

## FRANCHISE DISCLOSURE DOCUMENT



BiC Franchise System Corporation

A Delaware corporation

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Renton, Washington 98059

Phone: (425) 880-2688

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Website: [www.bestinclasseducation.com](http://www.bestinclasseducation.com)

BiC Franchise System Corporation offers franchises for the operation of an education center that provides school-aged children with supplemental learning opportunities in the areas of Mathematics and English as well as SAT and ACT preparation courses.

The total investment necessary to begin operation of a Best In Class Education Center franchise ranges from \$84,375 to \$143,750. This includes \$58,300 to \$60,800 that must be paid to us or our affiliates.

Area developers must commit to open a minimum of 2 Best In Class Education Centers. If you purchase area development rights to open 2 to 4 Centers, the total investment necessary to begin operation of a Best In Class Education Center franchise ranges from \$124,375 to \$253,750. This includes \$98,300 to \$170,800 that must be paid to us or our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 4820 NE 4th St., Suite A-107, Renton, Washington 98059 or by phone at (425) 880-2688.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 3, 2023 (amended February 6, 2024)

## 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 "F".
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or EXHIBIT "G" includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Best In Class Education Center in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Best In Class Education Center franchisee?</b>	Item 20 or EXHIBIT "F" 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 and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Washington. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Washington than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **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.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
5. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
6. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

**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 document 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 does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if

the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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## ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “we,” “us” and “the Company” mean BiC Franchise System Corporation - the franchisor. “You” means the person who buys a Best In Class Education Center franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

For purposes of this Disclosure Document, a “Center” refers to any supplemental education business that we authorize to operate under our Marks and use our System (as such terms are defined below), including any Center operated by us, our affiliate, you, or another franchisee. It does not include a Satellite Office (described further below).

### **Corporate Information**

BiC Franchise System Corporation is a Delaware corporation that was incorporated on February 10, 2023. Our principal business address is 4820 NE 4th St., Suite A-107, Renton, Washington 98059 and our telephone number is (425) 880-2688. Our agents for service of process are disclosed in EXHIBIT "A" (for registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than “BiC Franchise System Corporation” and our tradename “Best In Class Education”.

### **Business History**

Our founder, Hao Lam, has owned and operated Centers in Washington since 2010. We began offering franchises for Best In Class Education Centers in March 2023. We are not engaged in any business other than offering franchises for Best In Class Education Centers and administering the franchise system. We have never offered franchises in any other line of business. We have never directly owned and operated a Center.

### **Predecessors, Parents and Affiliates**

Our predecessor, Best In Class Education Center, LLC, offered franchises for Best In Class Education Centers from March 2011 to May 2021. Best In Class Education Center, LLC never offered franchises in any other line of business. Best In Class Education Center, LLC never directly owned and operated a Center. Best In Class Education Center, LLC’s principal business address is 3712 88<sup>th</sup> Avenue SE, Mercer Island, Washington 98040.

We do not have any parent companies.

We do not have any affiliates that offer (or have ever offered) franchises in this or any other line of business. We have 2 affiliates that provide goods or services to our franchisees, including Adaptively Education, Inc. (“Adaptively Education”) and LBIS, LLC (“LBIS”), each of which is discussed further below. We do not have any other affiliates that provide goods or services to our franchisees.

#### *Adaptively Education*

Adaptively Education owns and administers the Adaptively Learning Management System (“LMS”), which is an online platform that is used to deliver and manage in-person and remotely-conducted classes for English, math and, if applicable, STEM courses. All new franchisees are required to license LMS from Adaptively Education. Adaptively Education also owns the Marks we license to you. Adaptively Education has never owned and operated a Center. Adaptively Education’s principal business address is 2100 E. Spruce St. Seattle, Washington 98122.

#### *LBIS*

In the past, LBIS was the exclusive supplier for all educational materials purchased by franchisees (franchisees printed these materials through a printing portal called the BC Portal). New franchisees do not purchase any goods or services from LBIS. Franchisees who purchased their Center from our predecessor (including those who renew their franchise rights after the issuance of this Disclosure Document) have the option to either continue to acquire their educational materials from LBIS or convert to LMS. LBIS has never owned and



operated a Center. LBIS's principal business address is 3712 88<sup>th</sup> Avenue SE, Mercer Island, Washington 98040.

### **Description of Franchised Business**

We offer franchises to individuals who have a passion for teaching and/or working with children and who meet our other qualifications. We do not require that franchisees have prior teaching experience. However, we do require that franchisees have some prior experience working with children (ideally in an educational setting).

The franchised business you purchase is referred to as your "Business" or your "Center". As a franchisee, you will provide school-aged children with Math, English and, if applicable, STEM enrichment studies ("Enrichment Programs") as well as SAT and ACT preparation courses from a dedicated brick and mortar facility that you establish. You may also offer "one-on-one" tutoring services and teach all high-school subjects. You will offer classes after regular school hours and on weekends. Currently, we do not allow you (or other Centers) to offer or sell any merchandise or retail items.

You may, but need not, offer: (a) our After-School Program (students visit every day after school for at least 2.5 hours and receive one packet of Math and one packet of English each week); and/or (b) our Summer Camp Program (students visit every day at least 2.5 hours per day for 5 days a week during the Summer and receive one packet of Math and one packet of English each week). The After-School Program and Summer Camp Program are referred to as "Special Programs".

With our prior approval, you may offer programs or engage in revenue generating activities at your Center that are not part of the Best In Class Education Center system. These programs are referred to as "Affiliate Programs". For example, with our approval you could partner with a business that offers drivers education classes at your Center and share revenues from that program with the other business. You could also generate income from subleasing a portion of your Center during hours when you do not have students at the Center. All Affiliate Programs must be approved by us in advance. We may impose any requirements we feel are appropriate as a condition to you offering the Affiliate Program at your Center.

If we award you a franchise, you must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the "Franchise Agreement"). Under the Franchise Agreement, we grant you a license to use certain service marks, trademarks, trade names and logos, including the service mark "Best In Class Education Center" (collectively, the "Marks"). The Marks also include our distinctive trade dress used to identify a Center, whether now in existence or developed in the future. We also grant you a license to use our business format and operating system that was developed for the operation of a Center (the "System"). The operational aspects of a Center are contained in our confidential Brand Standards Manual (the "Manual"). You will operate your Center as an independent business using the Marks, the System and the support, guidance and other methods and materials we provide.

With our prior approval, you may establish one or more satellite offices (each, a "Satellite Office"), which are spaces that are rented on a temporary basis (less than 12 months) and shared with other businesses/organizations. Examples of Satellite Office locations include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools, and similar types of facilities. We will not consider allowing you to establish a Satellite Office unless: (a) your initial Center has been open for at least 6 months; and (b) your average monthly Gross Sales (defined in Item 6) equal or exceed \$5,000 per month for the 3-month period preceding your request. You must sign our then-current form of Satellite Office Addendum for each Satellite Office you develop, the current form of which is attached to this Disclosure Document as EXHIBIT "H"-4. The Satellite Office is operated as an extension of the brick-and-mortar Center and is subject to all terms of the Franchise Agreement except as otherwise provided in the Satellite Office Addendum.

### **Area Development Rights**

If you satisfy our criteria for multi-unit developers, we may (but need not) offer you the right to enter into an Area Development Agreement in the form attached to this Disclosure Document as EXHIBIT "D" (an "ADA").

The ADA grants you the right and obligation to develop, open and operate multiple Centers within a defined “development territory” according to a predetermined “development schedule”. You must develop, open and operate all of the Centers identified in the development schedule (Satellite Offices do not count). We only grant area development rights to franchisees who commit to develop, open and operate a minimum of 2 Centers. You sign a separate franchise agreement for each Center you develop under the ADA. Each franchise agreement will be our then-current form of franchise agreement, which may differ from the current Franchise Agreement attached to this Disclosure Document.

**Market and Competition**

Our Centers offer classes to children from pre-school through 12<sup>th</sup> grade. The target market for Best In Class customers includes middle-income to upper-income families with children who could benefit from supplemental education or help preparing for standardized exams. Demand for supplemental educational programs is seasonal, with highest demand during the school year and lowest demand during the summer months.

The market for supplemental educational services is competitive and well-developed. You will compete with a number of national and local supplemental education providers, including Sylvan Learning Center, Kumon, Mathnasium, Eye Level, JET Learning and Huntington Learning Centers. Some competitors operate through a franchise model. You will also face competition from local teachers who offer after-hours tutoring services.

**Laws and Regulations**

You must comply with all federal and state licensing and other regulatory requirements relating to the operation of your Business. In addition to laws that apply to all businesses, there may be laws specifically governing businesses that provide education or other services to children. In some jurisdictions, teachers may need to be licensed and/or pass background checks. At this time, we are not aware of any states that require your teachers to be licensed or certified by the state. There may be other local, state and/or federal laws or regulations pertaining to your Business with which you must comply. We strongly suggest that you investigate these laws before buying this franchise.

**ITEM 2 BUSINESS EXPERIENCE**

**Hao Lam – Chief Executive Officer and Chairman**

Hao Lam has served as our Chief Executive Officer and Chairman since February 2023. During the prior 5 years, he has also held the following positions:

<b>Employer</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Best In Class Education Center, LLC	CEO and Chairman	Mercer Island, WA	Jul 2012 to present
	Manager and Chairman	Mercer Island, WA	Feb 2011 to Jun 2012
Adaptively Education, Inc.	Executive Chairman	Mercer Island, WA	Feb 2021 to present
EDYU USA Holding Ltd.	Manager	Mercer Island, WA	Feb 2010 to present
Lam’s Tutoring Services, Inc.	Manager	Bellevue, WA	Jan 1995 to present

**Stephanie Zhu – Vice President of Finance**

Stephanie Zhu has served as our Vice President of Finance since February 2023. During the prior 5 years, she has also held the following positions:

<b>Employer</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Best In Class Education Center, LLC	Vice President of Finance	Mercer Island, WA	Jun 2013 to present
Adaptively Education, Inc.	Co-Founder & CFO	Seattle, WA	Feb 2021 to present
Lam’s Tutoring Services, Inc.	Vice President of Finance	Seattle, WA	Jul 2007 to present

### **Laura Leddusire – Vice President of Operations**

Laura Leddusire has served as our Vice President of Operations since February 2023. During the prior 5 years, she has also held the following positions:

<b>Employer</b>	<b>Title</b>	<b>Location</b>	<b>Period of Time</b>
Best In Class Education Center, LLC	Vice President of Operations	Mercer Island, WA	Aug 2019 to present
Adaptively Education, Inc.	Co-Founder & CEO	Mercer Island, WA	Feb 2021 to present
Lam’s Tutoring Services, Inc.	Vice President of Operations	Seattle, WA	Feb 2009 to Aug 2019

### **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

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

### **ITEM 5 INITIAL FEES**

You must pay us and our affiliate the initial fees and other amounts described below. All of these fees and other payments are uniformly imposed. As further discussed below, a portion of pre-paid Travel Expenses for grand opening assistance may be refundable if our actual Travel Expenses are less than the pre-paid estimate. Otherwise, all fees and payments are nonrefundable.

#### **Initial Franchise Fee**

At the time you sign the Franchise Agreement, you pay us an initial franchise fee that varies depending on whether you are purchasing your 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> or subsequent Center in accordance with the table below:

<b>Center Being Purchased</b>	<b>Initial Franchise Fee*</b>
1 <sup>st</sup> Center	\$45,000
2 <sup>nd</sup> Center	\$40,000
3 <sup>rd</sup> and subsequent Centers	\$35,000 per Center

\* After opening, you may, with our approval, purchase the right to operate a Satellite Office by paying us the satellite office fee listed in Item 6. The fee is \$5,000 if the Satellite Office is located inside the territory assigned to your Center (your “Center Territory”) or \$12,000 if located outside your Center Territory. For purposes of determining the initial franchise fee applicable to the next brick-and-mortar Center you purchase, a Satellite Office located outside your Center Territory counts as the purchase of a Center but a Satellite Office located inside your Center Territory does not. For example, if you purchase your 1<sup>st</sup> Center, followed by a Satellite Office located inside your Center Territory, followed by a 2<sup>nd</sup> Center, you would pay: (a) a \$45,000 initial franchise fee for your 1<sup>st</sup> Center; (b) a \$5,000 satellite office fee for your Satellite Office; and (c) a \$40,000 initial franchise fee for your 2<sup>nd</sup> Center. On the other hand, if the Satellite Office in the example above is located outside your Center Territory, then you would pay: (a) a \$45,000 initial franchise fee for your 1<sup>st</sup> Center; (b) a \$12,000 satellite office fee for your Satellite Office; and (c) a \$35,000 initial franchise fee for your 2<sup>nd</sup> Center.

The initial franchise fee is inclusive of a \$10,000 initial training fee for the pre-opening initial training program we conduct.

#### **LMS Implementation Fee**

At the time you sign the Franchise Agreement, you pay our affiliate, Adaptively Education, a \$2,000 implementation fee for the setup and configuration of LMS (the “LMS Implementation Fee”). We reserve the

right to require you to pay the LMS Implementation Fee to us, in which case we will remit the fee to our affiliate. The LMS Implementation Fee is uniformly imposed. If you are a renewing franchisee and you choose to continue to acquire and obtain educational materials from LBIS through the BC Portal, you will not incur this fee for your Center.

### **Grand Opening Marketing Fee**

At the time you sign the Franchise Agreement, you pay us a \$10,000 grand opening marketing fee. We spend all of these funds on grand opening marketing activities to promote your Center. We do not keep any portion of these funds. We reserve the right to require you to spend the grand opening marketing funds directly with suppliers in accordance with our instructions, in which case you will not pay the fee to us.

### **Grand Opening Assistance Expense Reimbursement**

We send a trainer to your Center to provide a minimum of 2 days of onsite training and grand opening assistance. You must reimburse us for the associated Travel Expenses (defined in Note 2 of Item 6), which we estimate will range from \$1,300 to \$3,800. You pay us \$1,500 at least 1 month prior to your grand opening date as a pre-paid estimate of the Travel Expenses for the trainer. If the actual Travel Expenses incurred are different than the \$1,500 pre-paid estimate then: (a) you pay us any Travel Expenses that exceed the \$1,500 pre-paid estimate within 10 days of invoicing; or (b) we promptly refund to you any overpayment if the Travel Expenses are less than the \$1,500 pre-paid estimate. If you request that we send more than 1 trainer, you must also pay an additional fee of \$350 per day (including each work day and travel day, for a minimum of 2 days) and reimburse us for the associated Travel Expenses for the additional trainer.

### **Design Fee**

At no additional charge, we provide 2 alternative Site Drawings (you select the Site Drawing you prefer). A “Site Drawing” refers to a basic preliminary site drawing consisting of our proposed high-level design and layout for your Center (and each room within your Center), including our suggestions for the layout and configuration of required furniture and equipment. If you request additional Site Drawings (or revisions to any Site Drawing previously submitted to you), we may charge you a \$300 design fee for each additional or revised Site Drawing we provide, which will be due 10 days after invoicing. Most franchisees do not request additional Site Drawings or incur a design fee.

### **Opening Extension Fee (for E2 Visa candidates only)**

If you are unable to open your Center by the required opening deadline due to delays in obtaining your E2 Visa for reasons other than your neglect, we will grant you a 90-day extension of your opening deadline in exchange for payment of a \$2,500 extension fee. The fee is due at the time you request the extension and is nonrefundable, even if your E2 Visa is ultimately denied.

### **Development Fee**

If you sign an ADA, you pay us a development fee that consists of the total aggregate initial franchise fees for all Centers you commit to develop under the ADA. You do not pay any additional initial franchise fee under the Franchise Agreements you sign for these Centers. The amount of the initial franchise fee for each Center is determined in accordance with the table set forth above under “Initial Franchise Fee”. We expect most area developer franchisees will purchase the right to develop between 2 and 4 Centers, which results in development fees ranging from \$85,000 to \$155,000.

**ITEM 6 OTHER FEES**

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Royalty Fee	Monthly amount equal to greater of: (a) \$250; or (b) 12% of Gross Sales plus 12% of Affiliate Program Sales plus 6% of Special Program Sales	7 <sup>th</sup> day of month	You must provide us with monthly reports of your Gross Sales, Affiliate Program Sales and Special Program Sales.
Brand and System Development Fund Fee	Up to 3% of Gross Sales (currently 2% of Gross Sales) plus 1% of Special Program Sales	Same as royalty fee	See Note 3.
LMS Licensing Fee	Up to \$15 per student per subject per month (currently \$8 per student per subject per month)	Same as royalty fee	See Note 0.
Curriculum Distribution Fee	The sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales plus (ii) 1% of your Special Program Sales	Same as royalty fee	See Note 0.
Local Marketing Commitment	<i>[Months 2 through 12 after opening]</i> \$1,500 per month	As incurred (monthly)	These amounts are not paid to us. Instead, you spend these amounts locally to market and promote your Center. Any amount you pay us or our affiliate for marketing materials is credited towards against your Local Marketing Commitment. Your grand opening marketing fee described in Item 5 covers your minimum required marketing expenditure for the initial 30 days after you open.
	<i>[Months 13 &amp; beyond]</i> Greater of \$1,000 per month or 4% of Gross Sales		
Training Fees and Expense Reimbursements	<i>[Management Training]</i> \$700 per person	Prior to training	See Note 4.
	<i>[Other Training]</i> \$350 per person per day plus Travel Expenses	10 days after invoice	
Technology Fee	Varies (currently \$100 per month, plus \$10 per month for each additional email account in excess of 1)	7 <sup>th</sup> day of month or as we otherwise specify	See Note 5.
Customer Service Fee	Up to \$500 per year (not currently charged)	10 days after invoice	See Note 6.
Conference Registration Fee	Up to \$350 per person per conference	10 days after invoice	See Note 7.

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Gift Card Program Fees	Varies (not currently charged)	10 days after invoice or as we otherwise specify	You must participate in any gift card program we establish and pay all associated program contributions and fees we reasonably require in order to implement and administer the program. These amounts are paid to us or a third party we designate.
Product Purchases	Varies depending on item purchased	10 days after invoice	We may, but need not, be a supplier for certain items purchased by franchisees, such as inventory, marketing material, equipment and operating supplies. If we supply any of these items, we will provide you with a price list upon request.
Relocation Fee	\$1,000 for each proposed new site plus Travel Expenses	At time new site proposed	You may not relocate your Center without our approval. If we allow you to relocate, you must pay us the \$1,000 fee and reimburse us for all Travel Expenses we incur to visit new sites you propose. We will refund 75% of the relocation fee if we reject the proposed site.
Satellite Office Fee	\$5,000 per office (if office located inside your Center Territory) \$12,000 per office (if office located outside your Center Territory)	At time you sign Satellite Office Addendum	See Note 8 for a description of the other fees you pay relating to a Satellite Office.
Renewal Fee	\$2,500	At time you sign Renewal Agreement	Payable if you renew your franchise rights.
Transfer Fee	60% of then-current initial franchise fee (reduced to 40% if buyer is an existing franchisee)	Before transfer	Payable if you transfer or sell your franchise. No charge if franchise transferred to an entity you control or for certain transfers of ownership interests between existing owners. If the buyer is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker.
Audit Fee	Actual cost of audit (plus Travel Expenses for audit team)	10 days after invoice	Payable only if audit (a) reveals you understated sales by at least 3% or (b) is necessary because you fail to send us required information or reports in a timely manner.
Late Fee	\$100 plus default interest at lesser of (a) 15% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law	10 days after invoice	If we debit your account but there are insufficient funds, or a check you issue is returned due to insufficient funds, then we may charge (in addition to the late fee) an NSF fee of \$50 per incident. In California, default interest is limited to 10% per annum.
Fines	\$500 per incident	Upon demand	Payable if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and do not cure within the time period we require. We may impose an additional \$100 fine for every 48 hours the non-compliance issue remains uncured after we impose the initial fine. We deposit all fines into the brand fund.

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Default Reimbursements	All costs we incur to cure your default	10 days after invoice	If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf. If we do so, you must reimburse us for all costs we incur, including Travel Expenses. Examples include failure to maintain required insurance, failure to pay suppliers and failure to meet quality or safety standards.
Management Fee	\$250 per day plus Travel Expenses and other costs we incur to temporarily manage your Center	10 days after invoice	If you default under the Franchise Agreement or the Managing Owner dies, we can designate a temporary manager to manage your Center until you cure the default or find a replacement Managing Owner, as applicable.
Indemnification	Amount of our damages, losses and expenses	10 days after invoice	You must indemnify and reimburse us for all damages, losses and expenses we incur due to the operation of your Center or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and costs we incur relating to your breach of the Franchise Agreement or other agreement with us or our affiliates.
Development Schedule Extension Fee (ADA only)	\$2,500	At time you request extension	If you need to extend a development deadline, we will grant you a single 90-day extension for the development of that unit in exchange for the extension fee. The extension option may be used a maximum of 4 times (i.e., 360 days maximum extension). You must pay us a separate extension fee for each extension.
Early Termination Fee	\$5,000	At time Center closes	You may terminate without cause if: (a) you provide at least 180 days' notice; (b) you allow us to market and resell your Center during the 180-day period (you do not receive any proceeds of the sale); (c) you have paid us all amounts owed; and (d) you sign a General Release (subject to state law). You pay us the early termination fee only if you cease operating your Center prior to the expiration of the term and fail to follow these procedures.

Notes:

- All fees are imposed by and payable to us except that: (a) you spend the Local Marketing Commitment directly with suppliers; and (b) we may either require you to pay LMS Licensing Fees and Curriculum Distribution Fees (or BC Portal licensing fees if you use the BC Portal instead of LMS) to our affiliates or we may collect these fees and remit them to our affiliates. All fees are nonrefundable and uniformly imposed except as otherwise noted. You must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than fees due within 15 days after signing the Franchise Agreement). You must deposit all Gross Sales, Affiliate Program Sales and Special Program Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date. You are responsible for all taxes imposed on you or us based on products, intangible property (including trademarks) or services we provide to you.

2. For purposes of this fee table (and the remainder of this Disclosure Document), the following terms have the meanings given to them below:

**“Affiliate Program Sales”** means all gross sums you collect from all Affiliate Programs conducted in connection with your Center, including the amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services relating to your Affiliate Programs. Affiliate Program Sales do not include: (a) sales or use taxes; (b) amounts refunded to customers; or (c) Gross Sales or Special Program Sales.

**“Enrichment Programs”** means weekly group tutoring in Mathematics, English and/or STEM.

**“Enrichment Sales”** means the total amount of your Gross Sales that is derived from the sale of Enrichment Programs.

**“Gross Sales”** means all gross sums that you collect from all goods and services that you sell, plus all other sums you collect from the operation of your Center, including any advertising revenues, sponsorship fees, business interruption insurance proceeds and amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services. Gross Sales does not include: (a) sales or use taxes; (b) amounts refunded to customers; or (c) Affiliate Program Sales or Special Program Sales.

**“Special Program Sales”** means all gross sums that you collect from all goods and services that you sell in connection with Special Programs (which are optional programs), including the amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services relating to your Special Programs. Special Program Sales do not include: (a) sales or use taxes; (b) amounts refunded to customers; or (c) Gross Sales or Affiliate Program Sales.

**“Total Sales”** means the amount comprised by the sum of Gross Sales plus Affiliate Program Sales plus Special Program Sales.

**“Travel Expenses”** means the travel, meals and lodging expenses incurred by us and/or our representatives to visit your Center, including: (a) economy tickets (no red-eye flights); (b) business class hotels (3.5 stars and up); (c) up to \$50 per person per day for meals; and (d) actual costs incurred for local transportation, such as car rental fees plus insurance costs, taxi fare, Uber fees, etc.

3. We have established and administer a brand and system development fund to promote public awareness of our brand and improve our System. You have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution. We will provide at least 180 days’ notice before increasing the required brand fund contribution.

You must pay monthly LMS Licensing Fees for use of LMS. The LMS Licensing Fee is payable based on the total number of your Center’s students, enrolled in Enrichment Programs, regardless of whether all such students actually utilize the LMS. The amount of the monthly LMS Licensing Fee is currently \$8 per student per subject per month. The LMS Licensing Fee applicable during the first and/or last month of the term of your Franchise Agreement may be prorated if the first and/or last month of the term are less than a full calendar month. If the number of subjects taken by a student changes during the course of a month, then you must pay the LMS Licensing Fee based on the total number of subjects taken by the student during the month, regardless of how many subjects are taken by the student at any given point in time during the month. We may increase the LMS Licensing Fee on an annual basis. The maximum annual increase of the licensing fee is \$2 monthly per student per subject. We will not increase the LMS Licensing Fee more than once during any calendar year. At least 90 days before implementing an increase to the LMS Licensing Fee, we will provide you with a written notice that identifies the new LMS Licensing Fee and identifies the date on which the new LMS Licensing Fee will go into effect.



If you purchased your Center from our predecessor and choose to continue to acquire and obtain educational materials from LBIS through the BC Portal (referred to as a “BC Portal Center”), then you do not pay LMS Licensing Fees, but instead pay comparable fees for the use of the BC Portal. There are two classifications of BC Portal Centers, as follows: (a) a BC Portal Center that signed a remote learning participation addendum is referred to as a “RLP Center”, and (b) a BC Portal Center that did not sign a remote learning participation addendum is referred to as a “Legacy Center”.

Legacy Centers pay the “base fee” (currently \$4) multiplied by the total number of subjects being taught to all students enrolled at your Center at the end of the prior month (Mathematics, English and STEM are each considered a separate “subject”) (“Legacy Center Licensing Fee”). The Legacy Center Licensing Fee will increase by \$1 every January 1st until it is equal to the LMS Licensing Fee.

RLP Centers pay a licensing fee for use of the BC Portal that is identical to the LMS Licensing Fees. Therefore, RLP Centers will pay a licensing fee based on the total number of your Center’s students, enrolled in Enrichment Programs, regardless of whether all such students actually utilize the BC Portal, and is currently \$8 per student per subject per month (Mathematics, English and STEM are each considered a separate “subject”) (“RLP Center Licensing Fee”). The RLP Center Licensing Fee may be increased on an annual basis. The maximum annual increase of the RLP Center Licensing Fee is \$2 monthly per student per subject. We will not increase the RLP Center Licensing Fee more than once during any calendar year. At least 90 days before implementing an increase to the RLP Center Licensing Fee, we will provide you with a written notice that identifies the new licensing fee and identifies the date on which the new licensing fee will go into effect.

All franchisees, including those operating Legacy Centers and RLP Centers, must pay the Curriculum Distribution Fee, which is calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month.

Because of the significant additional costs and efforts associated with administering separate systems, LBIS intends to discontinue the BC Portal with such discontinuation to become effective as of the date specified by LBIS (the “Discontinuation Date”). However, the Discontinuation Date will not occur earlier than December 31, 2025. LBIS will provide you with at least 30 days’ prior written notice of the Discontinuation Date. No later than the Discontinuation Date, you must fully migrate to LMS at your own expense, and commence payment to us of the LMS Licensing Fee imposed under the Franchise Agreement. You will no longer be able to obtain educational materials through the BC Portal following the Discontinuation Date.

4. We provide a pre-opening initial training program at our corporate headquarters at no additional charge (the initial franchise fee is inclusive of a \$10,000 initial training fee that covers this training). As part of our initial training program, we also send 1 corporate trainer to your Center (within 30 days after your opening date) to provide 2 days of onsite training and operational support. If you request that we send more than 1 trainer, you must pay an additional training fee of \$350 per additional trainer per day (including each work day and travel day, for a minimum of 2 days).

We may charge a management training fee of \$700 per person for: (a) any new Managing Owner or Manager who attends our management training program after your Center opens; and (b) any person who retakes our management training program after failing a prior attempt. We waive the management training fee if the person attends a previously scheduled management training program conducted for another franchisee, but reserve the right to charge for any costs we incur for training materials. After your Center opens, we may (but need not) allow your Managing Owner to train new Managers you hire.

We may also charge an additional training fee of \$350 per person per day for: (a) any person to whom we provide additional training you request (other than management training); and (b) any remedial training we require based on your operational deficiencies. We do not charge a training fee for system-wide refresher or additional training programs or virtual training programs.

You are responsible for all expenses and costs your trainees incur for training, including wages, travel and living expenses. If we provide onsite training or assistance, you must reimburse us for all Travel Expenses we incur. The Travel Expense reimbursement is in addition to any applicable training fees. We estimate that our Travel Expenses to send 1 corporate trainer to your Center to provide 2-days of onsite training and operational support (during the 30-day period after opening) will range from \$1,300 to \$3,800.

Although not currently required, we may require that your teachers complete a certification training program and periodic recertification training. If we impose this requirement in the future, we may charge a certification fee of up to \$200 per teacher for initial certification and up to \$100 per teacher for recertification training (no fee would be charged if the certification programs are conducted virtually).

5. You must acquire and utilize all information and communication technology systems that we specify from time to time (the “Technology Systems”). The “technology fee” includes all amounts you pay us and/or our affiliates relating to these Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts you pay directly to third-party suppliers for any component of the Technology Systems. As of the issuance date of this Disclosure Document, we charge a technology fee calculated as the sum of \$100 per month, plus \$10 per month for each additional email account you request in excess of 1. The technology fee may be increased to a maximum of \$200 per month per Center upon 30 days’ notice.
6. In the future, we may require you to participate in a customer satisfaction program and pay us the Customer Service Fee to cover our costs to implement and administer the program. The program would involve collecting and evaluating data and feedback from customers to determine their satisfaction with your Center and identify potential modifications to the System to improve customer satisfaction.
7. We may hold periodic national or regional conferences to discuss business and operational issues affecting Centers. Your Managing Owner and Managers are required to attend these conferences, but we will not require them to attend more than 3 days of conferences each year. You are also responsible for all expenses and costs the conference attendees incur, including wages, travel and living expenses.
8. If your Satellite Office is located inside your Center Territory, you pay us a \$5,000 satellite office fee (and the territory assigned to your Satellite Office will be the same as your Center Territory). If the Satellite Office is located outside your Center Territory, you pay us a \$12,000 satellite office fee (and you will receive a new territory for your Satellite Office). The satellite office fee does not vary depending on the number of dedicated brick-and-mortar Centers or other Satellite Offices you have purchased.

With our prior approval, you may convert a Satellite Office to a dedicated brick-and-mortar Center after opening (for example, you convert temporary shared space to a long-term lease that is exclusively utilized by you). In order to do so, you must pay us the difference between the satellite office fee previously paid to us and our then-current initial franchise fee that would be due for a brick-and-mortar Center.

You do not pay us the initial training fee, design fee, grand opening marketing fee, or grand opening Travel Expense reimbursement (each described in Item 5) for a Satellite Office. You must pay a separate \$2,000 LMS Implementation Fee for the use of LMS at your Satellite Office. However, if you purchased your Center from our predecessor and choose to continue to purchase educational materials from LBIS through the BC Portal, then you do not pay the \$2,000 LMS Implementation Fee or ongoing LMS Licensing Fees for use of LMS. Instead, you pay us: a separate \$2,000 BC Portal implementation fee for each Satellite Office; and if you operate a Legacy Center, you will pay a monthly Legacy Center Licensing Fee; or if you operate a RLP Center, you will pay a monthly RLP Center Licensing Fee. No later than the Discontinuation Date, you must fully migrate to LMS at your own expense, and commence payment to us of the LMS Licensing Fee imposed under the Franchise Agreement.

