.

Employees Leasing and General Service Agreement with Predecessor

Following is a summary of transactions entered into with the Predecessor during the year ended December 31, 2021:

Employee leasing charges (payroll and payroll-related costs) from JSLS to the Successor for the employees leased (Note 2):	\$ 939,763
Expenditures paid by JSLS on Company's behalf	106,606
Funds advanced/borrowed from JSLS	331,629
Royalties collected by JSLS to pay for payroll, payroll-related and other expenditures	( 1,080,388)
Discounts received on billings from JSLS	( 239,154)
Others	<u>( 1,659)</u>
Balance due to JSLS	<u>\$ 56,797</u>

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 5 — RELATED PARTY TRANSACTIONS (CONTINUED)

Employees Leasing and General Service Agreement with Predecessor (Continued)

The Company received a billing discount from the Successor for employee leasing charges of \$239,154 which has been classified as part of other income/expense) in the accompanying Statement of Operations for the year ended December 31, 2021 (Note 2).

NOTE 6 — ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following as of December 31, :

	<u>2021</u>	<u>2020</u>
Settlement of dispute (Notes 1, 2, and 8)	\$ 79,016	\$ 78,406
Royalties residual due to an area licensee (Notes 1 and 2)	69,658	55,483
Professional fees	32,198	109,271
Others	<u>11,353</u>	<u>373</u>
	<u>\$ 192,225</u>	<u>\$ 243,533</u>

NOTE 7 — PROVISION FOR INCOME TAXES

The current provision for income taxes consists of minimum state income taxes and deferred income taxes.

The Company is not required to file an income tax return in Canada; instead, its franchisees are required to file a tax return based on gross receipts for which the Company reimburses them. Furthermore, the Company was not required to file income taxes in any other foreign jurisdictions such as India and any income or losses generated from conducting operations overseas are assessed income taxes in the United States of America.

The Company's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income before income taxes primarily due to the domestic stock dividends deduction applied, the impact of spin-off transaction on deferred income tax calculation, and utilization of operating loss carryforwards.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 7 — PROVISION FOR INCOME TAXES (CONTINUED)

As of December 31, 2021, the Company has available unused net operating loss carryforwards of approximately \$565,000 for federal income tax purposes which may be applied against future taxable income indefinitely. However, the deductibility of loss carryforwards is limited to 80% of each subsequent year's net income.

Deferred income tax assets/(liabilities) consisted of the following as of December 31, 2021:

Allowance for doubtful accounts	(\$ 13,000)
Deferred revenues	25,300
Refundable deposit	( 300)
Accrued expenses	13,800
Unrealized holding gain on investment	( 261,600)
Net operating loss carryforward	<u>151,200</u>
	<u><u>(\$ 84,600)</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

In connection with the spin-off transaction, the Successor assumed certain lease agreements consisting of regional office space and a warehouse both located in New Jersey. Both leases are non-cancelable operating leases, expiring at various dates through 2023. Office space is subject to escalating rent payments; however, deferred rent as of December 31, 2021, and 2020, was not significant. The total amount of rental payment due over the lease term is charged to expense on the straight-line method over the term of the lease. Under the terms of the lease agreements, the Company is responsible for insurance, maintenance, and real estate taxes associated with these facilities. These leases include a renewal option with rental rate increases based upon current market rates.

Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Years ending December 31,</u>	
2022	\$ 114,075
2023	<u>52,442</u>
Total	<u><u>\$ 166,517</u></u>

Total rent expenses incurred during the year ended December 31, 2021, amounted to \$123,180.



JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020

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NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Loss Contingencies

The Company may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its franchise business activities, including disputes with its franchisees. As of December 31, 2021, the Company and its legal counsel are unaware of any litigation that is asserted against the Company; however, it maintains an accrual of \$79,016 relating to a settlement of a potential dispute with a franchisee (Notes 1, 2, and 6). Currently, the parties are in negotiations to settle this dispute. Management believes that additional liability, if any, that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company. However, it is at least reasonably possible that estimates regarding an accrual relating to a settlement can change within the next year due to one or more future confirming events (Note 3).