The royalty fee and other percentage-based fees described in the table above apply equally to revenues generated by the Satellite Office, although you must report these revenues separately from the revenues generated by your brick-and-mortar Center. You must also pay a separate technology fee for each Satellite Office you operate.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

**Table A:** Estimated initial investment for the purchase of a single Center.

YOUR ESTIMATED INITIAL INVESTMENT (SINGLE CENTER)				
TYPE OF EXPENDITURE <sup>1</sup>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee <sup>2</sup>	\$45,000	Lump sum	At time you sign Franchise Agreement	Us
Training Expenses for Corporate Training (1 to 2 people training in Washington)	\$1,500 to \$3,000	As incurred	During training	Hotels, restaurants and airlines
Reimbursement of our Travel Expenses for Onsite Training <sup>3</sup>	\$1,300 to \$3,800	Lump sum	Prepaid estimate due 30 days prior to opening	Us
Lease Deposit <sup>4</sup>	\$4,000 to \$6,000	Lump sum	Before opening	Landlord
Build Out & Improvements <sup>5</sup>	\$2,500 to \$35,000	As incurred	Before opening	Contractors, architects & suppliers
Signage <sup>6</sup>	\$500 to \$4,500	Lump sum	Before opening	Suppliers
Decorating, Furniture & Furnishings <sup>7</sup>	\$3,000 to \$4,000	As incurred	Before opening	Suppliers
LMS Implementation Fee <sup>8</sup>	\$2,000	Lump sum	At time you sign Franchise Agreement	Us or affiliate
Technology Systems <sup>9</sup>	\$2,000 to \$7,250	Lump sum	Before opening	Suppliers
Utility Deposits	\$500 to \$1,000	As incurred	Before opening	Utility companies
Business License	\$200 to \$400	Lump sum	Before opening	Government agencies
Professional Fees <sup>10</sup>	\$2,500 to \$5,000	Lump sum	Before opening	Suppliers
Insurance Premium (3 months)	\$875 to \$1,200	Lump sum	Before opening	Insurance companies
Grand Opening Marketing Fee <sup>11</sup>	\$10,000	Lump sum	At time you sign Franchise Agreement	Us
Additional Funds <sup>12</sup> (3 months)	\$8,500 to \$15,600	As incurred	As incurred	Landlord, us, business coaching organization, suppliers and employees
<b>Total Estimated Initial Investment <sup>13</sup></b>	<b>\$84,375 to \$143,750</b>			

**Table B** – Estimated initial investment for the purchase of area development rights.

YOUR ESTIMATED INITIAL INVESTMENT (AREA DEVELOPMENT - ASSUMES COMMITMENT OF 2 CENTERS OR 4 CENTERS)				
TYPE OF EXPENDITURE <sup>1</sup>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee <sup>14</sup>	\$85,000 to \$155,000	Lump sum	At time you sign ADA	Us
Initial Investment to Open Initial Center	\$39,375 to \$98,750	This is the total estimated initial investment in Table A above less the \$45,000 initial franchise fee that is included in development fee.		
<b>Total Estimated Initial Investment</b>	\$124,375 to \$253,750			

Notes:

- We do not offer direct or indirect financing for any of these items. No amounts paid to us are refundable other than the potential refund of a portion of pre-paid Travel Expenses as discussed in Note 3 below. We are unaware of any fees paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.
- This estimate assumes you are purchasing your 1<sup>st</sup> Center. The initial franchise fee is reduced to \$40,000 if you are purchasing your 2<sup>nd</sup> Center or \$35,000 if you are purchasing your 3<sup>rd</sup> or additional Center.
- This estimates our Travel Expenses to send 1 corporate trainer to provide 2 days of onsite training at your Center. You pay us a \$1,500 pre-paid estimate of these expenses 30 days prior to opening. The actual Travel Expenses incurred are reconciled with the pre-paid estimate after completion of onsite training. As discussed in Item 5, if our actual Travel Expenses are less than the \$1,500 pre-paid estimate, we will refund the overpayment to you or issue you a credit against royalty fees. This estimate assumes we send 1 corporate trainer to your Center. If you request additional trainers, you pay an additional training fee of \$350 per day for each additional trainer you request.
- This estimate assumes you lease your premises. Rent varies depending on the size of the premises, its location, landlord contributions and the requirements of individual landlords. We anticipate most Centers will range in size from 1,000 to 1,500 square feet with rent ranging from \$2,000 to \$3,000 per month. Landlords typically require security deposits equal to 1 or 2 months' rent and may, in addition, require payment in advance of the first and/or last month's rent. The total estimated lease deposit shown in the table above includes 2 months' rent. Some franchisees may prefer to own the premises for their Center. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.
- The cost of leasehold improvements and build-out vary widely based on a number of factors including:
  - the size and condition of the leased space
  - the extent and nature of any existing leasehold improvements
  - whether the landlord will contribute to the costs of the leasehold improvements (referred to as "TI Allowances") and the amount of any TI Allowance you are able to negotiate
  - local construction costs and prevailing wage rates in your local market

In some cases, landlords that provide a TI Allowance increase the monthly rent to recapture the TI Allowance and amortize it over the lease term (or over a shorter period of time). The low estimate in the table above assumes your space is either "move-in ready" with few required leasehold improvements or your landlord covers most leasehold improvement expenses with a TI Allowance. The high estimate assumes your space requires leasehold improvements and you bear the associated costs.
- You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances,

exterior signage may be prohibited due to applicable zoning or use restrictions. The low estimate assumes your Center is located within an office building that does not allow exterior signage while the high estimate assumes your Center will be in retail space with exterior signage.

7. This estimates your cost for classroom tables, chairs, light fixtures and furniture for the reception area.
8. You pay a \$2,000 LMS Implementation Fee to setup and configure LMS. You will not incur this fee if you are a renewing franchisee and you choose to continue to acquire and obtain educational materials from LBIS through the BC Portal instead of using LMS.
9. This estimates your costs to purchase and set up your Technology Systems, including your computer system (including hardware, software and printer), telephone system, 5 web-based security cameras as well as hardware and installation. The low estimate assumes you purchase a small printer or lease a large printer while the high estimate assumes you purchase a large printer.
10. This includes fees you may incur to hire a professional to review your Franchise Agreement, negotiate your lease and set up your company. It may also include accounting fees to set up your accounting system. You must hire a real estate professional to review and negotiate your lease. If you use our recommended real estate professional, your fee for LOI and lease review and negotiation will be \$3,500 per lease, but we will contribute \$1,000 (so you pay remaining \$2,500). The low estimate assumes you hire our recommended real estate professional to review and negotiate your LOI and lease but choose not to engage the services of attorneys, accountants or other professionals for any other purpose.
11. You pay us the grand opening marketing fee. We use this fee to market and promote the opening of your Center.
12. This estimates your expenses during the first 3 months of operation, including lease payments (\$6,000 to \$9,000), payroll costs (excluding any wage or salary paid to you), technology fees, business coaching fees (which are paid to a third-party business coaching organization, which is optional but recommended, and estimated to range from \$1,000 to \$3,600), utilities and other miscellaneous expenses and required working capital. These figures are estimates based on our principals' experience developing and opening company-owned Centers and our franchisees' experience developing and opening franchised Centers.
13. We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Center.
14. See Item 5 for a discussion of the calculation of the development fee. This estimate assumes you commit to develop either 2 Centers (low estimate) or 4 Centers (high estimate). If you commit to develop more than 4 Centers, your development fee will increase by \$35,000 for each additional Center you commit to develop in excess of 4. This initial investment estimate does not include the costs you will incur to develop any Center other than your 1<sup>st</sup> Center developed under the ADA.

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

### **Source-Restricted Purchases and Leases - Generally**

You must purchase or lease certain "source-restricted" goods and services for the development and operation of your Center. By "source-restricted", we mean the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We notify you of changes to our specifications or supplier list by email, updates to the Manual, bulletins or other means of communication.

### **Supplier Criteria**

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier,

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although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier, you must send us a written request for approval and submit all additional information we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our decision within 30 days after we receive your request for approval and all additional information and samples we require. We may periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet our then-current criteria. We do not charge you a fee or require reimbursement of our costs to review products and suppliers you propose.

### **Current Source-Restricted Items**

We estimate nearly 50% of the total purchases and leases to establish your Center and 80% of ongoing operating expenses will consist of source-restricted goods or services, as further described below.

#### *Lease*

We do not review the terms of your lease. However, if you lease the premises for your Center, you must use best efforts to ensure your landlord signs the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C".

#### *Design and Construction Services*

The Manual includes certain standards and specifications pertaining to the design, layout, equipping and trade dress for a Center. We will prepare and send you 2 proposed Site Drawings for your consideration. You select the Site Drawing you prefer. You must hire an architect to prepare initial design plans and detailed construction plans, which must be consistent with the Site Drawing you select and comply with the requirements in the Manual and all laws, building codes, permits, lease restrictions and landlord requirements applicable to the premises. We must approve the final construction plans. Once approved, you must construct and equip your Center in accordance with the approved plans and the specifications in the Manual. We must approve your architect and general contractor. We may require you to hire an architect we designate to ensure uniformity and consistency of design.

#### *Fixtures, Furnishings and Decorations*

All fixtures, furnishings and decorations must meet our standards and specification, but you may purchase them from any suppliers of your choosing.

#### *Technology Systems*

Your Technology Systems (including hardware, software, equipment, software applications, mobile apps and similar items) must meet our standards and specifications. Certain components of your Technology Systems must be purchased from approved or designated suppliers while other components may be purchased from any supplier of your choosing. We may also require that certain services relating to the establishment, use, maintenance, monitoring, security or improvement of your Technology Systems be purchased from approved or designated suppliers. We currently require that you license LMS from our affiliate, Adaptively Education. However, if you are a renewing franchisee you may instead choose to continue to acquire and obtain educational materials from our other affiliate, LBIS, in which case you must continue to license and utilize the associated BC Portal and related software.

#### *Inventory*

All inventory (i.e., educational materials) must be obtained exclusively from Adaptively Education through LMS (or from LBIS through the BC Portal if you are a renewing franchisee and you choose to continue to acquire and obtain educational materials from LBIS instead of converting to LMS).

### *Signage*

All exterior signage must meet our standards and specifications and be purchased from suppliers we designate or approve.

### *Marketing Materials and Services*

All marketing materials must comply with our standards and requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we designate or approve. We may require that you utilize a designated supplier to implement your grand opening marketing campaign and/or provide social media marketing on your behalf.

### *Business Coaching Services*

We recommend, but do not require, that you engage a third-party business coach to help you launch and grow your business during the initial period of operations. If you choose to do so, we must approve the business coach you propose to hire. We may require that the business coach sign a confidentiality agreement to protect any confidential information received in the course of providing coaching services.

### *Insurance Policies*

You must obtain the insurance coverage we require (whether in the Franchise Agreement or in the Manual) from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc., including the following:

<b>Policy Type</b>	<b>Minimum Coverage</b>
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Sexual Assault and Molestation Insurance	\$100,000 per occurrence and \$300,000 in the aggregate
Business Interruption Insurance	At least 6 months
Worker’s Comp & Employer Liability Insurance	As required by law
Landlord-Required Insurance	As required by lease

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive at least 10 days’ prior written notice of the termination, expiration, cancellation or modification of the policy.

### **Purchase Agreements**

We try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you may purchase these items at the discounted prices we negotiate (less any rebates or other consideration paid to us). As of the date of this Disclosure Document, we have negotiated purchase agreements (including favorable pricing terms) with: (a) our affiliate, Adaptively Education, for LMS; and (b) an optional (but recommended) real estate professional who agreed to review and negotiate a letter of intent and commercial lease for a flat fee of \$3,500 per lease (because the lease review protects our interests as well as yours, we pay \$1,000 and you pay the remaining \$2,500).

We may also purchase items in bulk and resell them to you at our cost plus a reasonable markup (not to exceed 5% of our cost to purchase the item and deliver it to you).

Currently there are no purchasing cooperatives but we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

## **Franchisor and Affiliate Revenues from Source-Restricted Purchases**

We are currently an approved supplier for marketing materials and the exclusive supplier for Best In Class email accounts. Our affiliate, Adaptively Education, is currently the exclusive supplier for LMS. Our affiliate, LBIS, is currently the exclusive supplier for the BC Portal and the educational materials you acquire and obtain through the BC Portal (if you are a renewing franchisee and you decline to transition to LMS). We and our affiliates generate revenues from these purchases. We may designate ourselves and our affiliates as approved or designated suppliers for other goods and services in the future.

Our officers Hao Lam, Stephanie Zhu and Laura Leddusire each own an interest in Adaptively Education. Hao Lam also owns an interest in LBIS. There are no other approved or designated suppliers in which any of our officers own an interest. Except for Adaptively Education and LBIS, no person affiliated with us is currently an approved (or the only approved) supplier.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner. As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based upon franchisee purchase or leases.

During the fiscal year ended December 31, 2022, neither we nor our predecessor generated any revenues as a result of franchisee purchases or leases of goods or services from designated or approved suppliers.

During the fiscal year ended December 31, 2022, our affiliate, Adaptively Education, generated \$51,420 in revenues based on franchisee purchases and leases. All of these revenues consist of initial and ongoing fees associated with LMS. The source of this information is QuickBooks accounting software used by our affiliate.

During the fiscal year ended December 31, 2022, our affiliate, LBIS, generated \$159,793 in revenues based on franchisee purchases and leases. All of these revenues consist of initial and ongoing fees associated with the BC Portal and the curriculum distribution fee. The source of this information is QuickBooks accounting software used by our affiliate.

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

**This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.**

<b>OBLIGATION</b>	<b>SECTIONS IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a. Site selection and acquisition/lease	FA: 7.1 & 7.2 ADA: 4.2	Item 7 & Item 11
b. Pre-opening purchases/leases	FA: 7.3, 7.4, 11.6 & 16.1 ADA: Not Applicable	Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	FA: 7.3, 7.4 & 7.5 ADA: 4.2	Item 6, Item 7 & Item 11
d. Initial and ongoing training	FA: 5 ADA: Not Applicable	Item 6 & Item 11
e. Opening	FA: 7.5 ADA: 4.1	Item 11



OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
f. Fees	FA: 4.2, 5.7, 6.2, 6.3, 6.8, 6.9, 7.3, 7.5, 7.6, 8.3, 8.5, 10, 11.6, 11.8, 11.12, 11.14, 14, 16.1, 17, 20.2 & 21.1 ADA: 5 & 7.2	Item 5 & Item 6
g. Compliance with standards and policies/Operating Manual	FA: 6.1, 7.1, 7.3, 10.3, 11 & 18.1 ADA: 4.2	Item 11
h. Trademarks and proprietary information	FA: 18 ADA: 2	Item 13 & Item 14
i. Restrictions on products/services offered	FA: 11.3 ADA: Not Applicable	Item 16
j. Warranty and client service requirements	FA: 11.12 ADA: Not Applicable	Not Applicable
k. Territorial development and sales quotas	FA: 12 ADA: 4.1	Item 12
l. Ongoing product/service purchases	FA: 11.6 ADA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: 11.7 & 11.9 ADA: Not Applicable	Item 11
n. Insurance	FA: 16.1 ADA: Not Applicable	Item 6 & Item 7 & Item 8
o. Advertising	FA: 10 ADA: Not Applicable	Item 6, Item 7 & Item 11
p. Indemnification	FA: 19 ADA: Not Applicable	Item 6
q. Owner's participation/management/staffing	FA: 8 ADA: Not Applicable	Item 11 & Item 15
r. Records/reports	FA: 16.2 & 16.3 ADA: Not Applicable	Item 6
s. Inspections/audits	FA: 17 ADA: Not Applicable	Item 6 & Item 11
t. Transfer	FA: 20 ADA: 7	Item 17
u. Renewal	FA: 4 ADA: 4.4	Item 17
v. Post termination obligations	FA: 22 ADA: Not Applicable	Item 17
w. Non-competition covenants	FA: 15 ADA: Not Applicable	Item 17
x. Dispute resolution	FA: 23 ADA: 8.3	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	FA: 9 & ATTACHMENT "D" ADA: Not Applicable	Item 15

**ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Center, we will:

1. Provide access to our Manual which will help you establish and operate your Center, as further discussed below under “Manual”. (§6.1)
2. Provide an initial training program, as further discussed below under “Training Program”. (§5)
3. Review and approve or disapprove sites you propose for your Center, as further discussed below under “Site Selection”. (§7.1 & 7.5)
4. Provide our written specifications for the goods and services you must purchase to develop, equip and operate your Center and a list of approved and/or designated suppliers for these goods and services. We do not deliver or install any items that you purchase. (§11.2)
5. Assist you in developing and implementing a grand opening marketing plan for your Center, as further discussed below under “Advertising and Marketing”. (§10.2 & 10.3(b))
6. Provide an initial supply of marketing materials, as further discussed below under “Advertising and Marketing”. (§10.2)
7. Prepare and send you 2 alternative Site Drawings at no additional charge (you select the Site Drawing your prefer), as further discussed below under “Site Development”. (§7.3)
8. Review and approve or disapprove the preliminary design and final construction plans prepared by your architect, as further discussed below under “Site Development”. (§7.3)
9. Review and approve or disapprove the construction and buildout of your Center, as further discussed below under “Site Development”. (§7.4 & 7.5)

During the operation of your Center, we will:

1. Send a corporate trainer to your Center to provide 2 days of onsite training and operational support within 30 days after your Center opens. (§6.3)
2. Grant you a license to utilize LMS for various purposes, including printing your initial and ongoing inventory of educational materials. If you are a renewing franchisee and choose to continue to acquire and obtain educational materials from LBIS through the BC Portal, then LBIS will continue to grant you a license to use the BC Portal and you will not be granted a license to utilize LMS. The BC Portal and LMS are discussed in more detail below under “Computer System”. (§6.2)
3. Provide our guidance and recommendations on ways to improve the operation of your Center. (§6.4)

4. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of your Center. There is no minimum frequency and we have sole discretion in deciding when to conduct field visits to your Center. (§6.5)
5. Administer the brand and system development fund, as further discussed below under “Advertising and Marketing”. (§10.1)
6. Provide periodic training programs, as further discussed below under “Training Program”. (§5)
7. Provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your discretion. To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you sell. (§11.4)

During the operation of your Center, we may, but need not:

1. Maintain a corporate website to promote our brand and a local webpage with information about your Center, as further discussed below under “Advertising and Marketing”. (§6.7 & 10.3)
2. Provide additional training or assistance that you request (either at our headquarters or at your Center), as further discussed below under “Training Program”. (§5)
3. Negotiate purchase agreements with suppliers to obtain favorable pricing. We may also purchase items in bulk and resell them to you at our cost plus shipping and a reasonable markup. (§6.9)
4. Hold periodic conferences to discuss relevant business and operational issues such as industry changes, new services and/or merchandise and marketing strategies. (§5)
5. Create a franchise advisory council, as further discussed below under “Advisory Council”. (§13)

We do not provide area developers with any support under their ADA.

**Manual** (§6.1, 11.2 & 25.8)

We provide access to our Manual in text or electronic form during the term of the Franchise Agreement. The Manual may include, among other things:

- architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Center
- a description of the authorized goods and services you may offer and sell, including class offerings and special programs
- minimum qualifications and criteria for Teachers and Managers (see Item 15 for more information)
- specifications, techniques, methods, operating procedures and quality standards
- reporting and insurance requirements
- policies and procedures pertaining to any gift card program we establish
- policies and procedures pertaining to marketing and advertising
- policies and procedures pertaining to data ownership, protection, sharing and use
- a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Center and (b) any designated or approved suppliers for these goods and services

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. All mandatory provisions in the Manual are binding on you. We can modify the Manual at any time, but the modifications will not alter your status or fundamental rights under the Franchise Agreement. Any modification to the Manual is effective at the time we notify you of the change. However, we may provide you with a reasonable period of time to implement certain changes (for example,

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implementing new software of technology). The Manual is confidential and remains our property. The Manual contains a total of 210 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "E".

**Training Program** (§5)

*Initial Training*

We provide a pre-opening initial training program. Your Managing Owner and at least 1 other person (either a Manager or another owner who will actively participate in the Business) must successfully complete initial training to our satisfaction before your Center opens. You may send additional owners to initial training, but it is not required. There is no specific period of time after signing or before opening that training must be completed.

Initial training lasts between 5 and 7 days. Prior to attending initial training in Seattle, you must watch an online 2.5 hour pre-recorded training video that provides an overview of our brand and operations. In addition to training in Seattle, we also provide approximately 2 days of onsite training and assistance with the opening of your Center. Onsite training is an informal program where we monitor your operations and assist you with the opening of your Center.

Except for onsite assistance and the online training video, all training takes place at a company-owned Center in Seattle, Washington (or at another location we designate). We intend to offer the initial training program on an as needed basis but with no minimum frequency. The initial training program consists of the following:

**TRAINING PROGRAM**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS ON THE JOB TRAINING</b>	<b>LOCATION</b>
Brand Overview	2.5	0	Online
History/Philosophy of Best In Class	0.5	0	Seattle
Use of the Manual	0.5	0	Seattle
Services Provided to Best In Class Franchisees	0.5	0	Seattle
Business Planning	3.0	0	Seattle
Pre-Opening Procedures	0.5	0	Seattle
Talent Development	2.0	0	Seattle
Advertising/Marketing	2.0	0	Seattle
Curriculum	3.0	0	Seattle
Management Procedures	4.0	0	Seattle
Sales/Customer Service Procedures	3.5	5.0	Seattle (on the job training held at WA Center of our choice)
Daily Operating Procedures	4.0	5.0	Seattle (on the job training held at WA Center of our choice)
Operational Management	3.0	5.0	Seattle (on the job training held at WA Center of our choice)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Software Training	2.0	5.0	Seattle (on the job training held at WA Center of our choice)
Total	31	20	

The training materials primarily consist of the Manual. We do not charge additional fees for training material.

#### *Ongoing Training*

We may require that your Managing Owner and Managers attend up to 5 days of system-wide refresher or additional training courses each year. Any new Managing Owner you appoint or Manager you hire must successfully complete our initial training program before assuming responsibility for the management of your Center. If we determine you are not operating your Center in compliance with the Franchise Agreement and/or the Manual, we may require that your Managing Owner and Managers attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at corporate headquarters or at your Center). We are not required to provide additional training you request.

#### *Instructors*

Our lead instructor is Laura Leddusire. Laura has worked at a company-owned Center in Washington since 2009. During the time, she held a variety of positions, including Instructor, Private Tutor, Center Manager, Operations Manager, and Vice President of Operations. Laura has served as our Vice President of Operations since August 2019 (originally with our predecessor). In 2019, Mrs. Leddusire became a co-owner of a Center in Washington. Mrs. Leddusire has a total of 14 years of experience in the field of education. Additional instructors may be utilized under Mrs. Leddusire's direction. Each additional instructor will have at least 1 year of experience in relevant field.

#### *Training Fees*

We provide our pre-opening initial training program at no additional charge (the initial franchise fee is inclusive of a \$10,000 initial training fee that covers this training). As part of our initial training program, we also send 1 corporate trainer to your Center (within 30 days after your opening date) to provide 2 days of onsite training and operational support. If you request that we send more than 1 trainer, you must pay an additional training fee of \$350 per additional trainer per day (including each work day and travel day, for a minimum of 2 days).

We may charge a management training fee of \$700 per person for: (a) any new Managing Owner or Manager who attends our management training program after your Center opens; and (b) any person who retakes our management training program after failing a prior attempt. We waive the management training fee if the person attends a previously scheduled management training program conducted for another franchisee, but reserve the right to charge for any costs we incur for training materials.

We may also charge an additional training fee of \$350 per person per day for: (a) any person to whom we provide additional training you request (other than management training); and (b) any remedial training we require based on your operational deficiencies. We do not charge a training fee for system-wide refresher or additional training programs or virtual training programs.

#### *Training Expenses*

You are responsible for all expenses and costs your trainees incur for training, including wages, travel and living expenses. If we provide onsite training or assistance, you must reimburse us for all Travel Expenses we incur. The Travel Expense reimbursement is in addition to any applicable training fees. We estimate that our Travel Expenses to send 1 corporate trainer to your Center to provide 2-days of onsite training and operational support (during the 30-day period after opening) will range from \$1,300 to \$3,800.

### **Site Selection** (§7.1 & 7.2)

A typical Center ranges in size from 1,000 to 1,500 square feet and may be located in an office or professional building or within a retail setting such as a strip mall. Ideally, the facility should be located near other shopping venues (such as grocery stores) to allow parents to run errands while the child is in class. Your Center should have between 3 and 5 classrooms with a separate reception area.

We do not select the site for your Center and we do not purchase the premises and lease it to you. You must identify and obtain our approval of the site for your Center within 120 days after signing the Franchise Agreement. If you fail to do so, we may terminate your Franchise Agreement.

Your Center must be located within the Site Selection Area identified in Part B of ATTACHMENT "A" to the Franchise Agreement (the "Site Selection Area") and conform to our minimum site selection criteria. You must send us a complete site report that includes all information we require about your proposed site.

We will use best efforts to approve or disapprove sites you propose within 15 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15-day period. In reviewing a proposed site, we consider factors such as:

- parking
- visibility, size, condition and characteristics of the building
- traffic counts
- general location
- existence and location of competitive businesses
- security
- general character of the neighborhood
- various economic indicators

If we approve your site before signing the Franchise Agreement, we will list the address in Part C of ATTACHMENT "A" to the Franchise Agreement. If we do not approve your site before signing, we will send you a Site Approval Notice (in the form attached to the Franchise Agreement as ATTACHMENT "B") within 15 days after approving your site, which will list the address of your approved site and identify your territory.

We do not review the terms of your lease. If you lease the premises for your Center, you must use best efforts to cause your landlord to sign the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease. If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may either (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord) or (b) require you to find a new site for your Center.

### **Site Development** (§7.3 & 7.4)

The Manual includes our standards and specifications for the design, layout, equipping and trade dress for a Center. After securing approval of your site, you must send us complete and detailed dimensions and specifications of the leased space. After receiving this information, we prepare and send you 2 alternative Site Drawings for your consideration. You select the Site Drawing you prefer. You must hire a licensed and bonded architect that we designate or approve to prepare initial design plans and final construction plans for your Center. We must approve these plans.

After we approve your construction plans, you must construct and equip your Center according to the approved construction plans and the requirements of the Manual. You must purchase (or lease) and install the Technology

Systems, equipment, fixtures, signs and other items we require.

You must remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current standards and specifications. There is no limitation on the cost of these remodeling obligations, but we will not require you to remodel or renovate your Center more than once during any 5-year period. You may not remodel or significantly alter your premises without our prior approval.

If you sign an ADA, we must approve the site for each Center you develop applying our then-current site selection criteria.

### **Opening Requirements** (§7.5)

We anticipate a typical franchisee will open his or her Center within 4 months after signing the Franchise Agreement. Factors that may affect this time include:

- the amount of time needed to find an approved site
- protracted lease negotiations with your landlord
- the amount of time needed to secure financing, insurance, licenses and permits
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons
- delayed delivery or installation of equipment and fixtures
- the amount of time needed to comply with zoning requirements and other laws and regulations
- the amount of time needed to complete training
- the amount of time needed to hire and train your Teachers

You may not open your Center prior to receipt of our written authorization to open. We will not issue our authorization to open until all of the following conditions are met:

- the initial trainees successfully complete the initial training program
- you purchase all required insurance policies and provide us with evidence of coverage
- you obtain all required licenses, permits and other governmental approvals
- we review and approve the construction, build-out, equipping and layout of your Center

We do not provide assistance with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises. We also do not control the hiring or training of your employees.

Unless we agree to the contrary, you must open your Center within 180 days after signing the Franchise Agreement. We may terminate the Franchise Agreement if you fail to open by this deadline.

### **Satellite Office** (Satellite Office Addendum)

If you acquire the right to develop, own and operate a Satellite Office, you must obtain our approval of the site for your Satellite Office within 120 days after signing the Satellite Office Addendum. Unless we agree to the contrary, the site must be located inside your Center Territory. The same site approval procedures described above that apply to your Center will apply to your Satellite Office. However, you do not need to obtain a signed Lease Addendum. You must purchase (or lease) and install the Technology Systems, equipment, fixtures, signs and other items we require. In most cases, however, franchisees do not need to purchase additional equipment, fixtures, signs or supplies for a Satellite Office. Rather, the franchisee brings tablets, educational materials and other supplies used at brick-and-mortar Center to the Satellite Office for use on an as-needed basis. Franchisees may wish to purchase additional temporary signage for display at the Satellite Office during business hours, but it is not required. The same opening procedures described above for your Center also apply to your Satellite Office, including the deadline to: (a) find an approved site for the Satellite Office (120 days after signing the

Satellite Office Addendum); and (b) open the Satellite Office (180 days after signing the Satellite Office Addendum).

### **Advertising and Marketing** (§10)

We provide the advertising and marketing support discussed below. You must participate at your own expense in all advertising, promotional and marketing programs we require. You must develop a strong network of relationships within your community and with your local school districts. You are not required to participate in an advertising cooperative. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

#### *Grand Opening Marketing*

We will assist you in development a grand opening marketing plan to promote the opening of your Center. You pay us a \$10,000 grand opening marketing fee, which we spend in accordance with the jointly developed grand opening marketing plan during the period of time that begins 60 days prior to opening and ends 30 days after opening. We may require that you utilize a marketing company we designate to design and implement your customized grand opening marketing plan. There is no obligation to spend any minimum amount of money on a grand opening or pay us a grand opening marketing fee for a Satellite Office.

#### *Ongoing Local Marketing By You*

After the end of your grand opening period, you must spend a minimum monthly amount equal to your Local Marketing Commitment on local advertising. The Local Marketing Commitment is: (a) \$1,500 per month for the 2<sup>nd</sup> through the 12<sup>th</sup> month after opening; and (b) the greater of \$1,000 per month or 4% of your monthly Gross Sales for the remainder of the term. You must send us monthly reports detailing your expenditures on local advertising. There is no Local Marketing Commitment applicable to a Satellite Office.

You may develop your own advertising and marketing materials and programs, provided we approve them in advance. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved. We have 10 business days to review and approve or disapprove advertising and marketing materials and programs you submit for approval. Our failure to disapprove them within the 10-business day period constitutes our approval (we reserve the right to disapprove materials and programs we previously approved).

#### *Local Marketing Assistance From Us*

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an “as-needed” basis. As discussed above, we will assist you in developing and implementing your grand opening marketing plan. At no additional charge, we provide you with an initial supply of marketing materials before you open your Center. We may create and make available to you additional advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet, in which case you must arrange for printing the materials and paying all printing costs. Alternatively, we may enter into relationships with third-party suppliers who create advertising or marketing materials for your purchase. We are not required to spend any amount on advertising in your territory.

#### *Websites, Social Media and Digital Advertising*

We maintain a corporate website to promote our brand. We will also create and host a local webpage to promote your Center, which will be linked to our corporate website. We can modify or discontinue this website (and your local webpage) at any time.

Under current policy, you may not: (a) develop, host, or otherwise maintain a website or other digital presence relating to your Center (including any website bearing our Marks); (b) utilize the Internet to conduct digital or online advertising; or (c) engage in ecommerce. However, we do permit you to market your Center through



approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing the social media platforms that we approve
- you must strictly comply with our social media policy (as revised from time to time)
- you must immediately remove any post we disapprove (even if it complies with our social media policy)
- we may require that you utilize a supplier we designate for social media marketing services
- you must provide us with full administrative rights to your social media accounts
- we will own all social media accounts relating to your Center

Our current social media policy is attached to this Disclosure Document as EXHIBIT "H"-5. You must sign a copy to acknowledge your agreement to its terms. We may include our social media policy in the Manual and you must comply with the most current version (we are not required to have you sign a new or amended agreement acknowledging your agreement to its terms).

#### *Gift Card Program*

We may require that you participate in a gift card program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. We have the right to determine how proceeds from gift cards sales are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. You must follow all of our policies regarding any gift card program we establish.

#### *Brand and System Development Fund*

We have established and administer a brand and system development fund to promote public awareness of our brand and improve our System. We may use the fund to pay for any of the following in our discretion:

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development and maintenance of an ecommerce platform
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the fund
- preparing and distributing financial accountings of the fund

- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate’s, officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above)
- expenses in connection with holding national or regional conferences, including: (a) costs we incur to engage speakers to speak at national or regional conferences, including reimbursement of the speaker’s expenses for travel, lodging, meals and other costs directly incurred by the speaker in connection with attending national or regional conferences; (b) costs we incur to book the hotel or reserve the venue; (c) costs we incur to provide food and beverage to conference attendees; (d) any other out-of-pocket costs we would otherwise incur to host national or regional conferences; and (e) the room and board costs incurred by conference attendees

We direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Currently, most advertising is intended to be local, regional or national in coverage and may utilize any media we deem appropriate, including digital, print, television, radio and billboard media. The source of advertising will be in-house as well as through a regional advertising agency that we engage. The fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as “franchises available” and one or more pages on our website may promote the franchise opportunity.

You must contribute to the fund the amount we specify from time to time. The current contribution is the sum of (a) 2% of Gross Sales (we may increase this amount to 3% upon at least 180 days’ prior notice) and (b) 1% of Special Program Sales. We will deposit into the fund all: (a) fund contributions paid by you and other franchisees; and (b) fines paid by you and other franchisees. Any company-owned Center will contribute to the fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the fund, any company-owned Center that is established or acquired after the modification may contribute to the fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2022, our predecessor spent the marketing funds in the following manner:

<b>Allocation of Marketing Expenditures (2022)</b>				
<b>Use of Funds</b>	<b>Production</b>	<b>Media Placement</b>	<b>Administrative Expenses</b>	<b>Other</b>
<b>Percentage Allocation</b>	82%	15%	3%	0%

We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the fund. The fund is not a trust and we have no fiduciary obligations with respect to our administration of the fund. We may discontinue the fund at any time upon at least 30 days’ prior notice.