Risks and Uncertainties

On March 13, 2020, the President of the United States declared a national emergency as a result of the novel coronavirus (“COVID-19”) pandemic in the U.S., which resulted in a severe negative impact on the U.S. economy, retail business sector, and franchising industry. It seems very probable that due to the current situation, the Company’s planned business operations (Note 1) would also be negatively impacted such as (i) reduction in the number of students enrolling in the learning centers due to safety concerns; (ii) reduction in the number of new franchisees signing up and opening in the future; (iii) closure of operating franchise locations due to reduced business activities; and, (iv) significant loss of royalties revenues resulting from the above.

The Company anticipates that there may be further disruptions to its intended business operations; however, the full financial impact of the pandemic cannot be reasonably estimated at this time due to uncertainty as to the pandemic’s severity and duration, uncertain and unpredictable developments of the virus, its impact on the economy, and any new information that may emerge concerning the spread of the virus. The Company intends to continuously evaluate the potential short and long-term implications of the COVID-19 on its financial statements.

JEI LEARNING CENTERS, LLC

NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 18, 2022, the date the financial statements were available to be issued. Based upon this evaluation it was determined that no subsequent events occurred that require recognition or additional disclosures in the financial statements.

# **EXHIBIT E**

**JEI LEARNING CENTERS, LLC**  
**LIST OF CURRENT FRANCHISEES**

EXHIBIT E TO THE DISCLOSURE DOCUMENT

**LIST OF CURRENT FRANCHISEES AS OF FISCAL YEAR ENDING DECEMBER 31, 2022**

**CALIFORNIA**

Claire Park  
13341 South Street  
Cerritos, CA 90703  
562.239.2855

Eun Young Park  
945 Otay Lake Rd. Suite 1  
Chula Vista, CA 91913  
619.216.3950

Mira Kim  
20370 Town Center Lane, #168  
Cupertino, CA 95014  
408.873.8171

Amit Sachdeva  
4680 Tasajara Rd.  
Dublin, CA 94568  
925.803.4400

Amit Sharma  
Sejal Sharma  
1161 Riley Street  
Folsom, CA 95630  
916.542.7886

Claire Park  
3600 Ocean View Blvd., #3  
Glendale, CA 91208  
818.925.6768

Sakthirajan Chelliah  
1420 Concannon Blvd.  
Livermore, CA 94551  
925.292.9575

Leia Joaquin  
1053 Aviation Blvd  
Manhattan Beach, CA 90266  
310.972.8281

Cheryl Yeung  
Lawrence Choi  
233 El Camino Real,  
Millbrae, CA 94030  
650.228.7978

Jahnvi Mummalaneni  
6 N Abel St.  
Milpitas, CA 95035  
408.263.7100

Rajan & Sadhana Barma  
19669 Mountain House Pkwy.  
Mountain House, CA 95391  
209.207-9806

Shirin Sharma  
167 East El Camino Real  
Mountain View, CA 94040  
408.515.3886

Kyung Ja Woo  
4460 Black Ave., Suite E  
Pleasanton, CA 94566  
925.468.0102

Wei (Vivian) Jiang  
Donglin Kang  
260 Redwood Shores Pkway  
Redwood Shores, CA 94065  
650.284.8136

Euijoo Lee (Julie)  
9888 Carmel Mountain Road,  
Suite D  
San Diego, CA 92129  
858.231.9929

Jaymi Hahn  
2847 S. White Rd. Suite 201  
San Jose, CA 95148  
408.270.6162

Seema Niraj Shah  
Niraj B. Shah  
3170 Crow Canyon Pl., Ste. 110  
San Ramon, CA 94583  
925.867.2729

Rajan & Sadhana Barma  
830 W. Schulte Rd.  
Tracy, CA 95376  
209.834.5334

**DELAWARE**

Guna Baranidharan  
5242 Summit Bridge Road  
Middletown, DE 19709  
302.729.8185

Priyanga Devi  
Sannamaradusikku  
Baraidharan Radhakrishnan  
4631 Ogletown Stanton Road  
Newark, DE 19713  
302.533.5936

**FLORIDA**

Fiona Forman  
19635 S. State Road 7, Suite 36  
Boca Raton, FL 33498  
561.717.0000

**GEORGIA**

Alex Han  
1880 Braselton Highway  
Suite 117  
Lawrenceville, GA 30043  
407.702.4848

**MARYLAND**

Shri Konaraddi  
Sirisha Kolluru  
3558 Worthington Blvd. #201  
Frederick, MD 21704  
301.637.6875

**MINNESOTA**

Manjula Ganesan  
1340 Duckwood Drive, Suite #3  
Eagan, MN 55123  
612.412.1719

**NEW JERSEY**

Narendra Balusu  
184 US-130 Unit 172  
Bordentown, NJ 08505  
732.619.6340

Ruma Varshney  
332 Route 22 East  
Bridgewater, NJ 08807  
908.864.4058

Chae Sung Lim  
253 Closter Dock Road #1  
Closter, NJ 07624  
201.784.1911

Jung Hyun Kim  
135 County Rd. Suite 1C  
Cresskill, NJ 07626  
201.266.6299

Prashant Karnik  
Ankush Karnik  
395 Ridge Road, Suite 3  
Dayton, NJ 08810  
732.823.1106

Anjali Yallapantula  
400 US Hwy 130 Ste 5  
East Windsor, NJ 08520  
609.469.5107

Hee Shin  
2011 Lernoine Ave. #204  
Fort Lee, NJ 07024  
201.585.8373

Christina & Jay Turner  
3800 Quakerbridge Rd.  
Hamilton Township, NJ 08619  
732.642.4329  
\* Transfer

Ruma Varshney  
Kamal Deep  
378 S. Branch Rd. #402  
Hillsborough, NJ 08844  
908.369.4364

Wang (Alex) Chiang  
101 Crawfords Corner Rd  
Holmdel, NJ 07733  
732.862.4788

Siqi Wu & Peyton Kay  
201 Marin Blvd.  
Gulls Cove II – West Side  
Jersey City, NJ 07302  
201.620.6948

Priti Sukharamwala  
777 Washington Road  
Parlin, NJ 08859  
732.753.9470

Namsoug Kim  
Christine See  
9 Cranbury Rd., Suite C  
Princeton Junction, NJ 08550  
609.897.1072

Mi Jeong Lee  
4 North Street #500.  
Waldwick, NJ 07463  
201.493.9982

Rong Dolly Peng  
41 Mountain Blvd.  
Bldg. A, Unit C-1  
Warren, NJ 07059  
908.791.1998

**NEW YORK**

Kenny Lo  
200-07 32nd Ave  
Bayside, NY 11361  
347.408.4098  
\*Relocated from Whitestone

Kenny Lo  
200-13 32nd Ave  
Bayside, NY 11361  
347.408.4098

Lynn Lo  
7721 18<sup>th</sup> Ave.  
Brooklyn, NY 11214  
718.534.6990

David Green  
60 Broadway  
Brooklyn, NY 11249  
347.987.4450

Jennifer Fedolfi  
Mark Qian  
112-28 Queens Blvd.  
Forest Hills, NY 11375  
718.268.2890

Momo (Chih Ying) Wang  
Mei-Hua Wang  
192-11 Union Turnpike  
Fresh Meadows, NY 11366  
718.740.7888

Dong Gu Sin  
Seon Hee Sin-Park  
485 Great Neck Rd.  
Great Neck, NY 11021  
516.482.2234

**NORTH CAROLINA**

Sonal Patel  
2775 N. Highway 55  
Cary, NC 27519  
919.655.5300

**PENNSYLVANIA**

Sanjay Bodduluri  
2106 Street Rd.  
Bensalem, PA 19020  
267.202.6511

Sanjay Bodduluri  
1039 Bristol Oxford Valley Rd.  
Levittown, PA 19057  
732.429.4397