**Advisory Council** (§13)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions in good faith, but would not be bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be

a member of the council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any company-owned Center would also be a member of the council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

### **Computer System** (§6.8, 11.6, 11.7, 11.8, 16.3 & 17.1)

You must purchase and use all Technology Systems we designate from time to time. Our required Technology Systems may include computer systems, point-of-sale systems, learning systems, printing systems, webcam systems, telecommunications systems, security systems, music systems, and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

One component of our Technology Systems is your “computer system,” which consists of the following items: minimum of 1 desktop, 1 laptop and 2 tablets with high speed internet access; 2 printers (one large and one small); Microsoft Office (recent edition); accounting software; Adaptively Learning Management System (or BC Portal software system if you are a renewing franchisee and decline to transition to LMS). We may change the components of the Technology Systems from time to time, including your computer system.

#### *Email Addresses*

We will provide you with 1 Best In Class email address for use with your Center at no additional charge. If you require more than 1 email, we may charge you all costs we incur to procure each additional email address and account you require. You must exclusively use the email address(es) we provide for all communications with us, parents, students, suppliers and other persons relating to your Center. You may not use any email address we provide for any purpose unrelated to your Center. We will own the email addresses and accounts but allow you to use them during the term of your Franchise Agreement.

#### *How Computer System Is Used*

The computer system will generally be used for student registration, tracking of student performance, maintaining student records, preparing mass emails and mailings, performing accounting and electronic invoicing functions, and preparing operational reports.

You will also use your computer system to access LMS. You will use LMS to conduct online and in-person classes. The system delivers math, English and, if applicable, STEM curriculum and includes self-scheduling and billing features for parents. It also provides real-time metrics and reports. If you are a renewing franchisee and decline to transition to LMS, then you will continue to use the BC Portal to download and print educational materials.

#### *Fees and Costs*

We estimate the initial cost of your computer system (excluding the LMS Implementation Fee) will range from \$2,000 to \$3,000 (assumes you lease and do not purchase a large printer). You must also pay the \$2,000 LMS Implementation Fee for the initial setup and configuration of LMS.

As further detailed in Item 6, you pay us a technology fee for certain software, technology and related services that we provide. As of the issuance date of this Disclosure Document, we charge a technology fee calculated as \$10 per month (\$120 per year) for each additional email account you request in excess of 1.

You must also pay ongoing LMS Licensing Fees calculated as \$8 per student per subject per month. The LMS Licensing Fee may be increased upon 90 days’ prior notice, but will not exceed \$15 per student per month during the initial term of the Franchise Agreement.

If you are a renewing franchisee and choose to continue to purchase educational materials from LBIS through the BC Portal, then you do not pay LMS Licensing Fees, but instead pay comparable fees for the use of the BC Portal. If you operate a Legacy Center, you will continue to pay a monthly Legacy Center Licensing Fee. The Legacy Center Licensing Fee will increase by \$1 every January 1st until it is equal to the LMS Licensing Fee. If you operate a RLP Center, you will continue to pay a monthly RLP Center Licensing Fee. The RLP Center Licensing Fee may be increased upon 30 days' prior notice, but will not exceed \$15 per student per subject per month during the term of the Franchise Agreement. If you choose to migrate to LMS, or LBIS elects to discontinue the BC Portal, you must begin paying LMS Licensing Fees.

The table below identifies the ongoing fees and costs you pay for software, technology, Apps, subscriptions and related services (including software, technology and related services covered by the technology fee):

<b>COMPUTER SYSTEM – ONGOING FEES AND COSTS</b>			
<b>Item</b>	<b>Fee (Monthly)</b>	<b>Fee (Annual)</b>	<b>To Whom Paid?</b>
Technology Fee and Additional Email Addresses	Up to \$200 (currently \$100) plus \$10 per address	Up to \$2,400 (currently \$1,200) plus \$120 per address	Us
LMS Licensing Fee (per student per subject per month)	Up to \$15 (currently \$8)	Up to \$180 (currently \$96)	Us or Affiliate
Curriculum Distribution Fee	2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus 1% of your Special Program Sales from the prior month	2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus 1% of your Special Program Sales from the prior month	Us or Affiliate
Legacy Center Licensing Fee (per student per subject per month)	Up to \$15 (currently \$4)	Up to \$180 (currently \$48)	Us or Affiliate
RLP Center Licensing Fee (per student per subject per month)	Up to \$15 (currently \$8)	Up to \$180 (currently \$96)	Us or Affiliate

\*A “subject” refers to Math, English or STEM.

#### *Maintenance, Support, Updates and Upgrades*

In exchange for the monthly fees listed above, our affiliates will provide all necessary maintenance, support, updates and upgrades for LMS and the BC Portal.

Except as otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

#### *Collection and Sharing of Data*

Your computer system collects data regarding your students' records, invoices and financial transactions. We have independent unlimited access to this data. There are no contractual limits imposed on our access.

We own all data relating to your operations and all data relating to your students and their parents. We grant you a license to use this data solely for purposes of operating your Center. You must protect all student and parent personal data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws and all data processing and privacy policies in the Manual. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

## *Computer System Maintenance and Changes*

You must maintain the computer system in good condition at your cost. We may require that you upgrade or update your computer system and other Technology Systems to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these updates or upgrades.

### **ITEM 12 TERRITORY**

#### **Location of Your Business**

Each Franchise Agreement grants you the right to operate one Center from the site we approve. You must identify a site for your Center within the Site Selection Area described in your Franchise Agreement. We must also approve the site of any Satellite Office you develop.

You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) obtain our approval of the site for your new Center within the Site Selection Area (but outside any territory granted or reserved to us, our affiliate or any other franchisee); (b) pay us the \$1,000 relocation fee for each new site you propose; (c) comply with our then-current site selection and development requirements; and (d) open your new Center and resume operations within 30 days after closing your prior Center. You would have similar relocation rights for any Satellite Office you operate.

#### **Your Territory (Franchise Agreement)**

We will identify the boundaries of your Center Territory, which will include between 15,000 and 18,000 students between the ages of 5 and 17 (we generate this data using IntelVue). If we approve your site before you sign the Franchise Agreement, we will identify your Center Territory in Part D of ATTACHMENT "A" to your Franchise Agreement. If we do not approve your site before you sign, then we will identify your Center Territory in the Site Approval Notice we send you after approving your site.

If you purchase the right to develop a Satellite Office located inside your Center Territory, then the territory for your Satellite Office (your "Satellite Office Territory") will consist of the same geographic area that comprises your Center Territory. If purchase the right to develop a Satellite Office located outside your Center Territory, then we will designate a separate Satellite Office Territory that will include between 15,000 and 18,000 students between the ages of 5 and 17. If your Satellite Office Territory is undetermined when you sign the Satellite Office Addendum, then within 15 days after we approve the site for your Satellite Office, we will send you a Territory Approval Notice (in the form attached to the Satellite Office Addendum as ATTACHMENT "C") that identifies the boundaries of your Satellite Office Territory.

We do not modify your Center Territory or Satellite Office Territory (if applicable) during the term of the Franchise Agreement or Satellite Office Addendum, respectively, based on changes in student population. Upon renewal, we reserve the right to modify your Center Territory or Satellite Office Territory (if applicable) in accordance with our then-current territory guidelines and criteria.

You will not receive an exclusive Center Territory or Satellite Office 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. Although we do not grant exclusive territories, we do grant you certain territorial protections. Specifically, during the term of your Franchise Agreement and, if applicable, Satellite Office Addendum, we will not develop or operate, or license a third party to develop or operate, a Center or a Satellite Office using our Marks that is physically located within your Center Territory or Satellite Office Territory, respectively, except as otherwise permitted below with respect to Acquisitions (defined below).

#### **Your Development Territory (ADA)**

If you sign an ADA, we grant you a protected development territory (your "Development Territory"). All Centers you develop under the ADA must be located within your Development Territory. A Development Territory typically consists of a geographic area that coincides with the boundaries of a municipality, such as a

city, county or state. There is no specific minimum or maximum size for a Development Territory. In determining the size of your Development Territory, we primarily consider the number of Centers you commit to develop.

You will not receive an exclusive Development 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. Although we do not grant exclusive Development Territories, we do grant you certain territorial protections. Specifically, during the term of the ADA we will not develop or operate, or license a third party to develop or operate, a Center or a Satellite Office using our Marks that is physically located within your Development Territory except: (a) for any Centers or Satellite Offices that are located within your Development Territory as of the date you sign the ADA (either open, under construction or for which a Franchise Agreement or Satellite Office Addendum has been signed); and (b) as otherwise permitted below with respect to Acquisitions.

You must sign a separate Franchise Agreement for each Center you develop under the ADA. We must approve the location of each Center you develop according to our then-current site selection criteria. At least 7 days before signing, we will send you a complete execution copy of the ADA that includes your Development Territory, development fee and development schedule.

### **Limitations on Territorial Rights**

We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into Centers and/or Satellite Offices operating under the Marks regardless of their location (an “Acquisition”). Any such acquired or converted businesses may be located within your Center Territory, Satellite Office Territory and Development Territory, as applicable.

### **Alternative Channels of Distribution**

We reserve the right to sell, and license others to sell, competitive or identical goods and services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution, including within your Center Territory, Satellite Office Territory and Development Territory, as applicable. An “Alternative Channel of Distribution” means any channel of distribution other than retail sales made to students or their parents while present at a Center or Satellite Office. Examples of Alternative Channels of Distribution include: (a) the sale of educational products (such as educational DVDs, software programs, curriculum, tapes or books) through direct marketing (such as over the Internet or through catalogs or telemarketing) or from outlets other than a Center or Satellite Office (such as retail stores, schools or other educational facilities); (b) the sale of educational products or programs (including licensing of LMS) to school districts, home school organizations, non-profit organizations and other businesses that do not operate under the Marks; (c) the sale of educational products or services at wholesale; and (d) providing “on-site” tutoring or educational classes at schools or at students’ homes. You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

### **Restrictions on Your Sales and Marketing Activities**

You may not engage in targeted marketing directed outside your Center Territory or Satellite Territory, if applicable. Marketing that is distributed, circulated or received both within your territory and outside your territory is not considered “targeted marketing” directed outside your territory if: (a) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your territory; and (b) the majority of the recipients of the advertising are located within your territory and there is only incidental circulation or distribution outside your territory. The meaning of “targeted marketing” that is “directed outside your territory” may be further defined in the Manual, but examples include direct mail sent to addresses outside your territory, digital advertising sent to devices with IP addresses registered outside your territory and setting up promotional events that take place outside your territory.

You may not market or sell using Alternative Channels of Distribution (such as the Internet or a website, catalog

sales, telemarketing or other direct marketing) either within or outside of your Center Territory, Satellite Office Territory or Development Territory, as applicable. However, we do permit you to market through social media subject to the restrictions described in Item 11 under the Section entitled “*Websites, Social Media and Digital Advertising*”.

There are no other restrictions on your right to solicit students or parents, whether from inside or outside of your Center Territory, Satellite Office Territory or Development Territory, as applicable.

**Minimum Performance Requirements (Franchise Agreement)**

You must use best efforts to achieve the following minimum average monthly Total Sales:

Measuring Period (commencing with opening date)	Minimum Average Monthly Total Sales*
Months 1 through 12	\$6,000 per month
Months 13 through 24	\$9,000 per month
Months 25 through 36	\$12,000 per month
Months 37 through 48	\$13,500 per month
Months 49 through end of initial term	\$15,000 per month

\* We review your compliance with the monthly minimum performance requirements on a quarterly basis, meaning your failure to achieve the minimum monthly Total Sales for a given month will not be a default as long as your average monthly Total Sales over the 3-month review period equals or exceeds the minimum required average monthly Total Sales amount. We may change our review period at any time. For purposes of determining your compliance, we only consider Total Sales generated by your Center and do not consider Total Sales generated by any Satellite Office you own. When you renew, you will be subject to any minimum performance requirement in effect at the time of renewal.

If you fail to achieve the minimum performance requirement and you are not dedicating full-time efforts to your Center (i.e., you are not physically present at your Center during all hours of operation), then we have the right (but not the obligation) to either: (a) terminate your Franchise Agreement; or (b) modify or eliminate your territorial protections. We will not terminate your Franchise Agreement solely on the basis of your failure to achieve the minimum performance requirement if you are dedicating full-time efforts to your Center (i.e., you are physically present at your Center during all hours of operation).

There is no minimum performance requirement applicable to Satellite Offices.

**Minimum Performance Requirements (ADA)**

If you sign an ADA and fail to satisfy your development schedule by opening and operating the prescribed number of Centers within the required period of time, we may terminate your ADA. However, if you need to extend a development deadline, we will grant you a single 90-day extension for the development of that Center in exchange for a \$2,500 extension fee. The extension option may be used a maximum of 4 times (i.e., 360 days maximum extension). You must pay us a separate extension fee for each extension.

**Additional Franchises and Territories**

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, other than your right and obligation to develop the prescribed number of Centers within your Development Territory if you sign an ADA. However, we may in our discretion grant you the right to develop, own and operate one or more Satellite Offices if you request the right to do so.

**Competitive Businesses Under Different Marks**

Our affiliate, Adaptively Education, currently licenses a program similar to LMS to school districts, charter

schools, home school organizations, non-profit organizations and other businesses that do not operate under the Marks. The program allows these organizations to provide educational services to their constituents that are similar to the educational services provided at Centers utilizing LMS. The program is licensed under the name “Adaptively”. Adaptively Education does not solicit or directly contract with students or families for purposes of providing educational services. All students and families that contact Adaptively Education are referred to the closest Center. Adaptively Education does not offer franchises. Adaptively Education’s principal business address is 2100 E. Spruce St. Seattle, Washington 98122. Because Adaptively Education does not directly compete with franchisees or solicit families or students within any Center Territory, Satellite Office Territory or Development Territory, we do not anticipate any conflicts between Adaptively Education and our franchisees.

Except as otherwise disclosed above, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by a Center. However, we reserve the right to do so in the future.

### ITEM 13 TRADEMARKS

We grant you the right to operate a Center under the name “Best In Class Education Center” and the associated logo. By trademark, we mean trade names, trademarks, service marks and logos used to identify your Center or the products or services you sell. We may change the trademarks you may use from time to time, including by discontinuing use of the Marks listed in this Item 13. If we require you to discontinue use of any of our primary Marks, we will reimburse you for your tangible costs of compliance (e.g., changing brochures, business cards, etc.). We have no other liability to you for changing the Marks.

Our affiliate Adaptively Education owns the following trademark that has been registered on the Principal Register of the United States Patent and Trademark Office:

REGISTERED MARKS		
Mark	Registration Number	Registration Date (Renewal Date)
BEST IN CLASS EDUCATION CENTER	4,112,774	March, 13, 2012 (September 8, 2022)

All required affidavits have been filed and we have filed all required renewals.

The Mark was originally registered by our founder, Hao Lam, and subsequently assigned to Adaptively Education. On March 21, 2023, we entered into an Intellectual Property License Agreement with Adaptively Education (the “[License Agreement](#)”). Under the terms of the License Agreement, Adaptively Education granted us the right to use the Marks in the Best In Class Education Center System and sublicense the Marks to our franchisees. The initial term of the License Agreement is 5 years, and then automatically renews for additional 5-year renewal terms unless terminated in accordance with its terms. Adaptively Education may terminate the License Agreement only if we: (a) declare bankruptcy or become insolvent; (b) breach Adaptively Education’s quality control standards and fail to cure the breach within a 60-day cure period; or (c) consent to the termination. If the License Agreement is terminated, it states all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. No other agreements limit our right to use or sublicense use of the Marks.

You must follow our rules when using the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You cannot use the Marks relating to the sale of any product or service we have not authorized. We do not license to you, or allow you to use, any other Marks owned by our affiliates, such as “Adaptively”.

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We will take the action we think appropriate. We are not required to take any action if we do not feel it is warranted. We may require your assistance, but you may not control any proceeding or litigation relating to our Marks. You



must not directly or indirectly contest our or Adaptively Education's right to the Marks.

The Franchise Agreement does not require that we: (a) protect your right to use the Marks; (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our Marks or if the proceeding is resolved in a manner unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; or (c) pending material litigation matters involving the Marks. We are not aware of any infringing uses that could materially affect your use of the Marks.

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

No patents or pending patent applications are material to the franchise.

Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items.

During the term of the Franchise Agreement, we allow you to use certain confidential and proprietary information (some of which may constitute "trade secrets") relating to the development, marketing and operation of a Center. Examples include:

- architectural plans, drawings and specifications for a prototype Center
- site selection criteria
- methods and techniques
- standards and specifications
- policies and procedures
- supplier lists and information
- marketing strategies
- merchandising strategies
- financial information
- information comprising the System

We own all customer data (i.e., data pertaining to students and parents) and operational data relating to your Center. You must treat this data as confidential and proprietary. We license you the right to utilize this data during the term of your Franchise Agreement. We consider all information in the Manual to be confidential.

We provide access to our confidential information through the Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your Center in compliance with the Franchise Agreement and Manual. You may not disclose our confidential information to any person (other than your employees on a need-to-know basis) without our prior permission.

You must promptly notify us if you discover any unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You may not control any proceeding or litigation involving allegations of unauthorized use of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements known to us at this time.

We will own all ideas, improvements, inventions, marketing materials and other concepts you develop relating to a Center.

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

### **Owners**

You must designate an owner with overall responsibility for the management and operation of your Center (the “Managing Owner”). The Managing Owner must:

- be approved by us after attending an in-person Discovery Day at our corporate headquarters
- successfully complete all training programs we require
- dedicate best efforts to operating the Center (full-time efforts is strongly recommended but not required)
- hold a minimum 20% ownership interest in the franchised business or franchisee entity
- teach at least 1 class at the Center throughout the 1<sup>st</sup> year of operation

The Managing Owner is not required to provide onsite management of your Center as long as a trained Manager is onsite. Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the supervision, management or operation of the Center.

If you are an entity, each owner (i.e., each person holding an ownership interest in you) and the spouse of each owner must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "D".

### **Manager**

You may hire a person to assist the Managing Owner with onsite management and supervision of the Center (a “Manager”). Any person you hire as a Manager must:

- be approved by us
- meet all of our then-current minimum criteria and qualifications for Managers (including those pertaining to background checks, education, attitude and experience)
- successfully complete all training programs we require
- sign the Brand Protection Agreement attached to the Franchise Agreement as ATTACHMENT "F"

At all times during normal business hours, either the Managing Owner or a Manager must be present at the Center to provide onsite management and supervision. The Managing Owner must monitor and supervise the activities of the Manager to ensure the Center is operated in accordance with the Franchise Agreement and Manual. We do not require that the Manager own any equity interest in the franchise.

### **Teachers**

No person may teach classes at your Center other than: (a) the Managing Owner; (b) a Manager; or (c) a person you hire (or any of your other owners) who satisfies any minimum competency standards we require (in each case, a “Teacher”). You must conduct reasonable background checks on all Teachers. You may not allow any person to act as a Teacher if the background check reveals a criminal record or otherwise raises substantial doubt about his or her character or qualifications. We may impose additional qualifications for Teachers from time to time, including a requirement that all teachers successfully complete a certification training program (and possibly recertification training). All of your Teachers and other employees, agents and representatives with access to our confidential information (other than your owners and Manager) must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "G".

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

We must approve all goods and services you sell. You must offer all goods and services we require, including the specific classes, programs and curriculum we specify. You have the option, but not the obligation, to offer Special Programs. You may only offer Affiliate Programs we approve. You may not offer, sell or provide: (a) goods or services to anyone other than children between pre-school and 12<sup>th</sup> grade; (b) educational classes or

tutoring in any subject we have not approved; or (c) any other goods or services (including any classes or programs) we have not approved. We may require you to participate in a gift card program in accordance with our policies and procedures. You may not sell any other gift cards or implement any other gift card program without our approval. At any time, we may change the goods and services you sell and you must comply with the change.

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

**This table lists certain important provisions of the franchise agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of franchise term	FA: 4.1	Term is equal to 5 years.
	ADA: 1 (definition of "Term")	Term expires on required opening date of last Center to be developed under development schedule.
b. Renewal or extension of the term	FA: 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 3 consecutive successor franchise agreements. Each renewal term will be 5 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
	ADA: 4.4	No renewal rights.
c. Requirements for you to renew or extend	FA: 4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, etc.); sign general release (subject to state law); pay renewal fee; remodel Center and upgrade furniture, fixtures and equipment to current standards; and extend lease for duration of renewal term. We may condition your right to renew on compliance with any minimum customer satisfaction requirements we develop and uniformly impose.  If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	ADA: 4.4	You may not renew or extend the term of the ADA.
d. Termination by you	FA: 21.1	You can terminate if we fail to cure a material default within the cure period.  You may also terminate without cause by: (a) providing at least 180 days' prior notice; (b) allowing us to market and sell your Center during the 180-day period (you do not receive any proceeds from the sale); (c) paying us all amounts owed; and (d) signing a General Release (subject to state law).
	ADA: 8	You can terminate under any grounds permitted by law.
e. Termination by us without cause	FA: 21.4	We can terminate without cause if you and we mutually agree to terminate.
	ADA: Not Applicable	Not applicable
f. Termination by us with cause	FA: 21.2 & 21.3	We can terminate if you default.
	ADA: 8	We can terminate if you default.

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
g. "Cause" defined - curable defaults	FA: 21.2 & 21.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults").
	ADA: 8	You have 30 days to cure any default, other than defaults described below under "non-curable defaults".
h. "Cause" defined - non-curable defaults	FA: 21.2	The following defaults cannot be cured: failure to successfully complete training; failure to find approved site or open in timely manner; insolvency, bankruptcy or seizure of assets; abandonment; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2 <sup>nd</sup> underreporting of amounts due by at least 3%; unauthorized transfers; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement by owner or spouse; failure to meet minimum performance requirements; termination of lease due to your default; 3 or more default notices in any 12-month period; or termination of any other agreement between you (or your affiliate) and us (or our affiliate) due to your default. However, termination of an ADA due to breach of the development schedule is not grounds for termination of any Franchise Agreement that is otherwise in good standing.
	ADA: 8	You cannot cure any default relating to the termination of a franchise agreement based on your default. Any termination of a franchise agreement is a default under the ADA allowing us to terminate without cure period.
i. Your obligations on termination/non-renewal	FA: 22.1	Obligations include: remove trade dress and alter premises to eliminate any resemblance to a Center; cease use of intellectual property; return Manual, educational materials and branded materials; return proprietary software; assign telephone numbers, listings and domain names; assign student/parent information and accounts; cancel fictitious names; comply with data retention policies; and pay amounts due (also see "r", below).
	ADA: Not Applicable	The ADA does not impose any specific obligations on you after it is terminated or expires.
j. Assignment of contract by us	FA: 20.1	No restriction on our right to assign.
	ADA: 7.1	No restriction on our right to assign.
k. "Transfer" by you – definition	FA: 1 (definition of "Transfer") & 20.2	Includes ownership change or transfer of contract or assets.
	ADA: 1 (definition of "Transfer") & 7.2	Includes ownership change or transfer of contract or assets.

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
<p>l. Our approval of transfer by you</p>	<p>FA: 1 (definition of “Permitted Transfer”), 20.2 &amp; 20.3</p>	<p>If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We must approve other transfers but will not unreasonably withhold approval.</p>
	<p>ADA: 1 (definition of “Permitted Transfer”), 7.2 &amp; 7.3</p>	<p>If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We must approve other transfers but will not unreasonably withhold approval.</p>
<p>m. Conditions for our approval of transfer</p>	<p>FA: 20.2</p>	<p>Transferee must: meet our qualifications; successfully complete training (or arrange to do so); obtain required licenses and permits; agree in writing to assume your obligations under agreements relating to the business; and sign then-current form of franchise agreement for remainder of term (or at our option, take assignment of existing franchise agreement). You must: be in compliance with Franchise Agreement; assign lease (if applicable); remodel Center and upgrade furniture, fixtures and equipment to current standards (or get a commitment from transferee to do so); pay transfer fee; subordinate transferee’s ongoing payments owed to you (if any) to transferee’s financial obligations owed to us; and sign general release (subject to state law). We must notify you that we do not intend to exercise our right of first refusal. You may not transfer a Satellite Office except in conjunction with a transfer of your Center.</p>
	<p>ADA: 7.2</p>	<p>Transferee must: meet our qualifications; successfully complete training (or arrange to do so); and sign then-current form of area development agreement for remainder of term (or at our option, take assignment of existing ADA). You must: be in compliance with all Franchise Agreements and ADA; assign all Franchise Agreements to same purchaser unless we agree to contrary (or at our option, transferee must sign then-current form of franchise agreement); comply with transfer provisions under Franchise Agreements; pay transfer fee; and sign general release (subject to state law). We must notify you that we do not intend to exercise our right of first refusal.</p>
<p>n. Our right of first refusal to acquire your business</p>	<p>FA: 20.5</p>	<p>We can match any offer for your business.</p>
	<p>ADA: 7.5</p>	<p>We can match any offer for your area development rights.</p>
<p>o. Our option to purchase your business</p>	<p>FA: 22.2</p>	<p>We have the option to purchase your Center at the expiration or termination of the Franchise Agreement.</p>
	<p>ADA: Not Applicable</p>	<p>We do not have a right to purchase your area development rights unless you attempt to transfer to a third-party buyer.</p>

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
p. Your death or disability	FA: 20.4	Within 180 days, interest must be assigned to an assignee in compliance with conditions for other transfers. We may designate manager to operate the Center prior to transfer.
	ADA: 7.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other transfers.
q. Non-competition covenants during the term of the franchise	FA: 15.3	No involvement in competing business.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: 15.3 & 22.1	No involvement for 2 years in competing business at your Center or within a 25-mile radius from your Center or any other Center that is open or under development at the time.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
s. Modification of the agreement	FA: 25.3 & 25.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications primarily to comply with various states laws.
	ADA: 11.6	Requires writing signed by both parties. Other modifications to comply with various states laws.
t. Integration/merger clause	FA: 25.8	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.
	ADA: 11.6	Only the terms of the ADA and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and ADA may not be enforceable. Nothing in the ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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 FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
u. Dispute resolution by arbitration or mediation	FA: 23	Subject to state law, all disputes must be mediated or arbitrated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
	ADA: 8.3	Subject to state law, all disputes must be mediated and then arbitrated before litigation.
v. Choice of forum	FA: 23	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, King County, Washington).
	ADA: 8.3	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, King County, Washington).
w. Choice of law	FA: 25.1	Subject to state law, Washington law governs.
	ADA: 11.1	Subject to state law, Washington law governs.

#### ITEM 18 PUBLIC FIGURES

We do not 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 the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting Hao Lam at 4820 NE 4th St., Suite A-107, Renton, Washington 98059 or by phone by calling (425) 880-2688.

#### ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 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	57	52	-5
	2021	52	48	-4
	2022	48	47	-1

**TABLE 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
Company-Owned	2020	7	7	0
	2021	7	7	0
	2022	7	4	-3
Total Outlets	2020	64	59	-5
	2021	59	55	-4
	2022	55	51	-4

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2020 TO 2022**

State	Year	Number of Transfers
Texas	2020	0
	2021	0
	2022	1
Washington	2020	0
	2021	0
	2022	2
Total	2020	0
	2021	0
	2022	3

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2020	18	0	0	0	0	1	17
	2021	17	0	0	0	0	3	14
	2022	14	0	0	0	0	1	13
Florida	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Georgia	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0



**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Michigan	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Nevada	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
North Carolina	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Ohio	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Oregon	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Texas	2020	16	1	0	0	0	3	14
	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	1	13
Washington	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	3	0	0	0	0	6
Totals	2020	57	1	0	0	0	6	52
	2021	52	0	0	0	0	4	48
	2022	48	3	0	0	0	4	47

**TABLE 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 Year
Washington	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7

**TABLE 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 Year
	2022	7	0	0	0	3	4
Totals	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7
	2022	7	0	0	0	3	4

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Texas	1	1	0
Total	1	1	0

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2022. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has 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.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

**ITEM 21 FINANCIAL STATEMENTS**

Our fiscal year ends on December 31<sup>st</sup>. An audited opening balance sheet for BiC Franchise System Corporation for the initial period ended March 15, 2023 is attached to this Disclosure Document as EXHIBIT "G". Because we have not been in existence for 3 years, we cannot provide all of the financial statements required by the FTC franchise disclosure guidelines.

**ITEM 22 CONTRACTS**

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "H"-1 State Addenda
- EXHIBIT "H"-2 Franchisee Disclosure Questionnaire (**Questionnaire may not be signed or used if the**

**franchisee resides within, or the franchised business will be located within, a franchise registration state)**

EXHIBIT "H"-3 General Release  
EXHIBIT "H"-4 Satellite Office Addendum  
EXHIBIT "H"-5 Social Media Policy

Attachments to Franchise Agreement

ATTACHMENT "B" Form of Site Approval Notice  
ATTACHMENT "C" Lease Addendum  
ATTACHMENT "D" Franchise Owner Agreement  
ATTACHMENT "E" ACH Authorization Form  
ATTACHMENT "F" Brand Protection Agreement  
ATTACHMENT "G" Confidentiality Agreement

**ITEM 23 RECEIPT**

EXHIBIT "J" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p><b><u>CALIFORNIA</u></b> Commissioner of Financial Protection &amp; Innovation Department of Financial Protection &amp; Innovation 320 West 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><b><u>HAWAII</u></b> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p> <p><b><u>MICHIGAN</u></b> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor Lansing, MI 48913 (517) 335-7567</p> <p><b><u>MINNESOTA</u></b> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500</p> <p><b><u>NEW YORK</u></b> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 Phone: (212) 416-8222</p> <p><u>Agents for Service of Process:</u> New York Department of State One Commerce Plaza 99 Washington Avenue, 6<sup>th</sup> Floor Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b> North Dakota Securities Department State Capitol, 5<sup>th</sup> Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2<sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, Virginia 23219 (804) 371-9051</p> <p><u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1<sup>st</sup> Floor Richmond, Virginia 23219</p> <p><b><u>WASHINGTON</u></b> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>Mailing Address:</u> Department of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98504-1200</p> <p><b><u>WISCONSIN</u></b> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555</p>
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**EXHIBIT "B"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS**

Corporation Service Company  
251 Little Falls Dr.  
Wilmington, DE 19808

In states listed in EXHIBIT "A", the additional agent  
for Service of Process is listed in EXHIBIT "A"

**EXHIBIT "C"**  
**TO DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

*[See Attached]*



# FRANCHISE AGREEMENT

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

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### ATTACHMENTS

ATTACHMENT "A"	Deal Terms
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ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement



## BEST IN CLASS EDUCATION CENTER FRANCHISE AGREEMENT

This Best In Class Education Center Franchise Agreement (this “Agreement”) is entered into as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) between BiC Franchise System Corporation, a Delaware corporation (“we” or “us”) and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”).

**1. DEFINITIONS.** Capitalized terms used in this Agreement have the meanings given to them below:

“Account” means the checking account you designate from which we deduct fees and other amounts owed to us and our affiliates in accordance with §14.5.

“ACH Agreement” means the ACH Authorization Agreement attached hereto as ATTACHMENT "E", which authorizes us to electronically debit your Account for amounts owed to us and our affiliates.

“Acquisition” means either: (a) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise; or (b) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

“Acquired Assets” means any assets associated with your Center that we elect to purchase upon termination or expiration of this Agreement, as further described in §22.2.

“Affiliate Program” means any program or revenue-generating activity conducted at or in connection with your Center that is not a standard part of our System but is approved by us.

“Affiliate Program Sales” means the total gross sums that you collect from all Affiliate Programs conducted in connection with your Center. Affiliate Program Sales also include amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services relating to your Affiliate Programs. Affiliate Program Sales do not include: (a) any sales or use taxes you pay to a Governmental Authority; (b) revenues you collect and subsequently refund to the customer in a bona fide refund transaction; (c) Gross Sales; or (d) Special Program Sales.

“After-School Program” means the optional educational program you may offer at your Center whereby students visit every day after school for at least two and one-half (2.5) hours per day and receive one (1) packet of Math and one (1) packet of English each week.

“Agreement” is defined in the Introductory Paragraph.

“Alternative Channels of Distribution” means any channel of distribution other than retail sales made to students or their parents while present at a Center or Satellite Office, including, but not limited to: (a) the sale of educational products (such as educational DVDs, software programs, curriculum, tapes or books) through direct marketing (such as over the Internet or through catalogs or telemarketing) or from outlets other than a Center (such as retail stores, schools or other educational facilities); (b) the sale of educational products or programs (including licensing of the LMS platform) to school districts, home school organizations, non-profit organizations and other businesses that do not operate under the Marks; (c) the sale of educational products or services at wholesale; and (d) providing “on-site” tutoring or educational classes at schools or at students’ homes.