Shikha Sood  
6900 Hamilton Blvd. #230  
Trexlerstown, PA 18087  
484.602.5350

**TEXAS**

Linda McKay  
12885 Research Blvd. #107  
Austin, TX 78750  
512.453.9920  
\*Transfer

Nithya Marimuthu  
120 East Bethel School Rd.  
Coppell, TX 75019  
469.312.3054

Srinivasulu Beeramalla  
Yashoda Gunda  
2552 Stonebrook Parkway B152  
Frisco, TX 75034  
469.731.0930

**VIRGINIA**

Suja Alagappan  
20630 Ashburn Rd. #154  
Ashburn, VA 20147  
703.791.1213

# **EXHIBIT F**



**JEI LEARNING CENTERS, LLC**  
**LIST OF FORMER FRANCHISEES**

EXHIBIT F TO THE DISCLOSURE DOCUMENT

**LIST OF FORMER FRANCHISEES**

January 1, 2022 to December 31, 2022

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**CALIFORNIA**

Amit Sachdeva,  
Alamo, CA 94507  
925.989.9855

Sung Shin Hong  
Jai Woo Hong  
Buena Park, CA 90621  
714.523.8882

**GEORGIA**

Ram Venkataraman,  
Rupak Ganguly  
Suwanee, GA 30024  
770.623.2775

**MARYLAND**

Devender Sadanala  
Columbia, MD 21045  
408.594.0594

**NEW JERSEY**

Kamali Raghuraman  
Flanders, NJ 07836  
862.419.9534

Emina Vukovic  
Hamilton Township, NJ 08619  
732.642.4329  
\*Transfer

Maryann Abraham  
North Brunswick, NJ 08902  
732.658.1341

Wonae Kim  
Paramus, NJ 07652  
201.587.8988

**TEXAS**

Geum Soon Carter  
Austin, TX 78750  
512.453.9920  
\*Transfer

Arpana Maniar  
Missouri City, TX 77459  
281.677.6037



# **EXHIBIT G**

**JEI LEARNING CENTERS, LLC**  
**SAMPLE GENERAL RELEASE**

EXHIBIT G TO THE DISCLOSURE DOCUMENT

The Franchise Agreement provides that the Franchisee must sign a General Release in a form satisfactory to JEI Learning Centers, LLC as a condition to renewal, transfer, expiration or termination. Following is the form of General Release that JEI Learning Centers, LLC uses as of the date the Franchise Disclosure Document was issued. It is subject to change at any time by JEI Learning Centers, LLC without notice.

## GENERAL RELEASE

THIS GENERAL RELEASE (“**Agreement**”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between JEI LEARNING CENTERS, LLC (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Releasor**”), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. In accordance with the requirements of the Franchise Agreement and in consideration of good and valuable consideration, the receipt and sufficiency is hereby acknowledged, Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and, as applicable, its spouse, any affiliate, subsidiary, parent, successor or assign thereof and any owner, officer, director, partner, member, employee, trustee, or agent of any of them or any person claiming rights by or through them (“**Franchisor Parties**”), from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, including without limitation, in any way arising out of or connected with that certain Franchise Agreement by and between Franchisor and Releasor, dated \_\_\_\_\_, and all ancillary documents executed in connection therewith (“**Claims**”), and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against any of the Franchisor Parties in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises, covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor Parties caused by the act or omission, including reasonable attorneys’ fees.

2. Releasor represents and warrants that no portion of any Claim has been assigned or transferred by Releasor to any other party, firm or entity in any manner including, without limitation, assignment or transfer by subrogation or by operation of law. In the event that any Claim shall be made or institute against any Franchisor Party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such Franchisor Party free and harmless from and against any such Claim, including reasonable costs and attorneys’ fees incurred in connection therewith.

3. Releasor acknowledges and warrants that its execution of this Agreement is free and voluntary. Releasor also acknowledges that it has been given a reasonable and sufficient period of time within which to consider, sign and return this Agreement.