“Anti-Terrorism Law” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists, orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Appraised Value” is defined in §22.2.

“Brand Protection Agreement” means the Brand Protection Agreement that must be signed by certain of your personnel, the current form of which is attached hereto as ATTACHMENT "F".

“Business” means the franchised business you operate pursuant to this Agreement.

“Business Data” means, collectively or individually, Customer Data and Operational Data.

“Center” means any Best In Class Education Center that is authorized to operate under our Marks and use our System. A Center may refer to a Best In Class Education Center operated by us, our affiliate, you or another franchisee, as the context may require. It does not include a Satellite Office.

“Center Territory” is defined in §3.

“Claim” or “Claims” means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

“Competitive Business” means any business that meets at least one of the following criteria: (a) any educational business that derives, or is reasonably expected to derive, at least 50% of its revenues from the sale of one or more of the following: (i) supplemental education classes and/or tutoring in Mathematics; (ii) supplemental education classes and/or tutoring in English; (iii) SAT preparation courses and/or tutoring; (iv) ACT preparation courses and/or tutoring; and/or (v) the sale of any educational products relating to any of the foregoing types of educational services; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competitive Business does not include any Center or Satellite Office operated pursuant to a valid franchise agreement, license agreement or Satellite Office Addendum signed by us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Definitive Agreements and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that: (i) are designated as confidential; (ii) are known by you to be considered confidential by us; and/or (iii) are by their nature inherently or reasonably to be considered confidential. Confidential Information does not include any information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you or your Owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Confidentiality Agreement” means the Confidentiality Agreement that must be signed by certain of your employees pursuant to §15.5, the current form of which is attached hereto as ATTACHMENT "G".

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Center, whether now in existence or created in the future.

“Customer Data” means and includes any and all data that pertains to students and/or their parents, including, without limitation, name, address, contact information, date of birth, purchase history, enrollment history, testing scores and other educational data, and any other information collected about students or their parents for any purpose.

“Definitive Agreements” means, collectively, this Agreement, the Area Development Agreement pursuant to which this Agreement is executed (if applicable), any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a Center or any other franchised concept, and all ancillary agreements executed in connection with any of the foregoing, including, without limitation, each related

Franchise Owner Agreement and Satellite Office Addendum (if applicable).

“Dispute” means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the franchise; or (c) the relationship between the parties.

“Early Termination Fee” means the \$5,000 fee you must pay us if, prior to the expiration of the Term, you: (a) cease operating your Center or terminate this Agreement without cause; and (b) fail to comply with the 180-day notice and other procedural requirements set forth in §21.1.

“Effective Date” is defined in the Introductory Paragraph.

“Enrichment Programs” means weekly group tutoring in Mathematics, English and/or STEM.

“Enrichment Sales” means the total amount of your Gross Sales that is derived from the sale of Enrichment Programs.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Equity Interest” means a direct or indirect ownership or beneficial interest in the capital stock of, partnership or membership interest in, or other equity, ownership or beneficial interest in an Entity (including voting rights).

“Excluded Claim” is defined in §23.

“Force Majeure” means acts or circumstances that are beyond a party’s control, including fire, storm, flood, earthquake, explosion or accident, acts of war or terrorism, rebellion, insurrection, sabotage, epidemic, failures or delays of transportation and strikes, provided that: (a) the non-performing party provides written notice to the other party of the Force Majeure event within three (3) days of becoming aware of the occurrence of such event; (b) the non-performing party is without fault and the delay or failure could not have been prevented by reasonable precautions by the non-performing party; (c) nothing herein shall excuse or permit any delay or failure to pay fees or other amounts owed on the applicable due date; (d) insolvency, lack of required funds or financing, currency fluctuations, currency devaluations, foreign exchange controls or inflation shall never be deemed Force Majeure; and (e) an epidemic or pandemic of a contagious illness or disease, or economic or financial changes caused by an epidemic or pandemic of a contagious illness or disease, shall never be deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the Center as a result of such epidemic or pandemic.

“Franchisee Entity” means the Entity, if applicable, that: (a) signs this Agreement as the franchisee (i.e., “you”) if this Agreement is signed by an Entity; or (b) assumes this Agreement subsequent to its execution by the original Owners.

“Franchise Owner Agreement” means the Franchise Owner Agreement that must be signed by the Owners (and their spouses, if applicable) pursuant to §9, the current form of which is attached hereto as ATTACHMENT "D".

“General Release” means our then-current form of Waiver and Release of Claims that you and your Owners must sign pursuant to: (a) §4.2 (in connection with a renewal of your franchise rights); (b) §20.2 (in connection with a Transfer); or (c) §21.1 (in connection with a “no-cause” termination of this Agreement by you).

“Gift Card Program Participation Rules” means the policies, procedures, fees and other requirements pertaining to any gift card program we implement, as further described in §11.10.

“Government Official” means any: (a) officer or employee of a Governmental Authority; (b) commercial or similar entity owned or controlled by a Governmental Authority, including state-owned and state-operated companies or enterprises; (c) public international organization (e.g., United Nations, World Bank); (d) political party or official thereof; or (e) candidate for political office.

“Governmental Authority” means any national, provincial, state, county, local, municipal or other government, or any ministry, department, agency or subdivision thereof, whether administrative or regulatory, or any other body that exercises similar functions, and including any court or taxing authority.

“Gross Sales” means the total gross sums that you collect from all goods and services sold from or in connection with your Center, together with all other revenues and monies derived in connection with your Center, including advertising revenues, sponsorship fees and business interruption insurance proceeds. Gross Sales also include amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services relating to your Center. Gross Sales do not include: (a) any sales or use taxes you pay to a Governmental Authority; (b) revenues you collect and subsequently refund to the customer in a bona fide refund transaction; (c) Affiliate Program Sales; or (d) Special Program Sales. The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

“Improvement” means any idea, addition, modification or improvement to (a) the goods or services offered or sold at a Center, (b) the method of operation of a Center, (c) the processes, systems or procedures utilized by a Center, (d) the marketing, advertising or promotional materials, programs or strategies utilized by a Center or (e) the trademarks, service marks, logos or other intellectual property utilized by a Center, whether developed by you, your Owners, your employees or any other Person associated with you or your Center.

“Indemnified Party” or “Indemnified Parties” means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parents, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Interim Manager” means the Person we designate to temporarily manage your Center under the circumstances described in §8.5.

“Interim Term” means a month-to-month extension of the Term under the circumstances described in §4.3.

“Know-how” means all of our trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Center, including, but not limited to: architectural plans, drawings and specifications for a prototype Center; site selection criteria; curricula; instructional materials; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Law” means and includes all laws, judgments, decrees, orders, rules, regulations, ordinances, advisory opinions or official legal interpretations of any Governmental Authority.

“Learning Management System” or “LMS” means the online platform we designate to deliver and manage in-person and remotely-conducted classes for English, math and, if applicable, STEM courses.

“Local Marketing Commitment” means the minimum amount of money you must spend each month on local advertising and marketing to promote your Center in accordance with §10.3(a).

“Losses and Expenses” means and includes any or all of the following: compensatory, exemplary and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to reputation or goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or otherwise incurred by an Indemnified Party as a result of a Claim.

“Manager” means a Person you hire to provide onsite supervision and management of your Center and who meets the criteria and requirements set forth in §8.2.

“Managing Owner” means the Owner you designate and we approve with primary responsibility for the overall management and supervision of your Center in accordance with §8.1.

“Manual” means our confidential Brand Standards Manual for the operation of a Center, as further described in §11.2.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from

time to time and authorize Centers to use, including “Best In Class Education Center” and the associated logo. The Marks also include any distinctive trade dress used to identify a Center.

“Operational Data” means and includes all data and information pertaining to the operation of your Center, including, without limitation, employee data, expense data, financial accounting data and sales data.

“Owner” means a Person who either: (a) directly signs this Agreement as the franchisee (either alone or in conjunction with one or more other Persons); or (b) directly or indirectly (through one or more intermediaries) owns any Equity Interest in the Franchisee Entity (if the franchisee under this Agreement is an Entity).

“PCI-DSS” means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at <https://www.pcisecuritystandards.org> as of the Effective Date.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner holding less than a 20% ownership interest in the Business or the Franchisee Entity, as applicable; and/or (b) a Transfer by the Owners to a newly established Franchisee Entity for which such Owners collectively own and control 100% of the Equity Interests.

“Person” means an individual, Entity, unincorporated organization, joint venture, Governmental Authority, estate (or executor thereof) or trust (or trustee thereof).

“Post-Term Restricted Period” means, with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable, then Post-Term Restricted Period means a period of one (1) year after the termination, expiration or Transfer of this Agreement.

“Post-Term Restricted Period” means, with respect to an Owner, a period of two (2) years after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of his or her entire ownership interest in the Business or the Franchisee Entity, as applicable; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable, then Post-Term Restricted Period means a period of one (1) year after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of his or her entire ownership interest in the Business or the Franchisee Entity, as applicable.

“Prohibited Activities” means and includes any of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (b) disparaging or otherwise making negative comments about us, any of our affiliates, the System and/or any Center; (c) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (d) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

“Restricted Territory” means the geographic area within: (a) a 25-mile radius from your Center (and including your Center’s premises itself); (b) a 25-mile radius from any Satellite Office you develop; and (c) a 25-mile radius from all other Centers and Satellite Offices that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period; *provided, however*, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then Restricted Territory means the geographic area within: (a) a 25-mile radius from your Center (and including your Center’s premises itself); and (b) a 25-mile radius from any Satellite Office you develop.

“Satellite Office” means a Best In Class Education Center that: (a) consists of “temporary space” that is not subject to a lease of more than 12 months in duration; and (b) consists of space that is shared between

you (or other owner of the Satellite Office) and one or more other businesses or organizations. Examples include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools, and similar types of facilities.

“Site Approval Notice” means the Site Approval Notice attached hereto as ATTACHMENT "B" that we issue to you in accordance with §3 and §7.1 to identify the approved site for your Center and designate the boundaries of your Center Territory.

“Site Drawing” means a basic preliminary site drawing consisting of our proposed high-level design and layout for your Center (and each room within your Center), including our suggestions for the layout and configuration of required furniture and equipment.

“Site Selection Area” means the geographic area described in Part B of ATTACHMENT "A".

“Special Program Sales” means the total gross sums that you collect from all After-School Programs and Summer Camp Programs conducted in connection with your Center. Special Program Sales also include amounts that third-party marketing agencies, such as Groupon, receive and retain from your customers for marketing goods or services relating to your After-School Programs and Summer Camp Programs. Special Program Sales do not include: (a) any sales or use taxes you pay to a Governmental Authority; (b) revenues you collect and subsequently refund to the customer in a bona fide refund transaction; (c) Affiliate Program Sales; or (d) Gross Sales.

“Successor Agreement” means our then-current form of Best In Class Education Center Franchise Agreement you must sign pursuant to §4.2 in order to renew your franchise rights.

“Summer Camp Program” means the optional educational program you may offer at your Center during the Summer whereby students visit every day, five (5) days per week, for at least two and one-half (2.5) hours per day, and receive one (1) packet of Math and one (1) packet of English each week.

“System” means the business format and operating system developed for the operation of a Center, the distinctive characteristics of which include: proprietary curriculum and educational materials; proprietary technology; trade secrets (if any); methods; techniques; procedures; and operating system.

“Teacher” means any Person who teaches classes or provides tutoring at your Center.

“Technology Systems” means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, point-of-sale systems, learning systems, printing systems, webcam systems, telecommunications systems, security systems, music systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“Term” means the period of time beginning on the Effective Date and expiring on the earlier to occur of: (a) the fifth (5<sup>th</sup>) anniversary of the Effective Date; or (b) the date this Agreement is effectively terminated for any reason.

“Total Sales” means the sum of your Affiliate Program Sales, Gross Sales and Special Program Sales.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the franchise rights or intellectual property rights granted by this Agreement (or any interest therein);
- (c) the Business conducted by you pursuant to this Agreement (or any interest therein);
- (d) the Center’s assets (other than the sale of fixtures or equipment in the ordinary course of business); or
- (e) an Equity Interest in the Franchisee Entity;

including by merger or consolidation, by issuance of additional Equity Interests in the Franchisee Entity, or by operation of Law, will or a trust upon the death of an Owner (including the Laws of intestate

succession).

“Travel Expenses” means and includes all travel, meals and lodging expenses incurred by us and/or our representatives to visit your Center, including: (a) economy tickets (no red-eye flights); (b) business class hotels (3.5 stars and up); (c) up to \$50 per Person per day for meals; and (d) actual costs incurred for local transportation, such as car rental fees plus insurance costs, taxi fare, Uber fees, etc.

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

2. **GRANT OF FRANCHISE.** We hereby grant you the right and license to own and operate one (1) Center using our Intellectual Property from a site that we approve. As a franchisee, you will establish and operate an education center that provides school-aged children with supplemental learning opportunities in the areas of Mathematics and English as well as SAT and ACT preparation courses. We reserve all rights not expressly granted to you.
3. **TERRITORIAL RIGHTS AND LIMITATIONS.** We grant you a protected territory (your “Center Territory”) during the Term. If we approve the site for your Center prior to execution of this Agreement, then Part D of ATTACHMENT "A" shall identify the geographic area that comprises your Center Territory. If we do not approve the site for your Center prior to execution of this Agreement, then within 15 days after we approve the site for your Center, we will send you a Site Approval Notice that identifies: (a) the address of the approved site for your Center; and (b) the geographic area that comprises your Center Territory (which will include between 15,000 and 18,000 students between the ages of 5 and 17. During the Term we will not develop or operate, or license a third party to develop or operate, a Center or a Satellite Office that is physically located within the Center Territory except as otherwise provided in this Section with respect to Acquisitions. At any time during the Term, we reserve the right to engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within the Center Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) through Alternative Channels of Distribution, including within the Center Territory and you are not entitled to any compensation for these sales.
4. **TERM AND RENEWAL.**
  - 4.1. **Generally.** This Agreement grants you the right to operate your Center only during the Term. Provided that you satisfy all conditions for renewal specified below, you may enter into a maximum of three (3) Successor Agreements following the expiration of the Term. The Successor Agreement shall be the current form of franchise agreement we use in granting franchises as of the expiration of the Term or renewal term, as applicable, the terms of which may vary materially and substantially from the terms of this Agreement. Upon renewal, we also reserve the right to modify the boundaries of your Center Territory in accordance with our then-current territory guidelines and criteria. Each renewal term will be five (5) years. The parties may agree to further renewals after expiration of the third (3<sup>rd</sup>) renewal term, but neither party is obligated to do so. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement and your remaining renewal rights, if any.
  - 4.2. **Renewal Requirements.** In order to enter into a Successor Agreement, you and the Owners (as applicable) must:
    - (i) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term or renewal term, as applicable;
    - (ii) not be in default under any Definitive Agreement at the time you send the renewal notice or the time you sign the Successor Agreement;
    - (iii) sign the Successor Agreement and all ancillary documents we require franchisees to sign;
    - (iv) sign a General Release;

- (v) pay us a \$2,500 renewal fee;
- (vi) remodel your Center and upgrade your furniture, fixtures and equipment to comply with our then-current standards and specifications; and
- (vii) extend the term of your lease for the duration of the renewal term.

We may condition your right to renew on compliance with any minimum customer satisfaction requirements we develop and uniformly impose. If we elect not to renew or offer you the right to renew, we will send you a written notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision not to renew or offer you the right to renew. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date shall constitute our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above. If you have any objections to our notice of non-renewal, including any dispute as to the basis for our decision not to renew, you must send us a written notice of objection that sets forth the basis for your objections. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a written notice of objection during such 30-day period shall constitute your agreement to the non-renewal of your franchise.

- 4.3. **Interim Term.** If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (a) expired as of the date of the expiration of the Term with you operating without a franchise to do so and in violation of our rights; or (b) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

## 5. TRAINING AND CONFERENCES

- 5.1. **Initial Training Program.** The Managing Owner and either your initial Manager (if you hire a Manager before opening) or another Owner (if you do not hire a Manager before opening) must attend and successfully complete our initial training program before you open your Center. To prepare for initial training, we may require that the Managing Owner watch online training videos prior to attending initial training at our corporate headquarters. As part of our initial training program, we will also provide the initial onsite training and operational support described in §6.3.
- 5.2. **Initial Training For New Owners/Managers.** If you hire a new Manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new Manager or Managing Owner, as applicable, must attend and successfully complete our then-current initial training program before assuming responsibility for the management of your Center. We may, but need not, allow your Managing Owner to train new Managers you hire.
- 5.3. **Periodic Training.** We may offer periodic refresher or additional training courses for your Managing Owner and Managers. We may designate attendance at these training programs as mandatory or optional. We will not require attendance at more than five (5) days of periodic training during any calendar year.
- 5.4. **Additional Training Upon Request.** Upon your written request, we may, but need not, provide additional assistance or training to you at a mutually convenient time.
- 5.5. **Remedial Training.** If we determine you are not operating your Center in full compliance with this Agreement and/or the Manual, we may, at our option, require that your Managing Owner and management personnel attend remedial training relevant to your operational deficiencies.
- 5.6. **Conferences.** We may hold periodic national or regional conferences to discuss various business



issues and operational and general business concerns affecting Centers. Attendance at these conferences is mandatory for your Managing Owner and Managers, but we will not require them to attend more than three (3) days of conferences each during any calendar year.

- 5.7. **Training Fees and Expenses.** We provide our pre-opening initial training program at no additional charge (this training is covered by the initial franchise fee, which includes a \$10,000 initial training fee). We may charge an additional training fee of \$700 per Person for: (a) any new Managing Owner or Manager that attends our management training program after opening; and (b) any Person who retakes our management training program after failing a prior attempt. We will waive this fee for any Person attending a previously scheduled initial training program conducted for another franchisee, but reserve the right to charge for any costs we incur for training materials. We also do not charge a training fee for system-wide refresher or ongoing training programs or virtual training programs. You must pay us a training fee of up to \$350 per Person per day for: (a) any remedial training we require based on your operational deficiencies; and (b) each Person to whom we provide additional training that you request. We may charge you a conference registration fee of \$350 per Person per conference. If we agree to provide onsite training or assistance, you must also reimburse us for all Travel Expenses we incur, including as set forth in §6.3. You are responsible for all expenses and costs your trainees incur for training or attending conferences, including wages, travel and living expenses. All training fees and Travel Expense reimbursements are due 10 days after invoicing except: (a) as otherwise provided in §6.3 with respect to certain pre-paid expenses; and (b) the management training fee, which is due prior to training.

## 6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** We provide you with access to our Manual in text or electronic form during the Term. The Manual will help you develop and operate your Center. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **Learning Management System.** Our affiliate, Adaptively Education, Inc., will grant you a license to utilize our proprietary Learning Management System (LMS). Upon execution of this Agreement, you must pay a \$2,000 fee for the initial setup and configuration of LMS at your Center. After opening, you must pay an ongoing monthly licensing fee for access to and use of LMS. The monthly fee is calculated by multiplying a “base fee” (as set forth in the Manual) by the total number of students enrolled at your Center as of the last day of the immediately preceding month. The base fee, which is currently \$8 per student per subject per month (Mathematics, English and STEM are each considered a separate “subject”), may be increased upon 90 days’ prior notice, but will not exceed \$15 per student per subject per month during the Term. You must also pay an ongoing monthly curriculum distribution fee calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month. Notwithstanding the foregoing, if you acquired your Center from our predecessor, Best In Class Education Center, LLC, and this Agreement represents a renewal of your franchise rights, then you may choose between: (a) transitioning to and exclusively utilizing LMS in accordance with the terms of this Agreement; or (b) continuing to purchase educational materials from our affiliate, LBIS, LLC (“LBIS”) through the BC Portal, in which case:
- (i) you will not be granted a license to utilize LMS;
  - (ii) you will obtain all educational materials exclusively through the BC Portal (you will be responsible for printing all such educational materials at your cost);
  - (iii) if you did not execute a Remote Learning Participation Addendum, you will pay an ongoing monthly licensing fee calculated as a “base fee” (currently \$4) multiplied by the total number of subjects being taught to all students enrolled at your Center at the end of the prior month (Mathematics, English and STEM are each considered a separate “subject”) (the base

fee shall increase by \$1 every January 1st until it is equal to the base fee charged for LMS); and an ongoing monthly curriculum distribution fee calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month;

- (iv) if you executed a Remote Learning Participation Addendum, you will pay an ongoing monthly licensing fee based on the total number of your Center's students, enrolled in Enrichment Programs, regardless of whether all such students actually utilize the BC Portal, which is currently \$8 per student per month per subject (Mathematics, English and STEM are each considered a separate "subject") (the licensing fee may be increased on an annual basis by \$2 monthly per student per subject, upon 90 days' prior notice, but will not exceed \$15 per student per subject per month during the term of the Term); and an ongoing monthly curriculum distribution fee calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month.

LBIS intends to discontinue the BC Portal with such discontinuation to become effective as of the date specified by LBIS (the "Discontinuation Date"); provided, however, that in no event will the Discontinuation Date occur earlier than December 31, 2025. LBIS will provide you with at least 30 days' prior written notice of the Discontinuation Date. No later than the Discontinuation Date, you must fully migrate to LMS at your own expense, and commence payment to us of the LMS Licensing Fee imposed under this Agreement. You will no longer be able to obtain educational materials through the BC Portal following the Discontinuation Date.

- 6.3. **Opening Assistance.** Within 30 days after your Center opens, we will send a corporate trainer to your Center for approximately two (2) days to provide onsite training and operational support. We will not charge a fee for this assistance, but you must reimburse us for all Travel Expenses we incur. We may require you to pay us \$1,500 at least 30 days prior to onsite training as a pre-paid estimate of the Travel Expenses for the trainer. If the actual Travel Expenses incurred differ from the \$1,500 pre-paid estimate then: (a) you must pay us any Travel Expenses that exceed the \$1,500 pre-paid estimate within 10 days of invoicing; or (b) we will promptly refund to you any overpayment if the Travel Expenses are less than the \$1,500 pre-paid estimate. If you request that we send more than one (1) corporate trainer to your Center to provide onsite training and operational support, you must also pay an additional training fee of \$350 per day (including each work day and travel day, for a minimum of two (2) days) and reimburse us for the associated Travel Expenses for each additional corporate trainer you request.
- 6.4. **General Guidance.** Based on periodic inspections of your Center or reports you submit to us, we provide our guidance and recommendations on ways to improve the operation of your Center. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by telephone, e-mail or similar methods of communication.
- 6.5. **Field Visits.** We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Center. We may prepare and provide you with a report detailing any problems or concerns observed during the field visit together with required or suggested changes or improvements to address or resolve such problems or concerns. You must implement all required corrective measures in the time and manner we specify.
- 6.6. **Marketing Assistance.** As further described in §10.1 and §10.2, we may, but need not, administer the brand and system development fund and provide other marketing assistance during the Term.
- 6.7. **Website.** We will maintain a corporate website for our brand. We will also develop and host a local webpage for your Center that will be linked to our corporate website. Your webpage will include such information about your Center that we designate or approve. We must approve all content on your webpage, but we will consider information you suggest in good faith. We will own the

website (including your webpage) and domain name at all times. We may modify and/or discontinue the website (and your local webpage) at any time in our sole discretion.

- 6.8. **Email Addresses.** At no additional charge, we will provide you with one (1) Best In Class Education Center email address for use with your Business. If you request that we provide you with additional email addresses, we may charge you our then-current fee for each additional email address that you request (this fee would be added to the technology fee described in §11.8). You must exclusively use the email address or addresses we provide for all communications with us, parents, students, customers, suppliers and other Persons relating to your Business. You may not use any email address we provide for any purpose unrelated to your Business. We will own the email addresses and accounts but allow you to use them during the Term.
- 6.9. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and our franchisees. We will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup (not to exceed 5% of our cost to purchase the items).

## 7. ESTABLISHING YOUR BUSINESS

- 7.1. **Site Selection.** You must locate and obtain our approval of the site for your Center within 120 days after the Effective Date. The premises must be located within the Site Selection Area and conform to our minimum site selection criteria. You must send us a complete site report that includes all demographic, commercial and other information, photographs and videos we require. We may accept or reject each site you propose in our commercially reasonable judgment. We will use best efforts to issue our approval or disapproval within 15 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15-day period. If we approve the site for your Center prior to execution of this Agreement, then the address of the approved site will be listed in Part C of ATTACHMENT "A". If we do not approve the site for your Center prior to execution of this Agreement, then within 15 days after we approve your site we will send you a Site Approval Notice that identifies: (a) the address of your approved site; and (b) the geographic area that comprises your Center Territory. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site (and designation of your Center Territory) shall be deemed immediately effective and binding on you at the time we issue the Site Approval Notice, regardless of whether you send us the signed acknowledgment. Our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Center. It indicates only that we believe the site meets our minimum criteria.
- 7.2. **Lease.** If you lease the premises for your Center, you must use best efforts to ensure your landlord signs the Lease Addendum attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement we may either: (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require you to find a new site for your Center. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records. You must hire a real estate professional to review and negotiate your letter of intent and lease. If you choose to hire our recommended real estate professional to provide commercial lease review and negotiation services, we agree to contribute \$1,000 towards the fees charged for these services.
- 7.3. **Center Design.** The Manual includes our standards and specifications for the design, layout, equipping and trade dress for a Center. After securing approval of your site, you must send us complete and detailed dimensions and specifications of the leased space. After receipt of this information, we will prepare and send you two (2) alternative Site Drawings for your consideration. You select the Site Drawing you prefer. If you request additional Site Drawings (or

revisions to any Site Drawing previously submitted to you), we may charge you \$300 for each additional or revised Site Drawing we provide, which will be due 10 days after invoicing. Our Site Drawings are not intended to be used as construction plans and have not been prepared to ensure compliance with any applicable Laws, lease restrictions or landlord requirements. You must hire a licensed and bonded architect that you propose and we approve. To ensure uniformity and consistency of design, we may require you to hire an architect we designate. Your approved architect must prepare the initial set of design plans for your Center. We must approve your initial design plans to ensure they are consistent with our system standards and the Site Drawing prepared by us and selected by you. After we approve the preliminary design plans, your architect must prepare detailed construction plans that: (a) are consistent with the approved preliminary design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all Laws (including, without limitation, the Americans with Disabilities Act), building codes, permits, lease restrictions and landlord requirements applicable to the premises. You must submit the final construction plans to us for approval. The limited purpose of our review is to verify the construction plans are consistent with our system standards.

**7.4. Construction.** Following our approval of the construction plans for your Center, you must, at your sole expense, construct and equip the premises according to the construction plans and the specifications in the Manual. You must also purchase (or lease) and install all Technology Systems, equipment, fixtures, signs and other items we require. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual. We must approve your general contractor and other suppliers you use to construct your Center.

**7.5. Opening.** You must open your Center to the public within 180 days after the Effective Date. You may not open your Center prior to receipt of our written authorization to open. We will not issue our authorization to open before:

- (i) the Managing Owner and your Manager (or other Owner) successfully complete our initial training program;
- (ii) you purchase all required insurance and furnish us with evidence of coverage;
- (iii) you obtain all required licenses, permits and other governmental approvals; and
- (iv) we review and approve the construction, build-out and layout of your Center.

You must send us a written notice identifying your proposed opening date at least 15 days before opening. We may, but need not, conduct a pre-opening inspection of your Center. You must make all changes and modifications we require before you may open. If you are in the process of obtaining an E2 Visa and you are unable to open your Center by the required opening deadline as a result of delays in obtaining your E2 Visa for reasons other than your neglect, we will grant you a 90-day extension of your opening deadline in exchange for payment of a non-refundable \$2,500 extension fee, which is due at the time you request the extension. BY VIRTUE OF OPENING YOUR CENTER, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.

**7.6. Relocation.** You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) locate your new Center within the Site Selection Area (but outside any territory granted to us, our affiliate or any other franchisee); (b) pay us a \$1,000 relocation fee at the time you propose the new site for your Center and reimburse us for all Travel Expenses we incur to visit the site; (c) comply with §7.1 through §7.5 with respect to your new Center (excluding the 180-day opening period); and (d) open your new Center and resume operations within 30 days after closing your prior Center. You must pay us a separate \$1,000 relocation fee for each new site you propose. If we disapprove a site, we will refund to you 75% of the relocation fee you paid to us for the site we disapproved.

## 8. MANAGEMENT AND STAFFING.

- 8.1. Owner Participation.** You must designate an Owner with primary responsibility for the management and operation of your Center (the “Managing Owner”). The Managing Owner must: (a) be approved by us after attending an in-person Discovery Day at our corporate headquarters; (b) successfully complete all training programs we require; (c) dedicate best efforts to the management of the Center (we strongly recommend full-time efforts); (d) teach at least one (1) class at the Center on a regular basis during the initial 12 months after opening; and (e) at all times hold at least a 20% ownership interest in the Business or the Franchisee Entity, as applicable, unless we waive this requirement. Any new Managing Owner you appoint must successfully complete our then-current initial training program before becoming involved with the supervision, management or operation of the Center.
- 8.2. Managers.** You may hire a Person (a “Manager”) to assist the Managing Owner with the onsite management and supervision of the Center. Any Person you hire as a Manager must: (a) be approved by us; (b) successfully complete all training programs we require (we may, but need not, allow your Managing Owner to train new Managers you hire); (c) meet all of our then-current minimum criteria and qualifications for Managers (including those pertaining to background checks, education, attitude and experience); and (d) sign a Brand Protection Agreement. At all times during normal business hours, either the Managing Owner or a trained Manager must be present at your Center to provide onsite management and supervision. The Managing Owner must monitor and supervise the activities of the Manager to ensure the Center is operated in accordance with this Agreement and the Manual.
- 8.3. Teachers.** No Person may teach classes or provide tutoring at your Center other than: (a) the Managing Owner; (b) a Manager; and (c) any other individual that you hire who satisfies any minimum competency standards we require (a “Teacher”). Your other Owners can serve as Teachers if they satisfy all minimum competency standards we require. You must conduct a reasonable background check on each Teacher. You may not hire any Person as a Teacher whose background check reveals a criminal record or otherwise raises substantial doubt about the character or qualifications of the Person. Each Teacher must sign a Confidentiality Agreement. We may impose additional qualifications for Teachers from time to time. As part of our teacher certification program, we may require that your Teachers complete periodic refresher training. We reserve the right to charge a fee of up to \$200 per Teacher for the initial certification program and up to \$100 per Teacher for each recertification program. Any such fees would be due prior to attendance at the program. We strongly recommend that you implement our recommended teacher compensation model to improve your ability to attract and retain high quality Teachers.
- 8.4. Employees.** You must determine appropriate staffing levels for the Center to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Center. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings required by Law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business Entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. We will not provide any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-house area explaining your franchise

relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

**8.5. Interim Manager.** We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to manage your Center if either: (a) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to appoint an approved replacement Managing Owner, who has successfully completed all training we require, within 30 days; or (b) you are in material breach. The Interim Manager will cease to manage your Center at such time that you appoint an approved replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to pay us a management fee equal to \$250 per day during the period of time that the Interim Manager manages your Center. You must also reimburse us for all Travel Expenses and other costs incurred by the Interim Manager. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

**9. FRANCHISEE AS ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon our request, you must provide us with a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of the Franchisee Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). All Owners of the Franchisee Entity (whether direct or indirect) and their spouses must sign a Franchise Owner Agreement.

**10. ADVERTISING & MARKETING.**

**10.1. Brand and System Development Fund.** We currently administer a brand and system development fund to promote public awareness of our brand and improve our System. On each royalty payment due date, you must contribute to the brand fund the amount we specify from time to time, not to exceed the sum of (a) 3% of Gross Sales plus (b) 1% of Special Program Sales. As of the Effective Date, the required contribution is the sum of (a) 2% of Gross Sales (which may be increased to a maximum of 3% of Gross Sales upon 180 days' prior notice) plus (b) 1% of Special Program Sales. We may use the fund to pay for any of the following in our sole discretion:

- (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
- (ii) conducting and administering promotions, contests or giveaways;
- (iii) improving public awareness of the Marks;
- (iv) public and consumer relations and publicity;
- (v) brand development;
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) research and development of technology, products and services;
- (ix) website development and search engine optimization;
- (x) development and maintenance of an ecommerce platform;
- (xi) development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys;
- (xii) conducting market research;

- (xiii) changes and improvements to the System;
- (xiv) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
- (xv) collecting and accounting for contributions to the fund;
- (xvi) preparing and distributing financial accountings of the fund;
- (xvii) any other programs or activities we deem appropriate to promote or improve the System;
- (xviii) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above; and
- (xix) expenses in connection with holding national or regional conferences, including: (a) any and all costs we incur to engage speakers to speak at national or regional conferences, including reimbursement of the speaker's expenses for travel, lodging, meals and other costs directly incurred by the speaker in connection with attending national or regional conferences; (b) any and all costs we incur to book the hotel or reserve the venue; (c) any and all costs we incur to provide food and beverage to conference attendees; (d) any other out-of-pocket costs we would otherwise incur to host national or regional conferences; and (e) the room and board costs incurred by conference attendees (or any portion thereof).

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any of the foregoing marketing or advertising activities. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. A financial accounting of the operations of the fund, including deposits into and disbursements from the fund, will be prepared annually and made available to you upon request. In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions. Once established, we reserve the right to discontinue the fund at any time in our sole discretion upon at least 30 days' prior notice.

We will not use monies in the brand and system development fund to cover, or reimburse us for, any travel, lodging, meals or other costs directly incurred by us or our staff in connection with attending national or regional conferences.

**10.2. Marketing Assistance From Us.** Before you open your Center, we will provide you with an initial supply of approved promotional materials, which you may replicate and modify with our prior approval pursuant to §10.3(e). We will assist you in developing and implementing a grand opening marketing plan in accordance with §10.3(b) to promote the opening of your Center. We may create and make available to you advertising and other marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet, in which case you must arrange for printing the materials and pay all printing costs. Alternatively, we may enter into relationships with third-party suppliers who will create advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

### 10.3. Your Marketing Activities.

- (a) Generally. Commencing 30 days after the opening of your Center, you must spend, on a monthly basis, the minimum amount of money we designate (your “Local Marketing Commitment”) on local advertising to promote your Center. The Local Marketing Commitment is: (i) \$1,500 per month for the second (2<sup>nd</sup>) through the 12<sup>th</sup> month after opening; and (ii) the greater of \$1,000 per month or 4% of monthly Gross Sales for the remainder of the Term. You must participate at your own expense in all advertising, promotional and marketing programs we require. You must also develop a strong network of relationships within your community and with your local school districts.
- (b) Grand Opening. Upon execution of this Agreement, you must pay us a nonrefundable \$10,000 grand opening marketing fee. We spend these funds to implement your approved grand opening marketing plan during the period of time commencing 60 days prior to your opening date and ending 30 days after your opening date. We may require you to spend these funds directly with third-party suppliers to implement your grand opening marketing plan, in which case you do not pay us the \$10,000 grand opening marketing fee.
- (c) Standards for Advertising. All advertisements and promotions you create or use must be completely factual, conform to the highest standards of ethical advertising and comply with all Laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others. You must comply with any minimum advertised pricing policy we establish from time to time.
- (d) Extraterritorial Advertising. You may not engage in targeted marketing directed outside your Center Territory. Marketing that is distributed, circulated or received both within your Center Territory and outside your Center Territory is not deemed to be “targeted marketing” if: (i) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your Center Territory; and (ii) the majority of the recipients of the advertising are located within your Center Territory and there is only incidental circulation or distribution outside your Center Territory. The meaning of “targeted marketing” that is “directed outside your Center Territory” may be further defined in the Manual, but examples include direct mail sent to addresses outside your Center Territory, digital advertising sent to devices with IP addresses registered outside your Center Territory and setting up promotional events that take place outside your Center Territory.
- (e) Approval of Advertising. Prior to use, we must approve all advertising and marketing materials and programs you intend to use, including all materials we did not prepare or previously approve (and including materials we prepare or approve and you modify). We must also approve the media you intend to use. You may not use any advertising materials, programs or media we have not approved (including materials, programs or media we previously approved and later disapprove). We have 10 business days to review and approve advertising and marketing materials and programs you submit for approval. Our failure to issue our approval within the 10-business day period constitutes our disapproval.
- (f) Social Media. You may advertise and market your Center using social media, provided that:
  - (i) you only utilize social media platforms we approve;
  - (ii) you strictly comply with our social media policy (as revised from time to time) and, upon our request, sign an agreement acknowledging your acceptance of the terms of our social media policy;
  - (iii) you immediately remove any post we disapprove (even if it complies with our social media policy);
  - (iv) you contract with and exclusively utilize any supplier we designate for social media



marketing;

- (v) you provide us with full administrative rights to your social media accounts; and
  - (vi) we own all social media accounts relating to your Center.
- (g) Internet and Websites. Without our prior approval, which we may withhold in our sole discretion, you may not: (i) develop, host, create or otherwise maintain a website or other online or digital presence in connection with your Center, including any website bearing our Marks; (ii) conduct digital or online advertising or marketing; or (iii) engage in ecommerce.

## 11. OPERATING STANDARDS.

**11.1. Generally.** You agree to operate your Center: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with our standards, this Agreement and the Manual.

**11.2. Brand Standards Manual.** You agree to establish and operate your Center in accordance with the Manual. The Manual may contain, among other things:

- (i) architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Center;
- (ii) a description of the authorized goods and services you may sell, including class offerings and special programs;
- (iii) specifications, techniques, methods, operating procedures and quality standards;
- (iv) minimum qualifications and criteria for Teachers and Managers;
- (v) reporting and insurance requirements;
- (vi) policies and procedures pertaining to any gift card program we establish;
- (vii) policies and procedures pertaining to marketing and advertising;
- (viii) policies and procedures pertaining to data ownership, protection, sharing and use; and
- (ix) a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Center and (b) any designated or approved suppliers for these goods or services.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. The modifications will become binding at the time we notify you of the modification (subject to any “grace period” we provide to implement the change). All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

**11.3. Authorized Goods and Services.** You must offer all goods and services we require, including the specific classes, programs and curriculum we specify. Centers are currently required to offer Math and English classes, SAT and ACT preparation courses, and one-on-one tutoring for these subjects and all other high school subjects. You have the option, but not the obligation, to offer Special Programs, which must be administered in accordance with our policies, procedures and other requirements. You may only offer Affiliate Programs we approve. We may condition our approval on any requirements we deem appropriate. You may not offer, sell or provide: (a) goods or services to anyone other than children between pre-school and 12<sup>th</sup> grade; (b) educational classes or tutoring in any subject we have not approved; or (c) any other goods or services (including any classes or programs) we have not approved. Further, you may not: (a) conduct off-site classes or tutoring; (b) sell any goods or services at wholesale; (c) market or sell through Alternative Channels of Distribution; or (d) use your Center, or permit your Center to be used, for any purpose other than offering the goods and services we authorize. We may add, modify or delete authorized goods and

services, and you must do the same upon notice from us. Our addition, modification or deletion of authorized goods or services shall not constitute a termination of this Agreement.

- 11.4. Pricing.** We will provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your discretion; *provided, however*, that: (a) we reserve the right to set maximum or minimum prices on the goods and services you sell (to the extent permitted by applicable Law); and (b) you must comply with any promotional pricing we require from time to time.
- 11.5. Customer Payments.** You must, at your expense, lease or purchase the necessary equipment and/or software and have arrangements in place with Visa, MasterCard, American Express and all other credit card issuers we designate, in order for you to be able to accept such methods of payment from customers. You must accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, APPLE PAY and/or GOOGLE WALLET) that we specify. You must acquire and install all necessary hardware and/or software used in connection with these non-cash systems.
- 11.6. Suppliers and Purchasing.** You must purchase or lease all products, supplies, equipment, services and other items specified in the Manual from time to time. If required by the Manual, you must purchase certain goods and services only from suppliers we designate or approve (which may include, or be limited exclusively to, us or our affiliate). Our right to specify the suppliers you may use is necessary so we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of Centers, protect our trade secrets, negotiate bulk purchase discounts, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based on your purchases, we have no obligation to pass them through to you or use them for any particular purpose. If you want us to approve a supplier you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period.
- 11.7. Equipment Maintenance and Changes.** You must maintain your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. Our right to require significant equipment changes is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period we reasonably specify.
- 11.8. Technology Systems.**
- (a) **Generally.** You must acquire and utilize all Technology Systems we require from time to time. Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose we deem appropriate. We may require that you, at your expense, acquire new or substitute Technology Systems and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.
  - (b) **Use and Access.** You must utilize your Technology Systems in accordance with the Manual. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to provide us with independent and unlimited access to data collected through your Technology Systems, including your sales data for purposes of calculating fees owed. Upon request, including upon termination

or expiration of this Agreement, you must provide us with the user IDs and passwords for your Technology Systems.

- (c) **Disruptions.** You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) **Fees and Costs.** You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, enter into a license agreement with us (or our affiliate) in a form we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We may also enter into master agreements with third-party suppliers relating to any components of the Technology Systems and charge you for all amounts we pay to these suppliers based on your use of their software, technology, equipment, or services. The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts you pay directly to third-party suppliers for any components of the Technology Systems. The technology fee is due 10 days after invoicing or as we otherwise specify. We will list the current technology fee in the Manual.

**11.9. Remodeling and Maintenance.** You must remodel, renovate and make all improvements to your Center that we reasonably require from time to time to reflect our then-current standards and specifications. There is no limitation on the cost of these remodeling obligations, but we will not require you to significantly remodel or renovate your Center more than once during any five (5) year period. You may not remodel or significantly alter your premises without our prior written approval. We need not approve any proposed remodeling or alteration that does not conform to our then-current standards and specifications. You must maintain your Center in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Center’s premises at the intervals we prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Center’s premises as needed. You must comply with any maintenance, cleaning or facility upkeep schedule we prescribe.

**11.10. Gift Card Program.** You must fully participate in any gift card program we establish. In order to participate, you must: (a) comply with all policies and procedures we establish for participation in the program; (b) purchase (or license) and utilize all equipment, software, mobile applications (Apps), technology and others items we designate as being necessary for participation in the program, and pay all associated fees and costs; and (c) pay us, our affiliate, or a third party designated by us, all program fees and other amounts we designate as being necessary for participation in the program (collectively, “Gift Card Program Participation Rules”). The Gift Card Program Participation Rules may be set forth in the Manual. We may amend the Gift Card Program Participation Rules at any time and you must immediately comply with all such amendments. We

may determine how gift card proceeds are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. We may also terminate a gift card program and/or require you to participate in a new, additional or successor gift card program.

**11.11. Hours of Operation.** Your Center must be open for business after school hours and on Saturdays or Sundays. Currently, we require that all Centers be open for business at least two (2) days per week (we highly recommend one weekday (late afternoon through evening) and either Saturday or Sunday). You must comply with these requirements once your Center has been open for at least six (6) months. You must establish specific days and hours of operation and submit them to us for approval.

**11.12. Customer Satisfaction and Complaints.** We may require you to participate in a customer satisfaction program, in which case we may require that you pay us a program fee (not to exceed \$500 per year) to cover our costs in implementing and administering the program. The program would involve collecting and evaluating customer data and feedback to determine satisfaction with your Center and identify potential System modifications to improve customer satisfaction. If you receive a complaint from a student or parent, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks.

**11.13. Quality Assurance Programs.** For quality control purposes, we may: (a) periodically inspect your Center in accordance with §6.5 and §17.1; and/or (b) engage the services of a “mystery shopper” or quality assurance firm to inspect your Center. Inspections may address a variety of issues, including customer service, sanitation, Teacher/student interaction, etc. You must fully cooperate with all inspections. If we engage a mystery shopper or quality assurance firm, we may require that you directly pay the mystery shopper or firm for the cost of the inspection. Alternatively, we may pay the inspection costs and require you to reimburse us within 10 days after invoicing. We may implement a scoring system pursuant to which each Center receives a “grade” or “score” based on the results of the inspection. Your failure to achieve a passing grade or score constitutes a default under this Agreement. You must take all actions we specify within the period of time we prescribe in order to rectify any non-compliance issues revealed during an inspection.

**11.14. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures (including, without limitation, failure to provide required reports in a timely manner) and you fail to correct the non-compliance within the period of time we prescribe, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to \$500 per occurrence. We may impose an additional \$100 fine for every 48 hours the same non-compliance issue remains uncured following our imposition of the initial fine. Any fines we collect will be deposited into the brand fund (if the brand fund is administered at the time we impose the fine). If we takes steps to cure any default committed by you (after the expiration of any applicable cure period), including, without limitation, obtaining required insurance coverage on your behalf or paying amounts you owe to approved or designated suppliers, then within 10 days of invoicing you must reimburse us for all direct and indirect costs and expenses we incur (including Travel Expenses, if applicable) in connection with our efforts to cure your default. Our acceptance of these amounts shall not be construed as a waiver of any of our rights or remedies under this Agreement, including, without limitation, our right to terminate this Agreement in accordance with §21.

**12. MINIMUM PERFORMANCE REQUIREMENTS.** You must use best efforts to achieve the following minimum average monthly Total Sales:

Measuring Period (commencing with opening date)	Minimum Average Monthly Total Sales*
Months 1 through 12	\$6,000 per month
Months 13 through 24	\$9,000 per month

<b>Measuring Period (commencing with opening date)</b>	<b>Minimum Average Monthly Total Sales*</b>
Months 25 through 36	\$12,000 per month
Months 37 through 48	\$13,500 per month
Months 49 through end of initial term	\$15,000 per month

We review your compliance with the monthly minimum performance requirements on a quarterly basis, meaning your failure to achieve the minimum monthly Total Sales for a given month will not be a default as long as your average monthly Total Sales over the three (3) month review period equals or exceeds the minimum required average monthly Total Sales amount. We may change our review period at any time. If you fail to achieve the minimum performance requirement and you are not dedicating full-time efforts to your Center (i.e., you are not physically present at your Center during substantially all hours of operation), then we may, but need not: (a) terminate this Agreement; or (b) modify or eliminate your territorial protections. We will not terminate this Agreement solely on the basis of your failure to achieve the minimum performance requirement if you are dedicating full-time efforts to your Center (i.e., you are physically present at your Center during substantially all hours of operation). When you renew, you will be subject to any minimum performance requirement in effect at the time of renewal.

13. **FRANCHISE ADVISORY COUNCIL.** We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We consider all suggestions in good faith but are not bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a member of the council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Each member would be granted one vote on all matters on which members are authorized to vote.

14. **FEES**

- 14.1. **Initial Franchise Fee.** You agree to pay us the initial franchise fee set forth in Part F of ATTACHMENT "A" in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and nonrefundable upon execution of this Agreement.
- 14.2. **Royalty Fee.** On the seventh (7<sup>th</sup>) day of each month, you agree to pay us a monthly royalty fee equal to the greater of \$250 or the sum of (a) 12% of Gross Sales generated during the prior month plus (b) 12% of Affiliate Program Sales generated during the prior month plus (c) 6% of Special Program Sales generated during the prior month.
- 14.3. **Other Fees and Payments.** You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in this §14. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based on goods or services you sell or goods or services we furnish to you (other than income taxes we pay based on amounts you pay us under this Agreement).
- 14.4. **Late Fee.** If any sum due under this Agreement has not been received by us when due (or there are insufficient funds in your Account to cover the sum when due), then in addition to this sum you must pay us a \$100 late fee plus default interest on the amount past due at a rate equal to the lesser of 15% per annum (pro-rated on a daily basis) or the highest rate permitted by applicable Law. If no due date is specified, interest begins to run 10 days after we bill you. We will not impose a late fee for any amount paid pursuant to §14.5 if, but only to the extent, sufficient funds were available in your Account to be applied towards the payment when due. However, we may impose a late fee for any amount we are unable to reasonably determine due to your failure to furnish us with a report required by §16.3 within the required period of time or record sales in a timely manner, in

which case we may assess a late fee on the entire amount that was due. This §14.4 shall not constitute our agreement to accept late payments or extend credit to you.

**14.5. Method of Payment.** No later than 15 days after the Effective Date, you must send us a completed and fully executed ACH Agreement authorizing us to electronically debit your designated Account for all amounts owed to us and our affiliates on the applicable due date (other than fees due within 15 days after the Effective Date). You must sign all other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all revenues you generate into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon demand, together with any late charge imposed pursuant to §14.4. We may also impose a \$50 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds.

## **15. BRAND PROTECTION COVENANTS.**

**15.1. Reason for Covenants.** The Intellectual Property, training and assistance we provide would not be acquired except through implementation of this Agreement. You agree that competition by you, the Owners or Persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise system.

**15.2. Know-how and Confidential Information.** You and the Owners agree to:

- (i) refrain from using the Know-how in any business or capacity other than the operation of your Center pursuant to this Agreement;
- (ii) maintain the confidentiality of Know-how and other Confidential Information at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how or other Confidential Information;
- (iv) refrain from making unauthorized copies of documents containing any Know-how or other Confidential Information; and
- (v) stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement (and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Know-how immediately at the time he or she ceases to be an Owner).

**15.3. Unfair Competition.** You and the Owners may not engage in any Prohibited Activities during the Term or Post-Term Restricted Period. Notwithstanding the foregoing, you and the Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive educational services to students who reside within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

**15.4. Family Members.** Because an Owner could circumvent the intent of §15 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, each Owner agrees that he/she will be presumed to have violated the terms of §15 if a member of his/her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses Know-how. However, the Owner may rebut this presumption with evidence conclusively showing he or she did

not disclose Know-how to the family member.

- 15.5. Employees.** You must ensure all of your employees, officers, directors, partners, members, independent contractors and other Persons associated with you or your Center who may have access to our Know-how, and who are not required to sign a Brand Protection Agreement, sign and send us a Confidentiality Agreement before having access to our Know-how. You must: (a) use best efforts to ensure these individuals comply with the Brand Protection Agreements and Confidentiality Agreements, as applicable; (b) immediately notify us of any breach that comes to your attention; and (c) reimburse us for all expenses we incur to enforce a Brand Protection Agreement or Confidentiality Agreement, including attorneys' fees and court costs.
- 15.6. Covenants Reasonable.** You and the Owners agree that: (a) the terms of this §15 are reasonable both in time and in scope of geographic area; (b) our use and enforcement of covenants similar to those described above with respect to other franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Center; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this §15. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE §15 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**
- 15.7. Breach of Covenants.** You and the Owners agree that: (a) any failure to comply with §15 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at Law; and (b) we are entitled to injunctive relief if you or an Owner breaches §15, together with any other relief available at equity or Law. We will notify you if we intend to seek injunctive relief, but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the required amount of the bond may not exceed \$1,000. If an injunction is wrongfully issued, you may seek dissolution of the injunction as your sole remedy. You hereby waive all Claims for damages resulting from a wrongfully issued injunction. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at Law or in equity, including injunctive relief, specific performance and recovery of monetary damages. No Claim held by you or an Owner against us or our affiliate may be used as a defense against our enforcement of this §15.

## **16. YOUR OTHER RESPONSIBILITIES**

**16.1. Insurance.** For your protection and ours, you agree to maintain the following insurance policies:

- (i) "all risk" property insurance coverage on all assets used in the operation of your Center (including inventory, furniture, fixtures, equipment and supplies), which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Center, containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate;
- (iii) business interruption insurance providing coverage for 100% of all financial obligations for a minimum period of six (6) months (including fees owed to us, which are deemed to include average monthly royalty fees and brand fund contributions imposed during the 12-month period preceding the event triggering coverage under the insurance policy);
- (iv) sexual assault and molestation of minors insurance with minimum liability protection of (a) \$100,000 combined single limit per occurrence and \$300,000 in the aggregate (for the initial three (3) years of operation) and (b) \$500,000 combined single limit per occurrence and \$500,000 in the aggregate (for remainder of Term);
- (v) worker's compensation and employer's liability insurance as required by Law;

- (vi) any insurance required under your lease or by Law; and
- (vii) any other insurance we specify in the Manual from time to time.

You must provide us with proof of coverage prior to opening, within 10 days after any policy renewal and at any other time on demand. You agree to obtain these policies from licensed insurance carriers with an A.M. Best rating of “A” or better. Each policy must endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive at least 10 days’ prior written notice of the termination, expiration, cancellation or modification of the policy. If any policy fails to meet these criteria, we may disapprove the policy and you must immediately secure a new policy meeting our criteria. Upon 10 days’ notice, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance, including excess liability (umbrella) insurance, due to inflation, identification of special risks, changes in Law or standards of liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain a required policy, we may, at our option, obtain the policy on your behalf. If we do so, you must promptly sign any application or other form required to obtain the policy and reimburse us for all premiums and other costs we incur.

- 16.2. Books and Records.** You must prepare complete and accurate books, records, accounts and tax returns pertaining to your Business and keep copies for at least five (5) years after their preparation. You must maintain, and upon our request furnish to us by email or mail a written list of all of your students together with the names and contact information of the students’ parents. You must send us copies of your books and records within seven (7) days of our request. You must provide us with independent access to your QuickBooks Online account (or any other online accounting program you use) with permission to read all reports.
- 16.3. Reports.** No later than the seventh (7<sup>th</sup>) day of each month, you must prepare and send us a monthly statement of your: (a) Total Sales for the prior month (broken down between Gross Sales, Special Program Sales and Affiliate Program Sales); and (b) expenditures on local advertising required by §10.3 incurred during the prior month (which shall be accompanied by copies of receipts for such expenditures). You also agree to prepare all other reports (including monthly bank statements) we require in the form and manner we specify and send us a copy of any report required by this Section upon request. If you miscalculate Total Sales (or any component thereof), you must notify us of the error no later than the end of the next monthly reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based on previously reported Total Sales (or any component thereof). We may independently access your Technology Systems to retrieve and compile any Business Data we deem appropriate, including to generate sales reports.
- 16.4. Financial Statements.** No later than the 15<sup>th</sup> day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business in the format we prescribe. Within 90 days after the end of each calendar year, you must prepare and send us a balance sheet (as of the end of the calendar year) and profit and loss statement for the prior calendar year. Financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format we reasonably require. We may require that your financial statements be reviewed or audited by a certified public accountant if you submit materially inaccurate financial statements on a prior occasion. You must send us a copy of any financial statement required by this Section upon request. You authorize us to disclose Operational Data to prospective franchisees, Governmental Authorities and others for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.
- 16.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals and operate your Center in compliance with all applicable Laws. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation



or proceeding, or of the issuance of any order, injunction, disciplinary action or decree by a Governmental Authority that may adversely affect the operation of your Center or your financial condition. You must immediately send us a copy of any inspection report, warning, certificate or rating from a Governmental Authority alleging a violation of any health or safety Law.

**16.6. Ownership and Protection of Data.** We are the exclusive owner of all Business Data, regardless of whether such Business Data is collected by you, us or another Person. We hereby grant you a license to utilize the Business Data solely for purposes of operating your Center in compliance with this Agreement. You must protect all Customer Data and other personal data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy Laws with respect to data which, if compromised, could have a negative impact on our image or consumer confidence. You agree to: (a) comply with all applicable data protection Laws and any data processing or privacy policies in the Manual; and (b) sign any data processing and/or data privacy agreement required by us or by Law. You further agree to:

- (i) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS;
- (ii) establish appropriate administrative, technical and physical controls consistent with Law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that you store, process, transmit or come in contact with;
- (iii) promptly notify us if you suspect there is, or has been, a security breach or potential compromise of any such credit card information;
- (iv) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and
- (v) promptly notify us of any noncompliance PCI-DSS requirements to discuss your remediation efforts and timeline.

## **17. INSPECTION AND AUDIT**

**17.1. Inspections.** For quality control purposes and to ensure compliance with this Agreement, we (or our representative) may enter your Center, evaluate your operations and inspect your books, records, accounts and tax returns. We will determine the scope of the inspection, which may include, among other things:

- (i) examining and copying your books, records, accounts and tax returns;
- (ii) inspecting and testing your equipment;
- (iii) monitoring classes and Teacher/student interactions at your Center;
- (iv) evaluating the condition of your Center for cleanliness, sanitation and state of repair;
- (v) monitoring and speaking with your staff; and
- (vi) contacting and speaking with your landlord, students and parents of students.

We may conduct the inspection at any time and without prior notice. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Center. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your Technology Systems and retrieving any Business Data we deem appropriate in connection with the inspection. You must install security cameras in your classrooms to enable us to monitor your classes remotely and provide feedback.

**17.2. Audit.** We may audit your books and records at any time. You must fully cooperate with us and any third party we hire to conduct the audit. If an audit reveals an understatement of Gross Sales, Special Program Sales or Affiliate Program Sales you must immediately pay us all additional fees

you owe together with any late fee imposed pursuant to §14.4. Each audit will be performed at our cost unless the audit (a) is required due to your failure to provide information we request, preserve records or file reports as required by this Agreement or (b) reveals an understatement of Gross Sales, Special Program Sales or Affiliate Program Sales by at least 3%, in which case you must reimburse us for the cost of the audit, including all reasonable accounting and attorneys' fees and Travel Expenses that we or our representatives incur. Audit cost reimbursements are due 10 days after invoicing. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

## 18. INTELLECTUAL PROPERTY

- 18.1. Ownership and Use.** You acknowledge that: (a) we are (or our affiliate is) the exclusive owner of the Intellectual Property and the associated goodwill; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license to operate your Center during the Term pursuant to, and only in compliance with, this Agreement and the Manual. You may not use the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You must comply with all provisions in the Manual governing use of the Intellectual Property. You will not acquire any goodwill, title or interest in or to the Intellectual Property.
- 18.2. Changes to Intellectual Property.** We may change the Intellectual Property at any time in our sole discretion, including by changing the Copyrighted Materials, Know-how, Marks and/or System or discontinuing the licensing of LMS to Centers. You must implement all Intellectual Property changes we require in accordance with our instructions. If we require you to discontinue use of any of our primary Marks, we will reimburse you for your reasonable documented expenses of compliance, including changing signage, brochures, stationary, etc. Except for the reimbursement obligation set forth in the preceding sentence, we have no liability to you for any expenses, losses or damages you incur (including loss of goodwill associated with a Mark) resulting from any change to the Intellectual Property.
- 18.3. Use of Marks.** You agree to use the Marks as the sole identification of your Center; *provided, however*, that you must identify yourself as the independent owner of your Center in the manner we prescribe. You agree to: (a) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, displays, receipts, stationery and forms we designate to give notice of trade and service mark registrations and copyrights; and (b) obtain any fictitious or assumed name registrations required by applicable Law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos licensed to you by this Agreement); (b) use the Marks when signing a contract, lease, check or other agreement or in any other manner that may cause confusion or imply we are liable for your obligations; (c) register, or attempt to register, any Marks (or other trademarks confusingly similar to the Marks) with any Governmental Authority; or (d) challenge or contest the validity of our Marks.
- 18.4. Use of Know-how.** We disclose Know-how to you during training programs, in the Manual and through other guidance furnished during the Term. You will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement. The Know-how is proprietary and disclosed to you solely for use in the development and operation of your Center during the Term.
- 18.5. Improvements.** If you or any of your Owners or employees conceives of or develops an Improvement, you must send us a written notice describing the Improvement. You must obtain our approval prior to using any such Improvement. Any Improvement we approve may be used by us and any third parties we authorize to operate a Center, without any obligation to pay royalties or other fees to you or any other Person. You or your Owner or employee, as applicable, must assign to us or our designee, without charge, all rights to the Improvement, including the right to grant

sublicenses. In return, we will authorize you to use Improvements developed by other Persons that we approve for use in connection with the operation of a Center.

**18.6. Infringements and Claims.** You must immediately notify us of any: (a) apparent infringement of the Intellectual Property; (b) challenge to your use of the Intellectual Property; or (c) claim by any Person of any rights in the Intellectual Property. You may not communicate with any Person other than us and our counsel in connection with any such infringement, challenge or claim. We have sole discretion in deciding what action, if any, to take in response to the infringement, challenge or claim. We may exclusively control any litigation or other proceeding relating to the infringement, challenge or claim. You must execute all documents, render all assistance, and perform all acts that are, in our counsel's opinion, necessary or advisable to protect or maintain our interest in the litigation or proceeding and/or protect the Intellectual Property.

**19. INDEMNITY.** You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with:

- (i) the marketing, use or operation of your Center;
- (ii) the breach of any Definitive Agreement committed by you or your Owners or affiliates;
- (iii) the breach of any agreement with a third party committed by you or your Owners or affiliates;
- (iv) any Claim relating to taxes or penalties assessed by any Governmental Authority against us that are directly related to your failure to pay or perform functions required of you under this Agreement;
- (v) libel, slander or disparaging comments made by you or any of your Owners, officers, employees or independent contractors regarding the System, a Center or an Indemnified Party;
- (vi) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or
- (vii) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties shall have the right, in their sole discretion to: (a) retain counsel of their choosing to represent them with respect to any Claim; and (b) control the response thereto and the defense thereof, including the right to enter into an agreement to settle the Claim. You may participate in such defense at your expense. You must fully cooperate and assist the Indemnified Parties with the defense of the Claim. You must reimburse the Indemnified Parties for all of their costs and expenses in defending such Claim, including court costs and reasonable attorneys' fees, within 10 days of receipt of an invoice itemizing such costs and expenses.

## **20. TRANSFERS**

**20.1. By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for any obligations incurred by us prior to the effective date of the assignment. We may also delegate our obligations under this Agreement to one or more Persons without assigning the Agreement.

**20.2. By You.** The rights and duties created by this Agreement are personal to you and the Owners. We are granting you franchise rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably

withhold our approval of a Transfer if all of the following conditions are satisfied:

- (i) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to own and operate a Center and meets our minimum criteria for franchisees;
- (ii) you and your affiliates and Owners are in full compliance with all Definitive Agreements;
- (iii) the transferee's owners successfully complete, or make arrangements to attend, the initial training program (and the transferee pays us any applicable training fee);
- (iv) your landlord consents to the assignment of your lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;
- (v) the transferee and its owners obtain all licenses and permits required by applicable Law to own and operate the Center;
- (vi) the transferee agrees to discharge and guarantee all of your obligations under this Agreement and any other agreement relating to the Business, including, without limitation, customer contracts and supplier contracts, and signs any agreement we require to confirm the foregoing;
- (vii) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that:
  - (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and
  - (b) the transferee need not pay a separate initial franchise fee;
- (viii) you remodel your Center and upgrade all furniture, fixtures and equipment to comply with our then-current standards and specifications (or you obtain a commitment from the transferee to do so within such period of time that we approve);
- (ix) you or the transferee pay us a transfer fee equal to 60% (or 40% if the buyer is an existing franchisee of ours) of our then-current initial franchise, without taking into account any potential discounts on the then-current initial franchise fee, to defray expenses we incur in connection with the Transfer (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay the broker, which amount shall be in addition to the transfer fee);
- (x) you and your Owners sign a General Release of all claims arising before or contemporaneously with the Transfer;
- (xi) you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);
- (xii) we choose not to exercise our right of first refusal described in §20.5; and
- (xiii) you or the transferring Owner, as applicable, and the transferee satisfy any other conditions we reasonably require as a condition to approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand the transferee fully comply with all terms of the franchise agreement.

**20.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was the Franchisee Entity immediately prior to the Permitted Transfer to sign a corporate guarantee in the format we require to secure performance of the new Franchisee Entity's financial obligations under all Definitive Agreements. You and the Owners (and the transferee) must sign all documents we reasonably request to effectuate and document the Permitted Transfer.