4. New Jersey law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder, without regard to New Jersey’s provisions for conflicts of laws. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys’ fees and

costs incurred therein, and said action must be filed in the State of New Jersey and is subject to the dispute resolution provisions of the Franchise Agreement.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

7. It is the intention of the parties that this Agreement shall be effective as a full and final accord and satisfaction and release of all Claims by Releasor. Releasor further expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of California or any other state laws, and does so understanding and acknowledging the significance and consequences of such specific waiver of Section 1542. Releasor acknowledges that it is or may be represented by counsel, and acknowledges that it is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Nevertheless, Releasor hereby waives and relinquishes every right or benefit which it has under Section 1542 of the Civil Code of the State of California (and any similar statute and principle of law), and under any similar law of any other applicable jurisdiction and understands the consequences of such waiver and assumes full responsibility for any injuries, damages and losses which it may incur in connection with this Agreement. Releasor acknowledges that it may later discover claims or facts in addition to or different from those set forth in this release and which, if known or suspected at the time of executing this release, may have materially affected this Agreement. Nonetheless, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of all claims, Releasor expressly acknowledges that this Release is also intended to include in its effect, without limitation, all claims which they do not know or expect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claim or claims. Releasor waives any rights, claims or causes of action that might arise as a result of such different or additional claims or facts.

8. Releasor acknowledges that it has been advised to and has had the opportunity to consult with attorneys and other advisors of its choosing, and to conduct whatever investigation or inquiry it deems appropriate before signing this Agreement. Releasor acknowledges that no representation, promise or inducement not contained in this Agreement or in the documents referred to in it was made to it. Releasor certifies that Releasor has read and understands the terms of this Agreement, and that execution of this Agreement indicates that it conforms to Releasor's understanding and is acceptable to Releasor as a final agreement.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

<b>FRANCHISOR:</b>  JEI LEARNING CENTERS, LLC, a California limited liability company  By: _____  Printed Name: _____  Title: _____  Date: _____	<b>RELEASOR:</b>  _____  By: _____  Printed Name: _____  Title: _____  Date: _____
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# **EXHIBIT H**

**JEI LEARNING CENTERS, LLC**

**MULTI-STATE ADDENDA**

EXHIBIT H TO THE DISCLOSURE DOCUMENT

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. The Page "Special Risks to Consider About This Franchise" is amended to add the following:

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.

2. Item 3 is amended to reflect that:

Neither we nor any person or broker identified in Item 2 of the Franchise Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 6 of the Franchise Disclosure Document is amended to disclose that the highest interest rate allowed in California is 10%.

4. Item 17 is amended by the addition of the following statements:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Financial Protection and Innovation, before we solicit a proposed material modification of an existing franchise.

The Franchise Agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires you to sign a general release of claims if you renew or transfer your franchise and when your franchise expires or is terminated. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000

through 31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. 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.

6. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dpfi.ca.gov](http://www.dpfi.ca.gov). Our website is [jeilearning.com](http://jeilearning.com).

7. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

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

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Notwithstanding anything disclosed in this Addendum, the parties have a meeting of the minds and agree upon the terms of the Franchise Agreement.

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The following information applies to franchises and franchisees subject to the Illinois Disclosure Act of 1987. Item numbers correspond to those in the main body:

Item 17 - Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise disclosure Act or any other law of Illinois is void.

Item 17 - Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

The provisions of this Addendum only apply if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

**ILLINOIS LAW MODIFICATIONS**

1. Illinois law shall apply to and governs the Franchise Agreement.
  
2. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:
  - a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.
  
  - b. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise disclosure Act or any other law of Illinois is void.
  
  - c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.
  
3. 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.

Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

**ADDENDUM TO  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

The general 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.

Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

“franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Exhibit H to the Franchise Agreement – Franchisee Compliance Certification – is modified to include the following:

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.

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.