- 20.4. Death or Disability of an Owner.** Within 180 days after the death or permanent disability of an Owner, the Owner's ownership interest must be assigned to another Owner or to a third party we approve. Any assignment to a third party will be subject to all terms and conditions of §20.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the Person has a medical or mental problem preventing the Person from substantially complying with his or her obligations under this Agreement or otherwise operating the Center in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.
- 20.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain (and send us) a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receipt of the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you (as the seller of the assets) or the Owner (as the seller of the ownership interest) or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §20.2 (including our approval of the transferee). However, if the sale is not completed within 120 days after delivery of the offer to us, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

## **21. TERMINATION**

- 21.1. By You.** You may terminate this Agreement if we commit a material breach and fail to cure within 90 days after receipt of a default notice specifying the nature of the breach. You also may terminate this Agreement without cause if: (a) you provide us with at least 180 days' written notice of your intent to terminate; (b) you allow us to market and resell your Center during the 180-day notice period and you sell to any buyer we propose immediately following the introduction (i.e., you may not delay consummation of the sale until the end of the 180-day notice period); (c) you have paid all amounts owing to us; and (d) you and your Owners sign a General Release. If, prior to the expiration of the Term, you either terminate this Agreement without cause or cease operating your Center, but fail to provide us with at least 180 days' prior written notice and comply with the procedures above, we may charge you liquidated damages in the amount of \$5,000 (the "Early Termination Fee"). The Early Termination Fee is paid for the lost profits we incur based on your premature termination or closure without complying with the notice and other procedural requirements set forth above. The Early Termination Fee is in addition to any other remedies (including damages) to which we are entitled based on your breach of the Franchise Agreement (other than claims for lost profits). If you terminate in accordance with §21.1, you must still comply with your post-termination obligations described in §22 and all other obligations that survive the expiration or termination of this Agreement.
- 21.2. Termination By Us Without Cure Period.** We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default and "good cause" for termination:
- (i) if you become insolvent by reason of your inability to pay your debts as they become due;
  - (ii) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

- (iii) if your Center, or a substantial portion of the assets associated with your Center, are seized, taken over or foreclosed by a Government Official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor;
- (iv) if a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed);
- (v) if a levy of execution has been made upon the license granted by this Agreement or any property used in your Business and is not discharged within five (5) days of the levy;
- (vi) if the Managing Owner fails to satisfactorily complete initial training as required by §5.1;
- (vii) if you fail to obtain our approval of your site within the time period required by §7.1;
- (viii) if you fail to secure a fully executed lease and Lease Addendum within the time period required by §7.2;
- (ix) if you fail to open your Center within the time period required by §7.5;
- (x) if you abandon or fail to operate your Center for three (3) consecutive business days, unless the failure is due to Force Majeure or another reason we approve;
- (xi) if a Governmental Authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Center, even if you or the Owner still maintain appeal rights;
- (xii) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material Law applicable to your Center;
- (xiii) if you or an Owner commits an act that can reasonably be expected to materially and adversely affect the reputation of the System or the goodwill associated with the Marks;
- (xiv) if you manage or operate your Center in a manner that presents a health or safety hazard to your students, employees or the public;
- (xv) if you or an Owner makes any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (xvi) if you fail to pay any amount owed to us, our affiliate or an approved or designated supplier within 10 days after demand for payment;
- (xvii) if you underreport Gross Sales, Special Program Sales and/or Affiliate Program Sales by at least 3% after having committing a similar breach that was cured in accordance with §21.3;
- (xviii) if you make an unauthorized Transfer;
- (xix) if you make an unauthorized use of the Intellectual Property;
- (xx) if you breach any of the brand protection covenants described in §15;
- (xxi) if you or an Owner breaches any of the representations set forth in §24.4;
- (xxii) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;
- (xxiii) if you fail to meet the minimum performance requirements described in §12 and the Managing Owner has not dedicated full-time efforts to the Center;
- (xxiv) if the lease for your premises is terminated due to your default;
- (xxv) if you receive three (3) or more valid default notices from us within any 12-month period (even if the defaults were cured); or

(xxvi) if we or any affiliate of ours terminates any Definitive Agreement (other than an area development agreement) due to a default by you or your affiliate.

- 21.3. Additional Conditions of Termination.** In addition to our termination rights in §21.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other Definitive Agreement, which shall constitute "good cause" for termination, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we send you a default notice pursuant to §21.3, we may cease to perform our obligations under this Agreement until you cure the breach.
- 21.4. Mutual Agreement to Terminate.** If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

## **22. POST-TERM OBLIGATIONS.**

**22.1. Obligations of You and the Owners.** After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease use of the Intellectual Property;
- (ii) pay us all amounts you owe (including the Early Termination Fee, if applicable);
- (iii) comply with all covenants described in §15 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- (iv) comply with our instructions to return or destroy all copies of the Manual, all Copyrighted Materials and all signs, brochures, advertising and promotional materials, forms and other materials bearing the Marks or containing Confidential Information;
- (v) return all copies of any proprietary software we provided to you and delete all such software from your computer memory and storage;
- (vi) comply with our data retention policies pertaining to the Business Data;
- (vii) cancel all fictitious or assumed name registrations relating to your use of the Marks;
- (viii) provide us with a list of all of your current, former and prospective students and parents;
- (ix) assign to us or our designee all customer contracts we request;
- (x) alter the interior and exterior of the premises to the extent necessary (or to the extent we require) to prevent any further resemblance to or connection with a Center or our System, including, without limitation, repainting the exterior and interior with new colors, removing trade dress, fixtures and décor items associated with a Center, removing all signage and discontinuing use of approved wall décor items and window decals;
- (xi) notify all telephone, listing and domain name registration companies of the termination or expiration of your right to use: (a) any telephone numbers and/or domain names associated with your Center; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the foregoing companies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct these companies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (xii) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

Subsections (iv), (ix), (x) and (xi) above shall not apply if you Transfer your Center to an approved transferee or we exercise our right to purchase your Center.

## **22.2. Right to Purchase Facility and Assets.**

- (a) Generally. Upon the termination or expiration of this Agreement, we have the option to purchase your Center and/or its assets at fair market value. If we exercise this option, fair market value shall be determined as of the effective date of the termination or expiration of this Agreement. We will notify you of the specific items we wish to purchase (the “Acquired Assets”). We may require you to assign your lease to us at no additional charge.
- (b) Selecting Qualified Appraisers. Each party shall appoint an appraiser with experience appraising businesses comparable to a Center in the United States. This appointment of the appraisers shall be made within 30 days after the termination or expiration of this Agreement by giving written notice to the other party of the name and address of the appraiser. If either party fails to appoint an appraiser within the 30-day period, the appraisal shall be made by the sole appraiser appointed within that period. If each party appoints an appraiser within the 30-day period, then within 30 days after that, the two (2) appraisers shall appoint a third (3<sup>rd</sup>) appraiser. If the two (2) appraisers fail to agree on the third (3<sup>rd</sup>) appraiser within the 30-day period, then a third (3<sup>rd</sup>) appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either party. Nothing in this provision shall prohibit the parties from jointly approving a single appraiser.
- (c) Information for Appraisal. You must furnish to the appraisers a copy of your current financial statements and your financial statements for the prior three (3) years (or the period of time you have operated your Center if less than three (3) years), together with the work papers and other financial data, documents or information that the appraisers request. The appraisers may take into account any other information and factors they deem relevant.
- (d) Appraisal Process. Within 60 days after the appointment of the third appraiser, the three (3) appraisers shall appraise the assets at fair market value without taking into account any value for goodwill (the “Appraised Value”). If the three (3) appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) appraisers. If two (2) of the three (3) appraisers agree on a single value, these two (2) appraisers shall issue a joint report, and the dissenting appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) appraisers who shall agree shall be the Appraised Value. If none of the appraisers are able to agree on a single value, each appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any appraiser, each appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any appraiser is made with knowledge of the values determined by the other appraisers. If for any reason there shall be only a single appraiser, then the Appraised Value shall be the value determined by the single appraiser. You and we shall equally bear the cost of the appraisal.
- (e) Closing. Once the Appraised Value has been determined, we have 60 additional days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions we agree to. We may deduct from the Appraised Value all amounts you owe us or our affiliates under this Agreement or any other Definitive Agreement, including, if applicable, liquidated damages and/or other damages owed as a result of our termination of this Agreement due to your breach.

## **23. DISPUTE RESOLUTION.**

- 23.1. Negotiation and Mediation.** Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions



and negotiations. If these efforts are unsuccessful, the parties agree to submit the Dispute to mediation before a mutually-agreeable mediator prior to arbitration. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. Any Dispute involving claims alleging a breach of §15 and/or §18 (referred to as “Excluded Claims”) will not be subject to mandatory negotiation or mediation.

- 23.2. Arbitration.** If the Dispute is not resolved by mediation within 60 days after either party makes a demand for mediation, the parties will submit the Dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the “AAA Rules”). The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Any Dispute involving an Excluded Claim will not be subject to mandatory arbitration.
- 23.3. Litigation.** If a Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator or arbitrator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an alleged Excluded Claim (i.e., whether there are any claims alleging a breach of §15 and/or §18).
- 23.4. Venue.** All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, King County, Washington). The parties irrevocably waive any objection to such venue and, with respect to litigation proceedings, submit to the jurisdiction of such courts.
- 23.5. Attorney’s Fees and Costs.** If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees and arbitration costs. In addition, if you or an Owner breach any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.
- 23.6. Waivers.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF §15 OR §18) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO ARBITRATION OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

## **24. REPRESENTATIONS.**

- 24.1. Corporate Representations.** You and the Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any other agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate’s) assets may be bound; (b) violate any order, writ, injunction, decree, judgment or ruling of any Governmental Authority; or (c) violate any applicable Law. If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized,

validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and perform each of its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement shall constitute the legal, valid and binding obligation of the Franchisee Entity and shall be enforceable against the Franchisee Entity in accordance with its terms.

- 24.2. Franchise Compliance Representations.** You and the Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates or (ii) such earlier time in the sales process that you requested a copy.
- 24.3. General Representations.** You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.
- 24.4. Anti-Terrorism Compliance.** You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge: (a) no property or interest owned by you or any Owner is subject to being “blocked” under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in you) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or nickname) or address on any Terrorist List, including on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at [www.home.treasury.gov](http://www.home.treasury.gov)); and(c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other Laws (either currently in effect or enacted in the future) prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government that are in effect within the United States of America. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you agree to notify us immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

## 25. GENERAL PROVISIONS

- 25.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the Laws of the State of Washington (without reference to its principles of conflicts of law), but any Law of the State of Washington that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 25.2. Relationship of the Parties.** Nothing in this Agreement creates a fiduciary relationship between the parties or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. Throughout the Term you must, in all dealings with third parties, conspicuously identify yourself as a franchisee and the independent owner of your Center. We may require that you display a written notice of independent ownership, in the form we prescribe, at any location within your Center that we specify. You must also include a written indication of independent ownership on all agreements, forms, letterhead, advertising materials, business cards and other materials that we specify. Neither party is permitted to make any express or implied agreement, warranty or representation, or incur

any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither party will be obligated by any agreements or representations made by the other that are not expressly authorized by this Agreement.

- 25.3. Severability and Substitution.** Each section and subsection of this Agreement, and any portion thereof, shall be considered severable. If applicable Law imposes mandatory non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such Law shall govern to the extent of the inconsistency. If a court or arbitrator concludes that any promise or covenant in this Agreement is unreasonable or unenforceable: (a) the court or arbitrator may modify such promise or covenant to the minimum extent necessary to make it enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make it enforceable.
- 25.4. Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement (including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party's failure to comply with such terms) by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by either party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other franchisees; or (d) our acceptance of payments from you after your breach.
- 25.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.
- 25.6. Force Majeure.** Neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however,* that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 25.7. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement; *provided, however,* that the additional insureds listed in §16.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to §16.1 and §19, respectively.
- 25.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY §11.2 AND §25.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance of the Site Approval Notice attached hereto as ATTACHMENT "B" shall be deemed to amend this Agreement to identify the approved site for your Center and your Center Territory, regardless of whether you countersign and/or return the Site Approval Notice. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this

Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.

**25.9. Covenant of Good Faith.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations that are inconsistent with the express terms of this Agreement. This Agreement (and the relationship of the parties inherent in this Agreement) grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees (including ourselves and our affiliates if applicable), but without considering the individual interests of you or any other particular franchisee.

**25.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

**25.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the Business or Franchisee Entity) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, §14, §15, §17, §19, §22, §23 and §25.

**25.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**25.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.

**25.14. Notice.** All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

YOU: As set forth in Part A of ATTACHMENT "A"

US: BiC Franchise System Corporation  
4820 NE 4<sup>th</sup> St., Suite A-107  
Renton, Washington 98059  
Attention: Chief Executive Officer

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by email or comparable electronic system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

**25.15. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

\* \* \*

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

**FRANCHISOR:**

BiC Franchise System Corporation, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are an Entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are not an Entity):**

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

**ATTACHMENT "A"**  
**TO FRANCHISE AGREEMENT**

**DEAL TERMS**

**A. Franchisee Details.**

Name of Franchisee: [ \_\_\_\_\_ ]

Is the franchisee one or more natural persons signing in their individual capacity? **Yes:** \_\_\_\_ **No:** \_\_\_\_

Type of Entity and State of Formation\* (if applicable): [ \_\_\_\_\_ ]

*\* If the franchisee is a business Entity, each natural person holding a direct or indirect ownership interest in the business Entity, and spouse of each such person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the franchise (or the franchisee business Entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: [ \_\_\_\_\_ ]

**B. Site Selection Area.**

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area: [ \_\_\_\_\_ ]

*\* The Site Selection Area is not your territory and there are no protections associated with this area.*

**C. Approved Site.**

We hereby approve the site listed below for your Center.

Approved Address: [ \_\_\_\_\_ ]

*\* If the site for your Center has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §7.1 listing the address of your approved site.*

**D. Center Territory.**

The Center Territory referenced in the Franchise Agreement shall consist of the following geographic area (as further depicted on the map attached below):

[ \_\_\_\_\_ ]

If there are any changes to the zip codes or other boundaries that define your Center Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Center Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date and depicted on the map on the following page. You may provide suggestions for the Center Territory but we ultimately have sole discretion to determine the boundaries of your Center Territory.

*[Insert Map Below (if applicable)]*

*\* If your Center Territory is not defined at the time you sign this Agreement, we will send you a Site Approval Notice in accordance with §3 within 15 days after site approval, which will include a description of your Center Territory with a protected territory map. Your Center Territory will include 15,000 to 18,000 students between the ages of 5 and 17. You will have five (5) business days to respond and request adjustments to the boundaries of the Center Territory. If you do not request any adjustments during the five (5)-day period, then the Center Territory we provide is deemed final and confirmed and there will be no subsequent adjustments.*

**F. Initial Franchise Fee.**

You agree to pay us the following initial franchise fee (check appropriate box):

- \_\_\_\_\_ \$45,000 (for 1<sup>st</sup> Center)
- \_\_\_\_\_ \$40,000 (for 2<sup>nd</sup> Center)
- \_\_\_\_\_ \$35,000 (for 3<sup>rd</sup> or subsequent Center)

**ATTACHMENT "B"**  
**TO FRANCHISE AGREEMENT**  
**FORM OF SITE APPROVAL NOTICE**

*[See Attached]*



**SITE APPROVAL NOTICE**

BiC Franchise System Corporation (“we” or “us”) is issuing this Site Approval Notice (this “Notice”) to \_\_\_\_\_ (“you”), effective \_\_\_\_\_, 202\_\_\_\_, in connection with the Best In Class Education Center Franchise Agreement (the “Franchise Agreement”) that we executed with you on \_\_\_\_\_, 202\_\_\_\_. The purpose of this Notice is to confirm our approval of the site you proposed for your Center and our designation of the boundaries of your “Center Territory”.

**Approved Address:**

Pursuant to §7.1 of the Franchise Agreement, we hereby approve the site listed below for your Center:

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

**Center Territory:**

Pursuant to §3 of the Franchise Agreement, we hereby designate the following geographic area as your “Center Territory” under the Franchise Agreement (as may be further depicted on the map attached on the following page):

[ \_\_\_\_\_ ]

If there are any changes to the zip codes or other boundaries that define your Center Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Center Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date and depicted on the map on the following page. You may provide suggestions for the Center Territory but we ultimately have sole discretion to determine the boundaries of your Center Territory.

\* \* \*

By signing below, you and we agree that: (a) the address identified in this Notice shall be deemed the approved site for your Center established and operated pursuant to the Franchise Agreement; and (b) the geographic area described in this Notice under “Center Territory” shall be deemed your Center Territory under the Franchise Agreement. You acknowledge and agree that our acceptance of the site you proposed is in no way a representation by us that your site will be successful. Rather, our acceptance merely indicates the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site or Center Territory. Our designation of your approved site and Center Territory, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

**Franchisor**

**Franchisee**

BiC Franchise System Corporation

[ \_\_\_\_\_ ]

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

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

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

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

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

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

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

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

**ATTACHMENT "C"**  
**TO FRANCHISE AGREEMENT**  
**LEASE ADDENDUM**

*[See Attached]*

## **Lease Addendum**

This Lease Addendum (this "Agreement") is executed as of \_\_\_\_\_, 202\_\_ by and among BiC Franchise System Corporation, a Delaware corporation ("Franchisor"), [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] ("Landlord"), and [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] ("Tenant").

### **Background**

- A. On [\_\_\_\_\_] 202[\_\_\_], Franchisor and Tenant executed a Best In Class Education Center Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor granted Tenant the right and obligation to develop, open and operate a Best In Class Education Center franchised business at the premises described in Exhibit "A" (the "Premises").
- B. Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the "Lease"), pursuant to which Landlord will lease the Premises to Tenant.
- C. To protect Franchisor's rights and interests under the Franchise Agreement, Landlord agrees to grant certain rights to Franchisor as set forth below.

### **Agreement**

- 1. Default Notices. Landlord agrees to provide Franchisor with copies of all written default notices sent to Tenant at the same time such notices are sent to Tenant. Landlord agrees to send such copies to Franchisor by email and registered mail as set forth below (Franchisor may change the notice email and address from time to time by sending written notice to Landlord):
  - Email:       haolam@gmail.com
  - Mail:         BiC Franchise System Corporation  
               4820 NE 4th St., Suite A-107  
               Renton, Washington 98059  
               Attention: Hao Lam
- 2. Right to Cure. If Tenant defaults under the Lease, Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. In such event, Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord's or Tenant's consent. Franchisor may thereafter assign the Lease to another Best In Class Education Center franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
- 3. Right to Assign. At any time (including, without limitation, upon the expiration or termination of the Franchise Agreement), and without Landlord's prior consent, Tenant may assign the Lease to Franchisor. In such event, Franchisor may thereafter assign the Lease to another Best In Class Education Center franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
- 4. Right of First Refusal. Landlord hereby grants Franchisor the first right of refusal to lease the Premises as the new tenant upon the expiration or termination of the Lease. Franchisor shall have a period of 30 days after the expiration or termination of the Lease to decide whether to exercise its right of first refusal.

5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's interests under the Lease in accordance with §2 above.
6. Acknowledgement of Rights. Landlord acknowledges Franchisor's rights under the Franchise Agreement to enter the Premises, without being guilty of trespass or any other tort or crime, to: (a) make any modifications or alterations to the Premises that Franchisor deems necessary to protect its franchise system or trademarks; and (b) remove any trade fixtures, interior or exterior signs and other items bearing Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. Modification of Lease. Landlord and Tenant will not amend, modify, supplement, terminate, renew or extend the Lease without Franchisor's written consent.
8. Miscellaneous.
  - (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
  - (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
  - (c) The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
  - (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

**FRANCHISOR:**

BiC Franchise System Corporation, a Delaware corporation

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

**LANDLORD:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
 \_\_\_\_\_

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

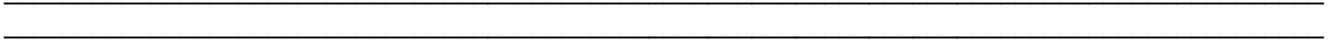
**TENANT:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
 \_\_\_\_\_

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

**EXHIBIT "A" TO LEASE ADDENDUM**

**DESCRIPTION OF PREMISES**



**ATTACHMENT "D"**  
**TO FRANCHISE AGREEMENT**  
**FRANCHISE OWNER AGREEMENT**

*[See Attached]*

## FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner, in favor of BiC Franchise System Corporation, a Delaware corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as “you”.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s Center and business operations, including information about students enrolled at the Center and their parents, whether collected by you, Franchisee, us or any other person.

“Center” means a Best In Class Education business that provides school-aged children with supplemental learning opportunities in the areas of Mathematics and English as well as SAT and ACT preparation courses operating under the Marks. It does not include a Satellite Office.

“Competitive Business” means any business that meets at least one of the following criteria: (a) any educational business that derives, or is reasonably expected to derive, at least 50% of its revenues from the sale of one or more of the following: (i) supplemental education classes and/or tutoring in Mathematics; (ii) supplemental education classes and/or tutoring in English; (iii) SAT preparation courses and/or tutoring; (iv) ACT preparation courses and/or tutoring; and/or (v) the sale of any educational products relating to any of the foregoing types of educational services; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competitive Business does not include any Center or Satellite Office operated pursuant to a valid franchise agreement, license agreement or Satellite Office Addendum signed by us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Franchise Agreement and all related agreements signed by Franchisee in connection with the Center, and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that: (i) are designated as confidential; (ii) are known by you to be considered confidential by us; and/or (iii) are by their nature inherently or reasonably to be considered confidential. Confidential Information does not include any information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we, any person associated us, Franchisee, or any person associated with Franchisee, disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Center, whether now in existence or created in the future.

“Franchise Agreement” means the Best In Class Education Center Franchise Agreement executed by Franchisee with an effective date of \_\_\_\_\_, 202\_\_.

“Franchisee” means \_\_\_\_\_.

“Improvement” means any idea, addition, modification or improvement to (a) the goods or services offered or sold at a Center, (b) the method of operation of a Center, (c) the processes, systems or procedures utilized by a Center, (d) the marketing, advertising or promotional materials, programs or strategies utilized by a Center or (e) the trademarks, service marks, logos or other intellectual property utilized by a Center, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Center, including, but not limited to: architectural plans, drawings and specifications for a prototype Center; site selection criteria; curricula; instructional materials; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a Center.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Centers to use, including “Best In Class Education Center” and the associated logo. The Marks also include any distinctive trade dress used to identify a Center.

“Prohibited Activities” means any or all of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (b) disparaging or otherwise making negative comments about us, any of our affiliates, the System and/or any Center; (c) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (d) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

“Restricted Period” means the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable; provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then Restricted Period means the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable.

“Restricted Territory” means the geographic area within: (a) a 25-mile radius from Franchisee’s Center (and including the Center’s premises itself); (b) a 25-mile radius from any Satellite Office Franchisee develops and operates; and (c) a 25-mile radius from all other Centers and Satellite Offices that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; *provided, however*, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then Restricted Territory means the geographic area within: (a) a 25-mile radius from Franchisee’s Center (and including the Center’s premises itself); and (b) a 25-mile radius from any Satellite Office Franchisee’s develops and operates.

“Satellite Office” means a Best In Class Education Center that: (a) consists of “temporary space” that is not subject to a lease of more than 12 months in duration; and (b) consists of space that is shared between owner of the Satellite Office and one or more other businesses or organizations. Examples include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools,



and similar types of facilities.

“System” means the business format and operating system developed for the operation of a Center, the distinctive characteristics of which include: proprietary curriculum and educational materials; proprietary technology; trade secrets (if any); methods; techniques; procedures; and operating system.

2. **Background.** In your capacity as an owner of Franchisee, or the spouse of an owner of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us or misuse our Intellectual Property. In addition, you understand that certain terms of the Franchise Agreement apply to “owners” and not just Franchisee. You agree to comply with the terms of this Agreement in order to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to owners.

3. **Brand Protection Covenants.**

(a) Intellectual Property. You agree to:

- (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee’s Center in compliance with the Franchise Agreement and Manual;
- (ii) maintain the confidentiality of the Know-how and other Confidential Information at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how or other Confidential Information;
- (iv) refrain from making unauthorized copies of documents containing any Know-how or other Confidential Information; and
- (v) immediately stop using the Intellectual Property at such time that you are no longer an owner of Franchisee or your spouse is no longer an owner of Franchisee, as applicable.

You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

(b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are an owner of Franchisee or while your spouse is an owner of Franchisee, as applicable; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competitive Business during the Restricted Period as long as the Competitive Business is not located within, and does not provide competitive educational services to students who reside within, the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period (other than having an interest in a Competitive Business permitted by this Section), your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).

(c) Family Members. Because you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family engages in any Prohibited Activities at any time that you are prohibited from engaging in the Prohibited Activities. However, you may rebut this presumption with evidence conclusively showing you did not disclose Know-how to the family member.

(d) Covenants Reasonable. You agree that: (i) the terms of this Agreement are reasonable both in time

and in scope of geographic area; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE §3 OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR UNENFORCEABLE.** Although you and we both believe the covenants in this Agreement are reasonable, we may at any time unilaterally modify the terms of the brand protection covenants in §3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law.

(e) **Breach.** You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief, but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the required amount of the bond may not exceed \$1,000. If an injunction is wrongfully issued, you may seek dissolution of the injunction as your sole remedy. You hereby waive all claims for damages resulting from a wrongfully issued injunction. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. No claim held by you against us, our affiliate or Franchisee may be used as a defense against our enforcement of this §3.

4. **Transfer Restrictions.** If you are an owner of Franchisee, you acknowledge that we must approve all persons who hold a direct or indirect ownership interest in Franchisee. Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in Franchisee except in accordance with the terms and conditions set forth in §20 of the Franchise Agreement.

5. **Financial Security.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successor and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive:

- (i) acceptance and notice of acceptance by us of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness guaranteed;
- (iv) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

You agree that: (a) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Secured Agreements upon demand if Franchisee fails to promptly do so; (c) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any

partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy of Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

**6. Dispute Resolution.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures in the Franchise Agreement. Notwithstanding the foregoing, if any dispute resolution procedures in the Franchise Agreement conflict with any terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with the terms thereof.**

**7. Miscellaneous.**

- (a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.
- (b) This Agreement will be governed by, construed and enforced under the laws of Washington and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Any claim, defense or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
- (d) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

[Signature Page Follows]

In witness whereof, each of the undersigned has executed this Agreement as of the date or dates set forth below.

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**ATTACHMENT "E"**  
**TO FRANCHISE AGREEMENT**  
**ACH AUTHORIZATION FORM**

*[See Attached]*

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**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

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**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

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**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	<input type="checkbox"/> Checking <input type="checkbox"/> Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

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**Authorization:**

Franchisee hereby authorizes BiC Franchise System Corporation (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____	Date: _____
Name: _____	
Title: _____	
Federal Tax ID Number: _____	

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**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

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**ATTACHMENT "F"**  
**TO FRANCHISE AGREEMENT**  
**BRAND PROTECTION AGREEMENT**

*[See Attached]*

## BRAND PROTECTION AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of BiC Franchise System Corporation, a Delaware corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

- 1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s Center and business operations, including information about students enrolled at the Center and their parents, whether collected by you, Franchisee, us or any other person.

“Center” means a Best In Class Education business that provides school-aged children with supplemental learning opportunities in the areas of Mathematics and English as well as SAT and ACT preparation courses operating under the Marks. It does not include a Satellite Office.

“Competitive Business” means any business that meets at least one of the following criteria: (a) any educational business that derives, or is reasonably expected to derive, at least 50% of its revenues from the sale of one or more of the following: (i) supplemental education classes and/or tutoring in Mathematics; (ii) supplemental education classes and/or tutoring in English; (iii) SAT preparation courses and/or tutoring; (iv) ACT preparation courses and/or tutoring; and/or (v) the sale of any educational products relating to any of the foregoing types of educational services; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competitive Business does not include any Center or Satellite Office operated pursuant to a valid franchise agreement, license agreement or Satellite Office Addendum signed by us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Franchise Agreement and all related agreements signed by Franchisee in connection with the Center, and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that: (i) are designated as confidential; (ii) are known by you to be considered confidential by us; and/or (iii) are by their nature inherently or reasonably to be considered confidential. Confidential Information does not include any information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before the information was disclosed to you by us or Franchisee (or any person associated with us or Franchisee); (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Center, whether now in existence or created in the future.

“Franchisee” means the Best In Class Education Center franchisee for whom you are an officer, director, employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to (a) the goods or services offered or sold at a Center, (b) the method of operation of a Center, (c) the processes, systems or



procedures utilized by a Center, (d) the marketing, advertising or promotional materials, programs or strategies utilized by a Center or (e) the trademarks, service marks, logos or other intellectual property utilized by a Center, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Center, including, but not limited to: architectural plans, drawings and specifications for a prototype Center; site selection criteria; curricula; instructional materials; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a Center.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Centers to use, including “Best In Class Education Center” and the associated logo. The Marks also include any distinctive trade dress used to identify a Center.

“Prohibited Activities” means any or all of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (b) disparaging or otherwise making negative comments about us, any of our affiliates, the System and/or any Center; (c) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (d) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to a competitor.

“Restricted Period” means the two (2) year period after you cease to be an officer, director, employee or independent contractor of Franchisee; *provided, however*, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then Restricted Period means the one (1) year period after you cease to be an officer, director, employee or independent contractor of Franchisee.

“Restricted Territory” means the geographic area within: (a) a 25-mile radius from Franchisee’s Center (and including the Center’s premises itself); (b) a 25-mile radius from any Satellite Office Franchisee develops and operates; and (c) a 25-mile radius from all other Centers and Satellite Offices that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; *provided, however*, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then Restricted Territory means the geographic area within: (a) a 25-mile radius from Franchisee’s Center (and including the Center’s premises itself); and (b) a 25-mile radius from any Satellite Office Franchisee’s develops and operates.

“Satellite Office” means a Best In Class Education Center that: (a) consists of “temporary space” that is not subject to a lease of more than 12 months in duration; and (b) consists of space that is shared between owner of the Satellite Office and one or more other businesses or organizations. Examples include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools, and similar types of facilities.

“System” means the business format and operating system developed for the operation of a Center, the distinctive characteristics of which include: proprietary curriculum and educational materials; proprietary technology; trade secrets (if any); methods; techniques; procedures; and operating system.

- 2. Background.** You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us or misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.

### 3. Brand Protection Covenants.

- (a) Intellectual Property. You agree to:
- (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee's Center;
  - (ii) maintain the confidentiality of the Know-how and other Confidential Information at all times;
  - (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how or other Confidential Information;
  - (iv) refrain from making unauthorized copies of documents containing any Know-how or other Confidential Information; and
  - (v) immediately stop using the Intellectual Property at such time that you are no longer an officer, director, employee or independent contractor of Franchisee.

You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

- (b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are an officer, director, employee or independent contractor of Franchisee; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competitive Business during the Restricted Period as long as the Competitive Business is not located within, and does not provide competitive educational services to students who reside within, the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period (other than having an interest in a Competitive Business permitted by this Section), your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).
- (c) Family Members. Because you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family engages in any Prohibited Activities at any time that you are prohibited from engaging in the Prohibited Activities. However, you may rebut this presumption with evidence conclusively showing you did not disclose Know-how to the family member.
- (d) Covenants Reasonable. You acknowledge that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.** Although you and we both believe the covenants in this Agreement are reasonable, we may at any time unilaterally modify the terms of the brand protection covenants in §3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law.
- (e) Breach. You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief, but we need not post a

bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the required amount of the bond may not exceed \$1,000. If an injunction is wrongfully issued, you may seek dissolution of the injunction as your sole remedy. You hereby waive all claims for damages resulting from a wrongfully issued injunction. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. No claim held by you against us, our affiliate or Franchisee may be used as a defense against our enforcement of this §3.

**4. Miscellaneous.**

- (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.
- (b) This Agreement will be governed by, construed and enforced under the laws of Washington and the courts in that state shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (d) If you are a resident of Washington, D.C. as of the date you sign this Agreement, then the noncompetition covenant set forth in this Agreement shall not be applicable to you and the definition of "Prohibited Activities" shall be deemed amended by deleting clause (a) from such definition.

This Brand Protection Agreement is executed as of the date or dates set forth below.

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

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

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

**ATTACHMENT "G"**  
**TO FRANCHISE AGREEMENT**  
**CONFIDENTIALITY AGREEMENT**

*[See Attached]*

## CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of BiC Franchise System Corporation, a Delaware corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s Center and business operations, including information about students enrolled at the Center and their parents, whether collected by you, Franchisee, us or any other person.

“Center” means a Best In Class Education business that provides school-aged children with supplemental learning opportunities in the areas of Mathematics and English as well as SAT and ACT preparation courses operating under the Marks. It does not include a Satellite Office.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Franchise Agreement and all related agreements signed by Franchisee in connection with the Center, and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that: (i) are designated as confidential; (ii) are known by you to be considered confidential by us; and/or (iii) are by their nature inherently or reasonably to be considered confidential. Confidential Information does not include any information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before the information was disclosed to you by us or Franchisee (or any person associated with us or Franchisee); (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Center, whether now in existence or created in the future.

“Franchisee” means the Best In Class Education Center franchisee for whom you are an officer, director, employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to (a) the goods or services offered or sold at a Center, (b) the method of operation of a Center, (c) the processes, systems or procedures utilized by a Center, (d) the marketing, advertising or promotional materials, programs or strategies utilized by a Center or (e) the trademarks, service marks, logos or other intellectual property utilized by a Center, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Center, including, but not limited to: architectural plans, drawings and specifications for a prototype Center; site selection criteria; curricula; instructional materials; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a Center.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Centers to use, including “Best In Class Education Center” and the associated logo. The Marks also include any distinctive trade dress used to identify a Center.

“System” means the business format and operating system developed for the operation of a Center, the distinctive characteristics of which include: proprietary curriculum and educational materials; proprietary technology; trade secrets (if any); methods; techniques; procedures; and operating system.