Specific acknowledgements in the Franchise Agreement that violate the anti-waiver provision of the Maryland Franchise Law do not apply to prospective franchisees who are Maryland residents or who seek to purchase a franchise located in Maryland.



**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**MARYLAND LAW MODIFICATION**

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (“**Law**”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

b. 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.

c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

3. 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.

4. Specific acknowledgements in the Franchise Agreement that violate the anti-waiver provision of the Maryland Franchise Law do not apply to prospective franchisees who are Maryland residents or who seek to purchase a franchise located in Maryland.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

Item 13 of the Franchise Disclosure Document is amended to state that we will protect your right to use the trademarks, service marks, trade names, logotypes of other commercial symbols (“Marks”) or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

The following is added to Item 17 of the Franchise Disclosure Document:

Under Minnesota law and except in certain specified cases, JEI Learning Centers, LLC must give you 90 days’ notice of termination with 60 days to cure. JEI Learning Centers, LLC also must give you at least 180 days’ notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J. prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule 2860.4400J. prohibits us from requiring you to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement will be superseded by the Minn. Rule’s requirements and will have no force or effect.

Minn. Rule 2860.4400J. prohibits us from requiring you to assent to a general release. To the extent that the Franchise Agreement requires you to sign a general release as a condition of renewal or transfer, the Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J. prohibits us from requiring you to pay a termination fee. To the extent that the Franchise Agreement requires you to pay a termination fee, the provisions of the Franchise Agreement will be superseded by the Minn. Rule’s requirements and will have no force or effect.

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.

Any provisions in the Franchise Agreement that constitute Acknowledgements, as defined in the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements adopted on September 18, 2022 and effective January 1, 2023 (“SOP”), shall not apply to prospective franchisees who are subject to the anti-waiver provision of the Minnesota Franchises Law.

The provision of this Addendum only apply if the jurisdictional requirements of the Minnesota Franchises Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM TO THE**  
**JEI LEARNING CENTERS, LLC**  
**FRANCHISE AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**MINNESOTA LAW MODIFICATION**

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 et. seq., and the Rules and Regulations promulgated under the Act (collectively, “**Franchise Act**”). To the extent that the Agreement and/or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14. Subds. 3, 4, and 5 requires, 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. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat. 80C.1, Subd. 5, may not be enforceable under Minnesota law.

2. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Ch. 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement and/or Franchise Disclosure Document is hereby amended to delete all referenced to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse Franchisee from liability for actual or other damages and the formula for Liquidated

Damages in the Agreement and/or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain such relief.

6. 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.

7. Any provisions in the Franchise Agreement that constitute Acknowledgements, as defined in the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements adopted on September 18, 2022 and effective January 1, 2023 ("SOP"), shall not apply to prospective franchisees who are subject to the anti-waiver provision of the Minnesota Franchises Law.

8. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota Law applicable to the provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE 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.**

2. The following is added at the end of Item 3:

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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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 provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. 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.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. 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.



**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**NEW YORK LAW MODIFICATION**

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, as provided in Article 2(B) of the Franchise Agreement, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Article 21(A) of the Franchise Agreement is amended by adding the following sentence at the end of such Article: “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.”

c. Termination by Franchisee. Article 9 of the Franchise Agreement is hereby amended to add the following sentence at the end of the Article: “Notwithstanding anything contained in this Article 9 to the contrary, Franchisee may terminate the Franchise Agreement on any grounds available by law.”

d. Renewal, Extension, Approval of Transfer. Article 2 and Article 17 are amended by adding the following: “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 provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied.”

e. Assignment. Article 17 is amended by adding the following sentence at the end of the Article: “However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of New York General Business Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC

FRANCHISEE:

a California limited liability company

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

a. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota

b. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business are amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business. If the parties cannot agree upon the site of arbitration, that determination will be made in accordance with the rules of the American Arbitration Association.

c. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

d. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

e. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

f. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

g. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

h. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**NORTH DAKOTA LAW MODIFICATION**

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

f. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

g. Any provision that provides that Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

h. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:  
\_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law Tit. 19 Ch. 28.1 Sections 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that re inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-21.1-14.

b. If this Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Rhode Island Franchise Investment Act, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for JEI Learning Centers, LLC is supplemented by the following:

“Under 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.”