2. **Background.** You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Know-How and Intellectual Property.** You agree to:

- (i) refrain from using the Intellectual Property in any capacity or for any purpose other than the operation of Franchisee’s Center;
- (ii) maintain the confidentiality of the Know-how and other Confidential Information at all times;
- (iii) take all reasonable steps we require to prevent unauthorized use or disclosure of Know-how or other Confidential Information;
- (iv) refrain from making unauthorized copies of documents containing any Know-how or other Confidential Information; and
- (v) immediately stop using the Intellectual Property at such time that you are no longer an officer, director, employee or independent contractor of Franchisee.

You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.

4. **Family Members.** Because you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family uses or disclosed the Know-how. However, you may rebut this presumption with evidence conclusively showing you did not disclose Know-how to the family member.

5. **Covenants Reasonable.** You acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (b) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. **Breach.** You agree that: (a) any failure to comply with this Agreement is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (b) we are entitled to injunctive relief if you breach this Agreement together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief, but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the required amount of the bond may not exceed \$1,000. If an injunction is wrongfully issued, you may seek dissolution of the injunction as your sole remedy. You hereby waive all claims for damages resulting from a wrongfully issued injunction. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. No claim held by you against us, our affiliate or

Franchisee may be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

- (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.
- (b) This Agreement will be governed by, construed and enforced under the laws of Washington and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

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

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

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

**EXHIBIT "D"**  
**TO DISCLOSURE DOCUMENT**  
**AREA DEVELOPMENT AGREEMENT**

*[See Attached]*





# AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER:  
DATE:

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

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### ATTACHMENTS

ATTACHMENT "A"

Deal Terms

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is entered into as of \_\_\_\_\_, 202\_\_ (the "Effective Date") between BiC Franchise System Corporation, a Delaware corporation ("we" or "us") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("you").

**1. DEFINITIONS.** Capitalized terms used in this Agreement shall have the meanings given to them below. Any capitalized term used in this Agreement that is not defined below shall have the meaning given to such term in the Initial Franchise Agreement (as defined below).

"Acquisition" has the meaning given to such term in the Initial Franchise Agreement.

"Alternative Channels of Distribution" has the meaning given to such term in the Initial Franchise Agreement.

"Anti-Terrorism Law" has the meaning given to such term in the Initial Franchise Agreement.

"Center" means any Best In Class Education Center that is authorized to operate under our Marks and use our System. A Center may refer to a Best In Class Education Center operated by us, our affiliate, you or another franchisee, as the context may require. It does not include a Satellite Office.

"Definitive Agreements" has the meaning given to such term in the Initial Franchise Agreement.

"Developer Entity" means the Entity that: (a) signs this Agreement as the area developer (i.e., "you") if this Agreement is signed by an Entity; or (b) assumes this Agreement subsequent to its execution by the original Owners.

"Development Schedule" means the schedule described in §4.1 and Part D of ATTACHMENT "A" for the development of the Centers within the Development Territory.

"Development Territory" means the geographic area described in Part C of ATTACHMENT "A".

"Dispute" means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer and sale of the area development rights; or (c) the relationship between the parties.

"Entity" has the meaning given to such term in the Initial Franchise Agreement.

"Equity Interest" has the meaning given to such term in the Initial Franchise Agreement.

"Force Majeure" has the meaning given to such term in the Initial Franchise Agreement.

"Franchise Agreement" means a Best In Class Education Center Franchise Agreement executed by us and you (or your affiliate) for the development and operation of a Center pursuant to this Agreement.

"Governmental Authority" has the meaning given to such term in the Initial Franchise Agreement.

"Government Official" has the meaning given to such term in the Initial Franchise Agreement.

"Initial Franchise Agreement" means the Franchise Agreement executed by you concurrently with the execution of this Agreement for the first Center to be established pursuant to this Agreement.

"Initial Franchise Fee" means the initial franchise fee you must pay for each Center to be developed under this Agreement as set forth in Part B of ATTACHMENT "A".

"Intellectual Property" has the meaning given to such term in the Initial Franchise Agreement.

"Law" has the meaning given to such term in the Initial Franchise Agreement.

"Managing Owner" has the meaning given to such term in the Initial Franchise Agreement.

"Owner" or "Owners" means a Person who meets any of the following criteria: (a) the Person directly signs this Agreement as the area developer (either alone or in conjunction with one or more other Persons); (b) the Person directly or indirectly (through one or more intermediaries) owns any Equity Interest in the Developer Entity (if the area developer under this Agreement is an Entity); (c) the Person directly signs a Franchise Agreement as the franchisee (either alone or in conjunction with one or more

other Persons); and/or (d) the Person directly or indirectly (through one or more intermediaries) owns any Equity Interest in any affiliate of yours that executes a Franchise Agreement as authorized by §6.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner holding less than a 20% ownership interest in the area developer franchise or the Developer Entity, as applicable; and/or (b) a Transfer by the Owners to a newly established Developer Entity for which such Owners collectively own and control 100% of the Equity Interests.

“Person” has the meaning given to such term in the Initial Franchise Agreement.

“Satellite Office” has the meaning given to such term in the Initial Franchise Agreement.

“Term” means the period of time beginning on the Effective Date of this Agreement and expiring on the earlier to occur of: (a) the date by which you are required to open the last Center to be developed under the Development Schedule; or (b) the date this Agreement is effectively terminated for any reason.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the area development rights granted by this Agreement (or any interest therein);
- (c) the business conducted by you pursuant to this Agreement (or any interest therein); or
- (d) an Equity Interest in the Developer Entity (including public and private offerings);

including by merger or consolidation, by issuance of additional Equity Interests in the Developer Entity, or by operation of Law, will or a trust upon the death of an Owner of the Developer Entity (including the Laws of intestate succession).

**2. GRANT OF DEVELOPMENT RIGHTS.** Subject to the terms and conditions of this Agreement, we hereby grant you the right and obligation to develop, open and operate each of the Centers referred to in the Development Schedule. Each Center must be located within the Development Territory and at a specific site we approve in accordance with the terms of the applicable Franchise Agreement. This Agreement does not grant you any rights or licenses to use our Intellectual Property.

**3. TERRITORIAL PROTECTIONS AND LIMITATIONS.** During the Term we will not develop or operate, or license a third party to develop or operate, a Center or Satellite Office that is physically located within the Development Territory other than: (a) any Center or Satellite Office that is operating, under development, or for which a franchise agreement or Satellite Office addendum has been executed, in each case as of the Effective Date, and that is (or will be) located within the Development Territory; and (b) any Center or Satellite Office otherwise permitted by this Section in connection with Acquisitions. At any time during the Term we reserve the right to engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within the Development Territory. We also reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in the Development Territory.

#### **4. DEVELOPMENT OBLIGATIONS**

**4.1. Development Schedule.** You must develop, open and operate all Centers referred to in the Development Schedule. Satellite Centers are not counted for purposes of determining your compliance with the Development Schedule. You must develop and open each Center in strict compliance with the opening dates set forth in the Development Schedule. We may, in our sole discretion, extend the time periods listed in the Development Schedule, but only if you demonstrate to our reasonable satisfaction you used best efforts in attempting to comply with your development obligations and the need for additional time is due to unforeseeable delays and not due to your neglect, misconduct or lack of funding. The opening date listed in the Development Schedule for a

given Center may be earlier than the opening date required under the terms of the associated Franchise Agreement. In order to comply with the Development Schedule, you must open each Center by the opening date listed in the Development Schedule even if such date is earlier than the opening date required by the associated Franchise Agreement.

- 4.2. **Site Selection.** You must select a specific site within the Development Territory for each Center in compliance with our then-current site selection criteria. Each site you select is subject to our prior approval in accordance with the applicable Franchise Agreement.
- 4.3. **Franchise Agreements.** You must sign a separate Franchise Agreement for each Center. You must sign the Initial Franchise Agreement for your first (1<sup>st</sup>) Center at the time you sign this Agreement. We will not review or approve a proposed site until you sign the applicable Franchise Agreement for the proposed site. Each Franchise Agreement shall be our then-current form of Best In Class Education Center Franchise Agreement, the terms of which may vary materially and substantially from the terms of the Initial Franchise Agreement. The development fee includes and is deemed to satisfy the Initial Franchise Fee imposed under each Franchise Agreement executed pursuant to this Agreement. You have no right to construct or operate a Center until the parties have signed the Franchise Agreement and all ancillary agreements for that Center. You must develop, open and operate each Center in compliance with the Franchise Agreement and the Manual.
- 4.4. **Additional Locations.** You may not develop any Center other than the Centers listed in the Development Schedule unless we, in our sole discretion, permit you to enter into a new area development agreement, which will be upon such terms that we specify, after you develop all Centers listed in the Development Schedule.
5. **DEVELOPMENT FEE.** At the time you sign this Agreement, you must pay us the development fee set forth in Part B of ATTACHMENT "A", which is calculated as the sum of the total aggregate Initial Franchise Fees for all Centers listed in the Development Schedule. The development fee is fully earned and nonrefundable upon execution of this Agreement.
6. **AREA DEVELOPER AS ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon our request, you must provide us with a resolution of the Developer Entity authorizing the execution of this Agreement, a copy of the Developer Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You may form a separate Entity to enter into each Franchise Agreement provided that: (a) the Person or Persons owning the Equity Interests (and the percentage of the Equity Interests owned) in each such Entity must be the same Person or Persons owning the Equity Interests (with the same percentage of the Equity Interests owned) in the Developer Entity; and (b) each such Entity guarantees the performance of all other Entities formed under the authority of this §6. All direct and indirect Owners of the Developer Entity and any Entity formed under this §6 and their spouses must sign a Franchise Owner Agreement.
7. **TRANSFERS**
  - 7.1. **By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.
  - 7.2. **By You.** The rights and duties created by this Agreement are personal to you and the Owners. We are granting you area development rights in reliance upon the character, skill, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer if all of the following conditions are satisfied:

- (i) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to develop, own and operate all of the remaining Centers to be developed under this Agreement and meets our minimum criteria for area developer franchisees;
- (ii) you and your Owners and affiliates are in full compliance with all Definitive Agreements;
- (iii) the transferee's owners successfully complete, or make arrangements to attend, the initial training program;
- (iv) the transferee and its owners sign our then-current form of area development agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term shall be the Term remaining under this Agreement; (b) the transferee need not pay a separate development fee; and (c) the Development Schedule and Development Territory shall be the same Development Schedule and Development Territory specified in this Agreement (modified to reflect the development obligations satisfied prior to the Transfer);
- (v) you assign all Franchise Agreements to the transferee in accordance with the transfer provisions under each such Franchise Agreement (including payment of any transfer fee imposed under each such Franchise Agreement);
- (vi) you and your Owners sign a General Release of all claims arising before or contemporaneously with the Transfer;
- (vii) we choose not to exercise our right of first refusal described in §7.5; and
- (viii) you or the transferring Owner, as applicable, and the transferee satisfy any other conditions we reasonably require as a condition to our approval of the Transfer.

You may not: (a) transfer less than your entire remaining area development rights under this Agreement (i.e., you may not retain the right to develop any Center); or (b) transfer your area development rights to multiple transferees. Our consent to a Transfer shall not constitute a waiver of any Claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand the transferee fully comply with all terms of the area development agreement.

- 7.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was the Developer Entity immediately prior to the Permitted Transfer to sign a corporate guarantee in the format we require to secure performance of the new Developer Entity's financial obligations under this Agreement and all related agreements. You and the Owners (and the transferee) agree to sign all documents we reasonably request to effectuate and document the Permitted Transfer.
- 7.4. Death or Disability of an Owner.** Within 180 days after the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party we approve. Any assignment to a third party will be subject to all terms and conditions of §7.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the Person has a medical or mental problem that prevents the Person from substantially complying with his or her obligations under this Agreement for a continuous period of at least three (3) months.
- 7.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain (and send us) a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receipt of the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer (however, we may substitute cash for any non-cash form of payment proposed in the offer). If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 30 days to prepare for closing. We will be

entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you (as the seller of the assets) or the Owner (as the seller of the ownership interest) or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §7.2 (including our approval of the transferee). However, if the sale is not completed within 120 days after delivery of the offer to us, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

## 8. TERMINATION OF DEVELOPMENT RIGHTS

- 8.1. **Reasonableness.** You represent that you: (a) have conducted your own independent investigation and analysis of the prospects for the establishment of the Centers within the Development Territory; (b) approve the Development Schedule as being reasonable and viable; and (c) recognize that any failure to comply with the Development Schedule constitutes a material breach of this Agreement.
- 8.2. **Termination of Development Rights.** If you fail to comply with any term of this Agreement, we may terminate this Agreement, effective 30 days after giving you written notice of the default, unless you fully cure the default within such 30-day period. Any such termination will end all of your rights and development obligations under this Agreement, including without limitation, your interests in the Development Territory and right to open additional Centers.
- 8.3. **Cross Default.** Our termination of a Franchise Agreement due to your default constitutes a default under this Agreement permitting us to terminate this Agreement immediately upon notice to you.

9. **DISPUTE RESOLUTION.** Any Dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions in the Initial Franchise Agreement. All such dispute resolution provisions are incorporated herein by reference as if fully set forth in this Agreement.

## 10. REPRESENTATIONS.

- 10.1. **Corporate Representations.** You and your Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any other agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets may be bound; (b) violate any order, writ, injunction, decree, judgment or ruling of any Governmental Authority; or (c) violate any applicable Law. If the developer is an Entity, then you and your Owners also jointly and severally represent and warrant to us that: (a) the Developer Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and to perform each of its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement shall constitute the legal, valid and binding obligation of the Developer Entity and shall be enforceable against the Developer Entity in accordance with its terms.
- 10.2. **Franchise Compliance Representations.** You and your Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates or (ii) such earlier time in the sales process that you requested a copy.
- 10.3. **General Representations.** You and your Owners jointly and severally represent and warrant to us that: (a) other area developers may operate under different forms of agreement and our obligations and rights with respect to area developers differs materially in certain circumstances; and (b) we

may negotiate terms or offer concessions to other area developers and we have no obligation to offer you the same or similar negotiated terms or concessions.

**10.4. Anti-Terrorism Compliance.** You and your Owners jointly and severally represent and warrant to us that, to the best of your knowledge: (a) no property or interest owned by you or any Owner is subject to being “blocked” under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in you) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or nickname) or address on any Terrorist List, including on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at [www.home.treasury.gov](http://www.home.treasury.gov)); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other Laws (either currently in effect or enacted in the future) prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government that are in effect within the United States of America. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you agree to notify us immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

## 11. GENERAL PROVISIONS

- 11.1. Governing Law.** This Agreement and the franchise relationship shall be governed by the laws of the State of Washington (without reference to its principles of conflicts of law), but any law of the State of Washington that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 11.2. Severability.** Each section and subsection of this Agreement, and any portion thereof, shall be considered severable.
- 11.3. Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement (including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party’s failure to comply with such terms) by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by either party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other area developers; or (d) our acceptance of payments from you after your breach.
- 11.4. Force Majeure.** Neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if such party’s failure to perform its obligations results from an event of Force Majeure; *provided, however,* that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 11.5. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement.
- 11.6. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email or other informal electronic communication shall not be



deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.

- 11.7. Covenant of Good Faith.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations that are inconsistent with the express terms of this Agreement. This Agreement (and the relationship of the parties inherent in this Agreement) grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees (including ourselves and our affiliates if applicable), but without considering the individual interests of you or any other particular franchisee.
- 11.8. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 11.9. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the business or Developer Entity) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.
- 11.10. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 11.11. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 11.12. Notice.** All notices given under this Agreement must be provided in accordance with the Notice Provision of the Initial Franchise Agreement.
- 11.13. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

**FRANCHISOR:**

BiC Franchise System Corporation, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are an Entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are not an Entity):**

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

**ATTACHMENT "A"**  
**TO AREA DEVELOPMENT AGREEMENT**  
**DEAL TERMS**

**A. Area Developer Details.**

Name of area developer: [ \_\_\_\_\_ ]

Is the area developer one or more natural persons signing in their individual capacity? **Yes:** \_\_\_\_ **No:** \_\_\_\_

Type of Entity and State of Formation\* (if applicable): [ \_\_\_\_\_ ]

*\* If the area developer is a business Entity, each natural person holding a direct or indirect ownership interest in the business Entity, and spouse of each such person, must sign a Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the area developer franchise (or the area developer business Entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: [ \_\_\_\_\_ ]

**B. Fees.**

- The Initial Franchise Fee shall be: (a) \$45,000 for the first Center to be developed pursuant to this Agreement; (b) \$40,000 for the second Center to be developed pursuant to this Agreement; and (c) \$35,000 per Center for each additional Center to be developed pursuant to this Agreement.
- The development fee shall be \$ \_\_\_\_\_.

**C. Development Territory.**

The Development Territory shall include the following geographic area:

[ \_\_\_\_\_ ]

If the boundaries that define the Development Territory change during the term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date.

**D. Development Schedule.**

You agree to comply with the following minimum development obligations as specified in §4 of the Agreement:

<b>DEVELOPMENT PERIOD ENDING</b>	<b>NUMBER OF CENTERS OPENED DURING DEVELOPMENT PERIOD</b>	<b>CUMULATIVE NUMBER OF CENTERS OPENED AND IN OPERATION</b>
1 year after Effective Date		
2 years after Effective Date		
3 years after Effective Date		
4 years after Effective Date		
5 years after Effective Date		
6 years after Effective Date		
7 years after Effective Date		
8 years after Effective Date		
9 years after Effective Date		
10 years after Effective Date		
Total Number of Centers to be Developed: [ _____ ]		

**EXHIBIT "E"**  
**TO DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF BRAND STANDARDS MANUAL**

*[See Attached]*

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**EXHIBIT "F"**  
**TO DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**Part A (Current Franchisees)**

The following table lists franchisees that were open as of December 31, 2022.

<b>FRANCHISEES OPEN AS OF DECEMBER 31, 2022</b>				
<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
California	Anaheim Hills	160 S Old Springs Rd, Ste 115	714-912-4148	Olga Jolly
California	Cupertino	20432 Silverado Ave, #215	408-253-3980	Sangeetha Padman
California	Dublin	To Be Determined	925-226-8848	Monika Sharma
California	Elk Grove	7811 Laguna Blvd, Ste. 165	916-525-7274	Jenny Tran
California	Fremont	46356 Warm Springs Blvd., Ste. 824	510-400-8081	Hong Chau
California	Los Angeles	302 N. Western Ave.	323-461-1512	Thi-Thi Ma
California	Pleasanton	To Be Determined	925 587-9449	Shwetal J Jakate
California	San Diego	12234 Poway Road, Ste. 204	858-866-6446	Manoj Jaiswal
California	San Francisco	780 Broadway	415-333-9168	Yan Fang Chen
California	San Francisco	1419 Powell Street	415-398-3266	Kevin Lee
California	San Francisco	4451 Mission St, Ste. 101	415-333-9168	Yan Fang Chen
California	San Jose	1701 Lundy Ave, Ste. 201	408-441-8462	Yau Chor Yeung
California	Torrance	20112 Anza Ave	310-340-4142	Vanita Aggarwal
Florida	Brandon	1221 Kingsway Rd	813-713-9874	Rajitha Nidadavolu
Florida **	Land O'Lakes	18600 Fernview St	813-406-4220	Shah, Nirjhar
Florida	Tampa	10323 Cross Creek Blvd, Ste C	813-406-4220	Nirjhar Shah
Maryland	Ellicott City	3570 St Johns Ln	410-988-2545	Aarti Bhargava
Nevada	Reno	10855 Double R Blvd, Ste B2	775-229-8255	Priya Mani
New Jersey	Moorestown	714 E Main St, Ste 1A	856-924-6063	Ruchika Arora
New Jersey	South Orange	71 Valley Street, Ste 200	973-327-9775	Alissa Gardenhire
New Jersey	West Windsor	64 Princeton Hightstown Rd, Ste 6	609-799-0050	Sehr Fatima
Ohio	Blue Ash	4775 Glendale Milford Rd	513-445-9876	Lakshmi Vytla
Ohio	Mason	5412 Cedar Village Dr.	513-445-9876	Lakshmi Vytla
Ohio	Mayfield Heights	5869 Mayfield Rd	440-459-2197	Haishan Peiris
Ohio	Solon	34186 Aurora Rd	440-459-2197	Haishan Peiris
Oregon	Beaverton	16100 NW Cornell Rd #210	(503) 430-7057	Karnika Jhaveri and Vishal Nishar
Texas	Allen	2023 W. McDermott Drive, Ste. 130	972-656-9242	Su Subramanian
Texas	Bee Cave	12400 State Hwy 71 W, Ste. 505	737-484-1370	Susan Salazar
Texas	Cedar Park	12160 W Parmer Lane, Ste 100	512-375-3245	Aruna Andrew
Texas	Cypress	12706 Grant Rd	346-704-0547	Veronica Reyna
Texas	Cypress	7955 Barker Cypress Rd	832-409-1031	Veronica Reyna
Texas	Frisco	615 Main St	972-656-9242	Su Subramanian

**FRANCHISEES OPEN AS OF DECEMBER 31, 2022**

State	City	Address	Phone	Owner Name(s)
Texas	Houston	1099B Dairy Ashford Rd	832-672-4322	Carole Said
Texas	Katy	4950 Katy Gaston Rd.	832-437-2316	Ira Giri
Texas	McKinney	1800 South Independence Pkwy, Ste. 130	972-656-9242	Su Subramanian
Texas	Plano	141 W Spring Creek Pkwy, Ste. 433	469-847-0238	Honghong Ma
Texas	Richmond	18440 W Airport Blvd	908-500-3954	Ira Giri
Texas	Round Rock	1101 Satellite View, Ste 405	512-520-2521	Samantha Burla
Texas	Spring	375 Sawdust Rd	832-422-9398	Yemi Lemma
Washington	Bothell	20806 Bothell-Everett Hwy, Ste. 101	425-368-3069	Surendra Mohan
Washington	Issaquah	1505 NW Gilman Blvd, Ste. 6	425-272-1328	Cambridge Liu
Washington**	Issaquah	2550 NE Park Dr.	425-272-1328	Cambridge Liu
Washington	Redmond	16981 Redmond Way	425 900-1545	Sanjeev Gupta
Washington**	Redmond	10735 Cedar Park Crescent NE	425-292-1838	Sanjeev Gupta
Washington**	Sammamish	825 228th Ave. NE	425-880-3788	Cambridge Liu

\* These franchisees are also area developers that committed to open multiple franchised businesses under the terms of an area development agreement.

\*\* These outlets are “satellite locations” as described in Item 20 of the Disclosure Document.

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2022.

**FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2022**

State	City	Address	Phone	Owner Name(s)
Texas	Frisco	6787 York Castle Ct Frisco, Texas 75035	469-440-9623	Manjula Vedala

\* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

**Part B (Former Franchisees Who Left System During Prior Fiscal Year)**

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
California	Tracy	209-207-7950	Lavanya Kokati
Michigan	Farmington Hills	248-522-7299	Srinivas Challagundla
Oregon	Lake Oswego	503-734-7467	Heather Cameron
Texas	Houston	832-685-8616	Helena Liu

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**EXHIBIT "G"**  
**TO DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

[See Attached]

**BiC Franchise System Corporation**

**Independent Auditor's Report  
And  
Balance Sheet Statement  
March 15, 2023**

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**Metwally CPA PLLC**

**CERTIFIED PUBLIC ACCOUNTANT**

4500 Mercantile Plaza Dr STE 300, Fort Worth TX 76137

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

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**Independent Auditor's Report**

To the Stockholders of  
BiC Franchise System Corporation  
Renton, Washington

**Opinion**

We have audited the accompanying Balance Sheet of BiC Franchise System Corporation (a Delaware Corporation) as of March 15, 2023, and the related notes to the Financial Statement.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of BiC Franchise System Corporation as of March 15, 2023, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of BiC Franchise System Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement 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 statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BiC Franchise System Corporation's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statement**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 BiC Franchise System Corporation'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BiC Franchise System Corporation's ability to continue as a going concern for a reasonable period.

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

*Metwally CPA PLLC*

Metwally CPA PLLC  
Fort Worth, Texas  
March 24, 2023

**BiC Franchise System Corporation**  
**March 15, 2023**  
**Balance Sheet**

**Assets**

**Current Assets**

Cash and cash equivalents	\$100,000
<b>Total Current Assets</b>	<b><u>\$100,000</u></b>

**Liabilities and Stockholders' Equity**

<b>Total Liabilities</b>	<b>\$0</b>
Common stocks with par value 0.01 per share, 10,000,000 authorized shares, none issued or outstanding	0
Additional paid in capital	100,000
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$100,000</u></b>

*The accompanying notes are an integral part of the financial statement.*



**BiC Franchise System Corporation**

**March 15, 2023**

**Notes to Financial Statement**

**1. COMPANY AND DESCRIPTION OF BUSINESS**

BiC Franchise System Corporation (the "Company") was formed on March 15, 2023, under the laws of the State of Delaware for the purpose of offering franchise opportunities to entrepreneurs who want to invest in and develop a Best-in-Class Education Center. The Company offers qualified individuals the right to operate a tutoring center that offers after-school tutoring and test preparation programs to all grades.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statement. The financial statement and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statement.

**A. Basis of Accounting**

The financial statement was prepared in conformity with accounting principles generally accepted in the United State of America ("US GAAP").

**B. Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**C. Federal Income Taxes**

The Company is subject to tax filing requirements as a C Corporation in the federal jurisdiction of the United States. The Company was established in February 2023; therefore, its tax return is not due to filing till April the following year. The Company is subject to franchise and income tax filing requirements in the States of Delaware.

**D. Use Of Estimates**

The preparation of our Company's financial statement 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 our financial statement and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, and legal estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

**E. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors – Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with

Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

#### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, an area development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 5 years while successive agreement terms are typically 5 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contract Assets and Liabilities

Contract assets will consist of franchise contract costs paid to facilitate the franchise sale and will be amortized over the expected life of the franchisee. Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The Company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

**3. EQUITY**

Under the articles of incorporation, the total number of common shares of stock that the Corporation shall have authority to issue is 10,000,000 shares with par value \$0.01 per share, none were issued or outstanding. As of March 15, 2023, the entity had \$100,000 in additional paid in capital.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 24, 2023, which is the date the financial statement was available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statement.

**EXHIBIT "H"**  
**TO DISCLOSURE DOCUMENT**  
**OTHER AGREEMENTS**

**EXHIBIT “H”-1**

**STATE ADDENDA**

*[See Attached]*

**STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES**

**BACKGROUND AND PURPOSE**

The following modifications are made to the Best In Class Education Center Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by BiC Franchise System Corporation (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.



## CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.
2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
4. The Franchise Agreement and Supplemental Agreements require binding arbitration. The arbitration will occur in Washington with the costs being borne initially by the party filing for arbitration.
5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement or Supplemental Agreement restricting venue to a forum outside the State of California.
6. The Franchise Agreement and Supplemental Agreements require application of the laws of Washington. This provision may not be enforceable under California law.
7. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
8. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
9. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
10. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
11. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). 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).
12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.



**HAWAII**

1. The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

2. Our registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".
4. The states in which this filing is or will be shortly on file include the following: California, California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, Virginia, Washington and Wisconsin.
5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: None.
6. The states, if any, which have revoked or suspended the right to offer these franchises include the following: None.
7. The states, if any, in which the filing of these franchises has been withdrawn include the following: None.

**ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois. Therefore, any arbitration proceeding may be brought in Washington in accordance with the dispute resolution provision set forth in the Franchise Agreement and Supplemental Agreements.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.

**INDIANA**

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

6. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

**MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Law, the Franchise Agreement is amended to add the following:

1. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
2. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
3. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
4. This franchise agreement provides that disputes are resolved through mediation or arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
5. 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.
6. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
7. 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.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

**BIC FRANCHISE SYSTEM CORPORATION**

**[FRANCHISEE]**

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

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

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

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

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

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

**MARYLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Maryland Franchise Law, the Area Development Agreement is amended to add the following:

1. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
2. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
3. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
4. This area development agreement provides that disputes are resolved through mediation or arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
5. 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.
6. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
7. 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.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
9. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Area Development Agreement.

**BIC FRANCHISE SYSTEM CORPORATION**

**[FRANCHISEE]**

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

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

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

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

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

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

**MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Disclosure Document is amended as follows:

6. Item 5 of the Disclosure Document is amended to add the following:

“Fee Deferral

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, area developers shall be deferred until the first franchise under the development agreement opens.”

7. Item 17 of the Disclosure Document is amended to add the following:

- (a) The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.
- (b) A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- (c) Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- (d) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
- (e) The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

8. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

9. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.

10. 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.

**MICHIGAN**

**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 document relating to a franchise:

- (j) A prohibition on the right of a franchisee to join an association of franchisees.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) 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.
- (o) 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.
- (p) 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:
  - (v) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (vi) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (vii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (viii) 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.
- (q) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of



first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (r) 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

**MINNESOTA**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Supplemental Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) 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. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J), which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g), which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.

**NEW YORK**

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

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 SERVICES OR 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as

defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for a franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--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. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**NORTH DAKOTA**

In recognition of the requirements of the North Dakota Franchise Investment Law (the "North Dakota Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee's business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

**RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.
4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.
3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.
4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.
5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.
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.

**WASHINGTON**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement and Supplemental Agreements 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 and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
8. On October 18, 2019, franchisor's predecessor, Best In Class Education Center, LLC, entered into an Assurance of Discontinuance ("AOD") with the Washington Attorney General's office ("AGO"). Under the AOD, the predecessor agreed to permanently discontinue the use of and to no longer enforce "no-poach" language in our predecessor's agreements which restricted the ability of franchisees to hire the employees from competing franchisees and from our predecessor's corporate locations. Our predecessor further agreed to notify the AGO of any efforts by a franchisee in Washington to enforce any existing "no-poach" provision, to proactively remove "no-poach" language from each Washington franchisee's franchise agreement and to remove "no-poach" language from all other Best In Class Education Center franchise agreements upon renewal.



**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                                     |                                       |                                       |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan     | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> Minnesota    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> New York     | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin    |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Rhode Island |                                       |

Dated: \_\_\_\_\_, 202\_\_\_\_

**FRANCHISOR:**

BiC Franchise System Corporation

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

**EXHIBIT “H”-2**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

*[See Attached]*

# MAY NOT BE SIGNED OR USED IF FRANCHISEE RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN, A FRANCHISE REGISTRATION STATE<sup>1</sup>

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know BiC Franchise System Corporation (“we” or “us), and you are preparing to enter into a Franchise Agreement for the operation of a Best In Class Education Center franchise. We require that you complete this Questionnaire (a) so that we can determine whether our franchise sales team followed proper sales procedures and (b) to provide us with reasonable assurance that, prior to signing the Franchise Agreement, you have had an adequate opportunity to review the Franchise Disclosure Document and its attachments, consult with legal and/or business advisors of your choosing, and ask us questions about any disclosures or terms that you do not understand. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question.

- Yes\_\_ No\_\_ 1. Have you received from us and personally reviewed the Franchise Agreement and, if applicable, Area Development Agreement (“ADA”), together with all attachments to those agreements?  
*[If you answer “no,” please explain in Explanation Section]*
- Yes\_\_ No\_\_ 2. Have you received from us and personally reviewed a Franchise Disclosure Document (“FDD”)?  
*[If you answer “no,” please explain in Explanation Section]*
- Yes\_\_ No\_\_ 3. Did you sign a receipt for the FDD indicating the date you received it?
- Yes\_\_ No\_\_ 4. Do you understand all the information contained in the FDD, Franchise Agreement and ADA (if applicable)?  
*[If you answer “no,” please identify any information you don’t understand in Explanation Section]*
- Yes\_\_ No\_\_ 5. Did you receive the FDD at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money?
- Yes\_\_ No\_\_ 6. Did you receive a complete execution copy of the Franchise Agreement and ADA (if applicable), with all material terms filled in, at least seven (7) calendar days before you signed it?
- Yes\_\_ No\_\_ 7. Have you reviewed the FDD, Franchise Agreement and ADA (if applicable) with a lawyer, accountant or other professional advisor?
- Yes\_\_ No\_\_ 8. Have you discussed the benefits and risks of developing and operating a Best In Class Education Center franchise with an existing Best In Class Education Center franchisee?
- Yes\_\_ No\_\_ 9. Do you understand the risks of developing and operating a Best In Class Education Center franchise?
- Yes\_\_ No\_\_ 10. Do you understand the success or failure of your franchise will depend in part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes\_\_ No\_\_ 11. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement or ADA (if applicable) must be arbitrated in Washington if not resolved informally or by mediation?