2. 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.

The provisions of this Addendum only apply if the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.



**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

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.

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.

Any provisions in the Franchise Agreement that constitute Acknowledgements, as defined in the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements adopted on September 18, 2022 and effective January 1, 2023 (“SOP”), shall not apply to prospective franchisees who are subject to the Washington Franchise Investment Protection Act.

The provisions of this Addendum only apply if the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Centers, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**WASHINGTON LAW MODIFICATIONS**

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.

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.

Any provisions in the Franchise Agreement that constitute Acknowledgements, as defined in the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements adopted on September 18, 2022 and effective January 1, 2023 (“SOP”), shall not apply to prospective franchisees who are subject to the Washington Franchise Investment Protection Act.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN**

Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with that Law.

**ADDENDUM TO THE  
JEI LEARNING CENTERS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

The JEI Learning Centers, LLC Franchise Agreement between JEI Learning Center (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_ (“**Agreement**”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (“**State Addendum**”):

**WISCONSIN LAW MODIFICATIONS**

1. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Wisconsin law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

JEI LEARNING CENTERS, LLC  
a California limited liability company

FRANCHISEE:

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

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

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

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

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

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

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

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

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

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	November 10, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
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.

# 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 JEI Learning Centers, LLC offers you a franchise, JEI Learning Centers, LLC 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. New York requires you to receive this Franchise 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 JEI Learning Centers, LLC 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise. Please check the box of the franchise seller that assisted you or, if different from the sellers listed, please check "other" and provide the franchise seller's name and contact information.

Eugene Ahn  
440 Sylvan Ave.  
Ste.212  
Englewood Cliffs,  
NJ 07632  
(201) 567-0677

Kevin Ellwood  
440 Sylvan Ave.  
Ste.212  
Englewood Cliffs,  
NJ 07632  
(201) 567-0677

Other:

Date of Issuance: April 24,, 2023

Our Agents for Service of Process are listed in Exhibit A.

I have received a Franchise Disclosure Document dated April 24, 2023, including the following exhibits on the date listed below:

- A. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. TABLE OF CONTENTS OF OPERATIONS MANUAL
- D. FINANCIAL STATEMENTS
- E. LIST OF CURRENT FRANCHISEES
- F. LIST OF FORMER FRANCHISEES
- G. FORM OF GENERAL RELEASE
- H. MULTI-STATE ADDENDA
- I. STATE EFFECTIVE DATES

Please sign and print your name below, date and return one copy of this receipt to JEI Learning Centers, LLC and keep the other for your records.

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Print Name

JEI Learning Centers, LLC  
440 Sylvan Avenue, Ste. 212  
Englewood Cliffs, NJ 07632

\_\_\_\_\_  
Signature  
(individually or as an officer, member or partner of)

\_\_\_\_\_  
(Name of corporation, LLC or partnership)  
a \_\_\_\_\_ corporation  
(State of incorporation)  
a \_\_\_\_\_ limited liability company  
(State of organization)  
a \_\_\_\_\_ partnership  
(State where partnership formed)

RETAIN FOR YOUR RECORDS



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Date of Receipt

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Print Name

Return to:

JEI Learning Centers, LLC  
440 Sylvan Avenue, Ste. 212  
Englewood Cliffs, NJ 07632

\_\_\_\_\_  
Signature  
(individually or as an officer, member or partner of)

\_\_\_\_\_  
(Name of corporation, LLC or partnership)  
a \_\_\_\_\_ corporation  
(State of incorporation)  
a \_\_\_\_\_ limited liability company  
(State of organization)  
a \_\_\_\_\_ partnership  
(State where partnership formed)

RETURN TO FRANCHISOR AT ADDRESS ABOVE OR EAHN@JEILEARNING.COM