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<sup>1</sup> Registration states include California, Hawaii, Illinois, Indiana, the State of Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

Yes\_\_ No\_\_ 12. Do you understand that the Franchise Agreement, ADA (if applicable) and the attachments to those agreements contain the entire agreement between us and you concerning the franchise for the Best In Class Education Center franchise, meaning any prior oral or written statements not set out in the Franchise Agreement, ADA or the attachments will not be binding?

Yes\_\_ No\_\_ 13. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the costs involved in operating a Best In Class Education Center franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

*[If you answer "yes," please describe the statement or promise in Explanation Section]*

Yes\_\_ No\_\_ 14. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the training, assistance or support that will be provided to you that is not contained in the FDD or that is contrary to, or different from, the information in the FDD?

*[If you answer "yes," please describe the statement or promise in Explanation Section]*

Yes\_\_ No\_\_ 15. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the actual, average, projected or hypothetical profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Best In Class Education Center business may generate, other than any information included in Item 19 of the FDD?

*[If you answer "yes," please describe the statement or promise in Explanation Section]*

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

EXPLANATION SECTION

Please include any explanations below and refer to the applicable question number.

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

**EXHIBIT “H”-3**

**GENERAL RELEASE**

*[See Attached]*

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) by \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of BiC Franchise System Corporation, a Delaware corporation (“us,” and together with you and Owner, the “Parties”).

### Background

- A. We signed a Franchise Agreement with you, dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Best In Class Education Center education business;
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**]; and
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

### Agreement

1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.
2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

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

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or

otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Miscellaneous.
  - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
  - (b) This Agreement shall be construed and governed by the laws of the State of Washington.
  - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
  - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
  - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
  - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
  - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
  - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.



IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**FRANCHISE OWNERS:**

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

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

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

**EXHIBIT “H”-4**

**SATELLITE OFFICE ADDENDUM**

*[See Attached]*

## SATELLITE OFFICE ADDENDUM

This Satellite Office Addendum (this “Addendum”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 202\_\_ (the “Effective Date”), between BiC Franchise System Corporation, a Delaware corporation (“us”) and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”). You and we are collectively referred to as the “Parties.”

### RECITALS

- A. The Parties executed a Best in Class Education Center Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 202\_\_, pursuant to which we granted you the right and license to operate a Best In Class Education Center at the following address: [ \_\_\_\_\_ ] (your “Center”).
- B. The Franchise Agreement authorizes you to operate your Center only at the approved location. In addition to operating your Center, you have requested that we grant you the right to develop, own and operate a separate Satellite Office (as defined herein).
- C. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree hereby agree to the terms and conditions set forth below:

### AGREEMENT

1. **Definitions.** Capitalized terms used in this Agreement have the meanings given to them below:

“Addendum” is defined in the Introductory Paragraph.

“Alternative Channels of Distribution” has the meaning given to such term in the Franchise Agreement.

“Center” means the Best In Class Education Center you operate pursuant to the Franchise Agreement, as further described in Recital A to this Addendum. It does not include a Satellite Office.

“Center Territory” means the geographic area described in Part D of Attachment A to the Franchise Agreement that comprises the protected territory associated with your Center.

“Effective Date” is defined in the Introductory Paragraph.

“Franchise Agreement” means the Franchise Agreement granting you the right to develop, own and operate the Center, as further described in Recital A to this Addendum.

“Intellectual Property” has the meaning given to such term in the Franchise Agreement.

“Learning Management System” or “LMS” has the meaning given to such term in the Franchise Agreement.

“Marks” has the meaning given to such term in the Franchise Agreement.

“Parties” is defined in the Introductory Paragraph.

“Satellite Office” means a Best In Class Education Center that: (a) consists of “temporary space” that is not subject to a lease of more than 12 months in duration; and (b) consists of space that is shared between you (or other owner of the Satellite Office) and one or more other businesses or organizations. Examples include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools, and similar types of facilities.

“Satellite Office Fee” means the initial franchise fee you pay to us pursuant §7 of this Addendum for the acquisition of the right to develop, own and operate the Satellite Office.

“Satellite Office Territory” means the geographic area described in Part B of ATTACHMENT A to this Addendum or the Territory Approval Notice we issue to you, as applicable, that comprises the protected territory associated with your Satellite Office.

“Site Approval Notice” means the Site Approval Notice attached hereto as ATTACHMENT B that we issue to you in accordance with §3 of this Addendum to identify the approved site for your Satellite

Office (if the approved site for your Satellite Office is undetermined as of the Effective Date).

“*Territory Approval Notice*” means the Territory Approval Notice attached hereto as ATTACHMENT C that we issue to you in accordance with §4 of this Addendum to identify the boundaries of your Satellite Office Territory (if the Satellite Office Territory is undetermined as of the Effective Date).

“*Transfer*” has the meaning given to such term in the Franchise Agreement.

2. **Grant of Rights.** We hereby grant you the right to establish and operate one (1) Satellite Office from a site we approve in accordance with §3 of this Addendum. Your Satellite Office must: (a) consist of “temporary space” that is not subject to a lease of more than 12 months in duration; and (b) be shared between you and one or more other businesses or organizations. Examples of satellite offices include churches, temples, libraries, HOA buildings, YMCAs, Boys & Girls Clubs, community centers, schools, and similar types of facilities.
3. **Site Approval.** You must locate and obtain our approval of the premises for your Satellite Office within 120 days after the Effective Date. The premises must be located inside the Center Territory (unless we agree to the contrary) and conform to our minimum site selection criteria. You must send us a complete site report that includes all demographic, commercial and other information, photographs and videos we require. We may accept or reject each site you propose in our commercially reasonable judgment. We will use best efforts to issue our approval or disapproval within 15 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15-day period. If we approve the site for your Satellite Office prior to the Effective Date, then the address of the approved site will be listed in Part A of ATTACHMENT A to this Addendum. If we do not approve the site for your Satellite Office prior to the Effective Date, then within 15 days after we approve the site we will send you a Site Approval Notice that identifies the address of the approved site for your Satellite Office. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site shall be deemed immediately effective and binding on you at the time we issue the Site Approval Notice, regardless of whether you send us the signed acknowledgment. Our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Satellite Office. It indicates only that we believe the site meets our minimum criteria.
4. **Satellite Office Territory.** We will grant you a protected territory for your Satellite Office (your “Satellite Office Territory”) that will include between 15,000 and 18,000 students between the ages of 5 and 17 (as of the date we determine the boundaries of your Satellite Office Territory). Unless we agree otherwise, your Satellite Office Territory will consist of the same geographic area that comprises the Center Territory. Your Satellite Office Territory will be identified: (a) in Part B of ATTACHMENT A to this Addendum (if we designate your Satellite Office Territory prior to the Effective Date); or (b) in the Territory Approval Notice we issue to you within 15 days after approving the site for your Satellite Office (if we do not designate your Satellite Office Territory prior to the Effective Date). During the term of this Addendum, we will not develop or operate, or license a third party to develop or operate, a Center or a Satellite Office that is physically located within your Satellite Office Territory except as otherwise provided in this Section with respect to Acquisitions. At any time during the term of this Addendum, we reserve the right to engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within your Satellite Office Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) through Alternative Channels of Distribution, including within the Satellite Office Territory and you are not entitled to any compensation for these sales.
5. **Development and Operation of Satellite Office.** The development and operation of your Satellite Office shall be subject to all of the terms of the Franchise Agreement other than the following Sections of the Franchise Agreement which shall not apply: §2 (Grant of Franchise); §3 (Territorial Rights and Limitations); §4 (Term and Renewal); §5 (Training and Conferences); §6.3 (Opening Assistance); §7 (Establishing your Business); §12 (Minimum Performance Requirements); §14.1 (Initial Franchise Fee);

and the provisions in §21.1 (Termination By You) requiring you to comply with various procedural requirements in order to terminate without cause, but the remaining provisions in §21.1 shall apply to the Satellite Office. You must open your Satellite Office no later than 180 days after the Effective Date.

6. **Term and Termination.** The term of this Addendum shall commence upon the Effective Date and expire upon the expiration, termination or transfer of the Franchise Agreement. You may terminate this Addendum upon notice to us if you close your Satellite Office. Your termination of this Addendum due to the closure of your Satellite Office shall not be deemed grounds for termination of the Franchise Agreement by either Party. We may also terminate this Addendum if you breach any of your obligations under this Addendum or the Franchise Agreement and fail to cure such breach within the applicable cure period. A breach of any term of this Addendum shall have a 30-day cure period.
7. **Satellite Office Fee.** You agree to pay us, in one lump sum, a satellite office fee in the amount designated in Part C of ATTACHMENT A to this Addendum (the “Satellite Office Fee”). The Satellite Office Fee is earned in full upon receipt and is nonrefundable.
8. **Learning Management System.** You must acquire and utilize LMS at your Satellite Office. You must pay a separate initial setup and configuration fee and separate ongoing licensing fees and curriculum distribution fees for use of LMS at your Satellite Office in accordance with §6.2 of the Franchise Agreement. If you purchased your Center from our predecessor, Best In Class Education Center, LLC, and you choose to continue to purchase educational materials from our affiliate LBIS through the BC Portal, then you will instead pay us, in accordance with §6.2 of the Franchise Agreement, (a) a separate \$2,000 BC Portal implementation fee for each Satellite Office; and if you did not execute a Remote Learning Participation Addendum, you will pay a monthly amount calculated as a “base fee” (currently \$4) multiplied by the total number of subjects being taught to all students enrolled at your Center at the end of the prior month (Mathematics, English and STEM are each considered a separate “subject”) (the base fee shall increase by \$1 every January 1st until it is equal to the base fee charged for LMS), and an ongoing monthly curriculum distribution fee calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month; or, if you executed a Remote Learning Participation Addendum, you will pay a monthly amount which is currently \$8 per student per subject per month (Mathematics, English and STEM are each considered a separate “subject”), and an ongoing monthly curriculum distribution fee calculated as the sum of (i) 2% of the difference between your Gross Sales minus your Enrichment Sales from the prior month plus (ii) 1% of your Special Program Sales from the prior month (the licensing fee may be increased on an annual basis by \$2 monthly per student per subject, upon 90 days’ prior notice, but will not exceed \$15 per student per subject per month during the term of the Franchise Agreement). No later than the Discontinuation Date, you must fully migrate to LMS at your own expense, and commence payment to us of the LMS Licensing Fee imposed under the Franchise Agreement. You must pay a separate technology fee of \$100 per month per Satellite Office (the technology fee may be increased to a maximum of \$200 per month per Satellite Office upon 30 days’ notice).
9. **Conversion to Dedicated Brick and Mortar Center.** With our prior written approval, which may be withheld in our commercially reasonable discretion, you may convert your Satellite Office to a dedicated brick and mortar Best In Class Education Center following the opening of the Satellite Office. In order to effectuate such a conversion, you must: (a) sign our then-current form of Best In Class Education Center Franchise Agreement for the converted Satellite Office; and (b) pay us an additional initial franchise fee equal to the difference between the Satellite Office Fee paid for the Satellite Office and our then-current initial franchise fee that would apply to a dedicated brick and mortar Best In Class Education Center. If you convert your Satellite Office, the Center Territory under the franchise agreement for your converted Satellite Office will consist of the same geographic area that comprises your Satellite Office Territory under this Addendum.
10. **Transfer.** You may not Transfer your Satellite Office except in connection with an approved Transfer of your Center.

**11. Miscellaneous.**

- (a) Modification. This Addendum and the Franchise Agreement (as previously amended) when executed constitute the entire agreement and understanding between the Parties with respect to the subject matter contained herein and therein. Any and all prior agreements and understandings between the Parties and relating to the subject matter contained in this Addendum and the Franchise Agreement, whether written or verbal, other than as contained within the executed Addendum and Franchise Agreement, are void and have no force and effect. In order to be binding between the Parties, any subsequent modifications must be in writing signed by both of the Parties.
- (b) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms and conditions in the Franchise Agreement remain in full force and effect.
- (c) Inconsistency. In the event of any inconsistency between the executed Franchise Agreement and this Addendum, this Addendum shall prevail.
- (d) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

\* \* \*

IN WITNESS WHEREOF, the Parties have executed this Addendum on the date first set forth above.

**FRANCHISOR:**

BiC Franchise System Corporation, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**YOU (If you are an entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**YOU (If you are not an entity):**

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

**ATTACHMENT A**  
**TO SATELLITE OFFICE ADDENDUM**

**DEAL TERMS**

**A. Approved Site.**

We hereby approve the site listed below for your Satellite Office.

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

*\* If the site for your Satellite Office has not been approved by us at the time this Addendum is signed, we will send you a Site Approval Notice in accordance with §3 of the Addendum listing the address of the approved site for your Satellite Office.*

**B. Satellite Office Territory.**

The Satellite Office Territory for your Satellite Office shall consist of the following (check appropriate box):

The same geographic area comprising the Center Territory under the Franchise Agreement

The following geographic area (as further depicted on the map attached below):

[ \_\_\_\_\_ ]

If there are any changes to the zip codes or other boundaries that define your Satellite Office Territory during the term of the Addendum or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Satellite Office Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date of this Addendum and depicted on the map below. You may provide suggestions for the Satellite Office Territory but we ultimately have sole discretion to determine the boundaries of your Satellite Office Territory.

*[Insert Map Below (if applicable)]*

*\* If your Satellite Office Territory is not defined at the time you sign this Addendum, we will send you a Territory Approval Notice in accordance with §4 of the Addendum within 15 days after we approve the site for your Satellite Office that includes a description of your Satellite Office Territory with a protected territory map. Your Satellite Office Territory will include between 15,000 and 18,000 students between the ages of 5 and 17.*

**C. Satellite Office Fee.**

You agree to pay us the following Satellite Office Fee (check appropriate box):

\$5,000 (if Satellite Office is located inside your Center Territory)

\$12,000 (if Satellite Office is located outside your Center Territory)

**ATTACHMENT B**  
**TO SATELLITE OFFICE ADDENDUM**  
**FORM OF SITE APPROVAL NOTICE**

*[See Attached]*



**SITE APPROVAL NOTICE**

BiC Franchise System Corporation (“we” or “us”) is issuing this Site Approval Notice (this “Notice”) to \_\_\_\_\_ (“you”), effective \_\_\_\_\_, 202\_\_\_\_, in connection with the Satellite Office Addendum (the “Addendum”) that we executed with you on \_\_\_\_\_, 202\_\_\_\_. The purpose of this Notice is to confirm our approval of the site you proposed for your Satellite Office in accordance with §3 of the Addendum.

**Approved Address for Satellite Office:**

We hereby approve the site listed below for your Satellite Office:

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

\* \* \*

By signing below, you and we agree that the address identified in this Notice shall be deemed the approved site for your Satellite Office established and operated pursuant to the Addendum. You acknowledge and agree that our acceptance of the site you proposed is in no way a representation by us that your site will be successful. Rather, our acceptance merely indicates the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site. Our designation of your approved site, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

**Franchisor**

**Franchisee**

BiC Franchise System Corporation

[ \_\_\_\_\_ ]

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

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

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

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

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

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

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

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

**ATTACHMENT C**  
**TO SATELLITE OFFICE ADDENDUM**  
**FORM OF TERRITORY APPROVAL NOTICE**

*[See Attached]*

**TERRITORY APPROVAL NOTICE**

BiC Franchise System Corporation (“we” or “us”) is issuing this Territory Approval Notice (this “Notice”) to \_\_\_\_\_ (“you”), effective \_\_\_\_\_, 202\_\_\_\_, in connection with the Satellite Office Addendum (the “Addendum”) that we executed with you on \_\_\_\_\_, 202\_\_\_\_. The purpose of this Notice is to confirm our approval of the boundaries of the Satellite Office Territory in accordance with §4 of the Addendum.

**Satellite Office Territory:**

The Satellite Office Territory for your Satellite Office shall consist of the following geographic area (as further depicted on the map attached below):

[ \_\_\_\_\_ ]

If there are any changes to the zip codes or other boundaries that define your Satellite Office Territory during the term of the Addendum or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Satellite Office Territory shall remain defined by the zip codes or other boundaries in effect as of the date of this Notice and depicted on the map below. You may provide suggestions for the Satellite Office Territory but we ultimately have sole discretion to determine the boundaries of your Satellite Office Territory.

*[Insert Map Below (if applicable)]*

\* \* \*

By signing below, you and we agree that the geographic area described in this Notice under “Satellite Office Territory” shall be deemed your Satellite Office Territory under the Addendum for your Satellite Office.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your Satellite Office Territory. Our designation of your Satellite Office Territory, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

**Franchisor**

**Franchisee**

BiC Franchise System Corporation

[ \_\_\_\_\_ ]

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

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

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

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

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

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

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

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

**EXHIBIT “H”-5**

**SOCIAL MEDIA POLICY**

*[See Attached]*

# Social Media Policy for Franchisees

## 1. Introduction

BiC Franchise System Corporation (“Franchisor”) recognizes the opportunities for Best in Class Franchisees (“Franchisees”) to participate in interactive discussions and share information using a variety of “Social Media,” including, but not limited to Facebook, Twitter, Pinterest, YouTube, blogs, podcasts and other social networking websites, apps, comment sections, etc. “Franchisees” use of Social Media can pose risks to “Franchisor’s” confidential and proprietary information, reputation, and brands. To minimize these risks, and to ensure that brand standards are maintained and that trademarks are used appropriately, “Franchisor” requires its “Franchisees” to adhere to the following guidelines and rules regarding Social Media use.

## 2. Rights & Ownership

“Franchisor” has the right to ownership of all “Franchisees” Social Media accounts. All Social Media accounts and intellectual property created or used by “Franchisees” to promote or market the franchised business (“Social Media Marketing Material”) or the Franchise System belong solely to “Franchisor”. “Franchisor” shall own and have the right to control all “Social Media Marketing Material” whether “Franchisee” creates the account or uses, manages, or accesses it. “Social Media Marketing Material” includes any and all login information, data, passwords, trademarks, and content related to the account, including all followers, subscribers, and contacts. Username and password information for all “Social Media Marketing Material” shall be reported to “Franchisor” and not changed without prior authorization from “Franchisor”. “Social Media Marketing Material” does not include Social Media accounts that are created or used by “Franchisees” exclusively for “Franchisees” personal use.

“Franchisor” reserves the right to monitor content produced by “Franchisee”. Although “Franchisee” will have access to individual pages, “Franchisor” reserves the right to post, edit, or remove content on “Franchisee” individual pages and/or created by “Franchisee” on Social Media. All postings by “Franchisor” are final, and may not be deleted or altered by “Franchisee”. This policy is subject to change at any time. “Franchisor” has the right to monitor all “Franchisee” public Social Media accounts and activity.

## 3. Purpose & Principles

“Franchisees” may use Social Media to promote their franchised business and to engage with the community to build brand loyalty. “Franchisee” must read and sign this Social Media Policy prior to creating any social media accounts. All “Franchisee” Social Media accounts must be approved by “Franchisor” prior to “Franchisee” creating Social Media accounts. “Franchisee” is responsible for obtaining likes, followers, and check-ins for individual pages. “Franchisee” will abide by the following principles:

1. Be professional; you are an ambassador for Best in Class both on and off the job.
2. Be honest and objective.
3. Be responsible and respectful.
4. Post meaningful content.
5. Remember that your online comments are permanent, and may be republished in other media.
6. Obey the laws and do not plagiarize. Be aware that anti-trust, libel, copyright, right of publicity, privacy, and data protection laws apply. Be aware that special laws apply to interactions with minors and additional restrictions apply to interactions with persons under the age of 13.
7. Respect proprietary information and confidentiality of clients, staff, and internal operations of Best in Class Education.

8. Do not engage in activities nor comment on behalf of Best in Class Education unless authorized.
9. If you are in doubt, avoid any contribution until you have received permission.
10. Even in your private communications, don't forget that you are a representative of Best in Class Education.

#### **4. Account Creation**

Franchisees must obtain approval before establishing a business account for Best in Class Education.

##### **4.1 Obtaining Approval**

“Franchisees” use of Social Media for company use is governed by the terms of the franchise agreement, the Operations Manual/Standard Operating Procedure (SOP), and this policy. “Franchisor” reserves the right to require “Franchisee” to discontinue use of a particular Social Media account at any time. No “Franchisee” may create any blog, social media page, website, or any other social or online media presence that incorporates the trademarks or other intellectual property of “Franchisor” without prior authorization from “Franchisor”.

##### **4.2 Naming Conventions**

If “Franchisee” receives authorization to create a Social Media account, “Franchisee” is required to use our approved naming convention for the account name. The Social Media account requested for use must either be on the “Franchisor’s” approved list or approved in advance by “Franchisor”. “Franchisor” reserves the right to own the username/handle even when it is no longer part of the franchise system.

#### **5. Account Appearance**

“Franchisee” account will be modeled after “Company” pages.

##### **5.1 Basics**

- Cover photo and profile picture shall be the same as the Corporate page
- “About” information shall be the same as Corporate Page, see “Account Specifics” for more information.
- “Franchisees” are required to include a link to [www.bestinclasseducation.com](http://www.bestinclasseducation.com) on all social media sites and include links to the official “Company” social media pages.

##### **5.2 Visuals**

All pages, profiles, and posts on “Franchisee” Social Media accounts must comply with “Franchisor’s” brand guidelines according to Franchise Agreement and this policy.

All Social Media posts on “Franchisee” accounts are considered “Franchisor’s” marketing materials. Use only approved trademarks, trade names, slogans, logos, and other media. Do not insert any “Company” “Social Marketing Material” onto an unapproved image or video.

##### **5.3 Image Library**

Original images shall be derived from stock photos available in the google drive.

##### **5.4 Formatting**

Ensure photos are sized to each specific Social Media platform. Photos must be resized rather than cropped to fit the correct ratios.

##### **5.5 Account Specifics**

5.5.1 The Parent Page (Best in Class Corporate Facebook Page) will own and possess ultimate control of all child pages (individual location-based pages). “Franchisor” will operate the Best in Class Education main

corporate page. “Franchisor” will provide access to an individual location-based Facebook page for “Franchisee”, which falls under the main corporate page.

All posts from the corporate Facebook page are permanent, and will be displayed on individual location-based pages under any and all circumstances. “Franchisee” does not have permission to edit or delete any content produced by the corporate Facebook page.

“Franchisee” can obtain editor access to this individual location-based page upon signing this Social Media Policy.

“Franchisee” editor access to this individual location-based page includes:

- Editing the page
- Adding apps to the page
- Going live as the page from a mobile device
- Creating and deleting posts as the page
- Sending messages as the page
- Responding to and deleting comments as the page
- Removing and adding people from and to the page
- Creating advertisements and promotions with prior approval from “Franchisor”
- Boosting posts
- Viewing insights

“Franchisee” will incorporate the same information provided below on the individual location-based page, given that any information in brackets will be changed to “Franchisee” specific location information.

Website: <https://www.facebook.com/BestInClassEducationCenter/> [FRANCHISEE FACEBOOK WEBSITE]

Username/handle: @BestinClassEducationCenter [FRANCHISEE USERNAME]

- About page:

- Info: Tutor/Teacher Franchising Service
- Website: <https://www.bestinclasseducation.com>
- Mission:

Best in Class Education is not just our name, but our motto as well. In addition to giving top of the line education from quality instructors, we offer a fully customizable approach towards learning that is sure to move your children towards the head of their class. With weekly testing and fully developed course materials, we monitor students' progress every step of the way. Your children will gain a sense of confidence and excitement towards learning unlike any they have experienced before. Get started today and give your children the gift of a lifetime.

Individual needs require individual attention. That is why at Best In Class Education Center our teachers monitor each student's progress through daily homework exercises and weekly tests and provide tailored help to meet each student's specific needs.

- Contact Info:
  - Call: (888) 683-8108 [FRANCHISEE PHONE NUMBER]
  - Message: @BestInClassEducationCenter [FRANCHISEE USERNAME]
  - E-Mail: [info@bestinclasseducation.com](mailto:info@bestinclasseducation.com) [FRANCHISEE EMAIL]
  - Website: <https://www.bestinclasseducation.com> [FRANCHISEE WEBSITE]
  - More info:
  - About: Our goal is to motivate and encourage students to learn the principles of mathematics and English in a way that they will find rewarding and enjoyable.

- Products: Tutoring Service Pre-K through 12th Grade; SAT / ACT and Gifted Test Prep
- Category: Tutor/Teacher – Franchising Service
- Story: Best in Class Education Centers are institutions specialized in tutoring Mathematics and English for both enrichment and remedial purposes. Opened in Washington in 1995, Best In Class Education Center is committed to strengthening students' analytical and reasoning skills through our tailor-made teaching materials and professional guidance.

The exercises are carefully formulated and tested so as to provide students with enough drilling in different aspects. They enable students to have a complete revision of their learned topics. As an educator, we encourage students to develop their potentials and make progress whenever possible. Therefore, if students are capable of learning something ahead of their day school curriculum schedules, they can proceed to learn and practice it under our step-by-step guidance. In fact, some students are doing mathematics three grades higher than in day school. This learn-at-your-own-pace approach renders the learning process more flexible and prepares students for their future academic needs.

- Milestones: Best in Class reaches 1,000 fans: 2013

### 5.5.2 Twitter

Website: <https://twitter.com/bestinclassedu>

Username/Handle: @BestinClassEdu

- About: Best in Class Education is our name and motto. We offer best in class education from quality instructors. Give your child the gift of a lifetime

### 5.5.3 LinkedIn

Website: <https://linkedin.com/company/best-in-class-education>

- About: Best in Class Education is not just our name, but our motto as well. In addition to giving top-of-the-line education from quality instructors, we offer a fully customizable approach towards learning that is sure to move your children toward the head of their class. With weekly testing and fully developed course materials, we monitor each student's progress every step of the way. Your children will gain a sense of confidence and excitement towards learning unlike any they have experienced before. Get started today and give your children the gift of a lifetime.
- Specialties: Education, Tutoring, Math, English, Test Preparation, SAT/ACT Preparation, Enrichment.
- Website: <http://bestinclasseducation.com/>
- Industry: Education Management
- Type: Educational
- Headquarters: 2100 E Spruce St Seattle, WA 98122 United States
- Founded: 1995

## 6 Usage

### 6.1 Best Practices for Posting Content

- **Add value:**  
Contribute to the community by adding value and keeping material focused and relevant to education-related topics. Social communication should help our parents, students, and staff. To add value, content should improve knowledge, build skills, help solve problems, build problem-solving abilities, or provide



further understanding of our “company,” services, and/or values.

- **Be engaging:**

Social Media promotes the franchised business and engages with customers. Engage in conversation with customers and prospective ones. Social Media should not simply be used to sell; instead it exists to communicate and to build value. Read what others are posting, don't just post your own content. Seek first to understand your audience. Be proactive, get involved, and stay involved with your communities.

- **Be objective:**

Never give an opinion that can be construed as judgmental. Do not talk about politics or religion. Keep it all about the business and the type of information that adds value and is interesting and entertaining. Never share anything you wouldn't say to all parties involved.

- **Do not oversell:**

Use social media to send coupons and offers from time to time, but always seek approval before posting offers and remember to maintain balance. That is, your communications should not be only about sending coupons or sharing offers.

- **Be positive and respectful:**

Encourage, commend, and build up the members of your community. Do not post or link to any materials that are defamatory, harassing, or indecent. Never criticize your competitor. Always be respectful.

- **Be professional:**

Be careful of whose and what messages you repost. You can be judged by the company you're associated with. Make sure that you always associate with people online the same way you do offline.

## 6.2 Voice

### 6.2.1 Community Engagement (Posts, Comments, and Replies)

- Write in first-person perspective as the “Franchisee”. This entails using the username/handle as the “speaker”, and using pronouns such as, ‘we,’ ‘us,’ and ‘our’.
- Only speak on behalf of the “Company” upon receipt of prior approval from the “Franchisor.”
- Use a friendly and engaging voice while maintaining a professional tone. The voice should be fun, simple, easy to read, and informative.
- Be positive and encouraging.
- Use spell check and check your grammar.
- Social Media is conversational, so talk to your readers like you would talk to real people in professional situations. Encourage comments. You can also broaden the conversation by citing other experts (not competitors) in your blogs, or by sharing or reposting other content.

### 6.2.2 Crisis Management (Negative Reviews/Criticism)

If “Franchisee” receives a negative review or comment on any “Social Media Marketing Material”, special consideration must be taken on the approach to the response.

- Do not accept or deny responsibility.
- Be polite.
- Be concise.

- Do not argue with a complaint, instead, offer to discuss the complaint via private messaging to better assist the customer. Example: “I’m sorry you had that experience, please send us a private message so that we can better assist you.”

### 6.3 Scheduled Usage

- “Franchisee” will have regular scheduled postings at least 4 (four) times a month.

### 6.4 Personal Usage

Keep in mind that you are a representative of Best in Class on and off the job. Personal posts, comments, and pictures may reflect on Best in Class if made public. “Franchisee” should use his/her best judgment while posting anything online that could be considered harmful or inappropriate.

Best Practices for Personal Usage:

- Avoid using profanity.
- Do not make defamatory or disparaging comments.
- Do not use Social Media to threaten, harass, or intimidate.
- Do not pick fights or be overly aggressive.
- Avoid discussions about politics or religion.
- Avoid posting in anger.

### 6.5 Restrictions

“Franchisee” speaks for itself and not the “Franchisor”. “Franchisee” is not permitted to make any statements on its Social Media accounts on behalf of the “Franchisor” unless specifically authorized to do so. Although the “Franchisee” Social Media accounts are specific to the franchised business, they still represent the Franchise System as a whole, and “Franchisor” has the right to control brand messaging. “Franchisee” must comply immediately with any request by “Franchisor” to remove or modify any content contained on “Franchisee” Social Media accounts.

Content Restrictions:

- “Franchisee” will not post any material without approval from the Best in Class Support Team.
- “Franchisee” will not offer promotions without approval from the Best in Class Support Team.
- “Franchisee” will not post any sensitive, confidential, personal, or proprietary information or intellectual property regarding “Company,” its employees, or any clientele.
- “Franchisee” will not post the trademarks, slogans, or logos of competitors without the prior written authorization of “Franchisor”.
- “Franchisee” will not post any financial information about “Franchisor”, “Franchisee”, other franchisees, or the Franchise System.
- “Franchisee” will not post any information regarding legal issues involving the Franchise System including, but not exclusive to, disputes or disagreements within the system and with third parties, lawsuits, and compliance issues.
- “Franchisee” will not post any material which is false, threatening, pornographic, defamatory, libelous, harassing, or antagonistic.

Violations of any of the above could result in disciplinary action, up to, and including termination.

## 6.6 Integrity & Attribution

1. Do not defame or libel any person or company.
2. Be honest. Do not post any false content.
3. Do not post under a fictitious name.
4. Do not ask employees, friends, or family to post positive comments, reviews, or ratings to combat negative reviews. This is an unfair and deceptive trade practice under Section 5 of the Federal Trade Commission Act and may also violate state laws. It also violates the terms of service of many ratings websites, and the false comments will be removed or the account suspended or terminated.
5. When sharing other people's content, "Franchisee" will give proper attribution to the original creator of the content, and will not replace the username/handle of the original creator of the content.
6. Do not use the likeness of any person without their permission.
7. Do not post Social Media Content that implies the endorsement of any person who has not agreed in writing to endorse Best in Class Education.
8. Ensure that if a person whom you have compensated in exchange for an endorsement of Best in Class Education discloses that they have been compensated for their endorsement.

## 7. Compliance

This policy does not contain all information relevant to compliance with applicable law or Social Media site's terms of service. "Franchisee" is responsible for investigating all laws and terms of service before engaging in social media. Always use a Social Media site in accordance with its terms of use. "Franchisee" should review the terms of use of all Social Media sites they use and ensure their use complies with them. "Franchisee" is responsible for ensuring their employees are aware of this policy and the terms of the franchise agreement and Operations Manual that apply to "Franchisee" use of Social Media. Violation of these policy guidelines may be grounds for immediate termination. Nothing in this policy should be interpreted to prevent "Franchisee" or the employees of "Franchisee" from discussing working conditions or organized labor on social media or otherwise.

## 8. Conclusion

Social media can help us build a stronger, more successful community, and it's a way for staff, members, and the public to have conversations about important educational news, updates, and matters.

### Franchisee Acknowledgement

I, "Franchisee," acknowledge that I have read "Social Media Policy for Franchisees" and agree to the guidelines, terms, and conditions set forth in this policy:

Franchisee Name:

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Franchisee Signature:

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Date:

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**EXHIBIT "I"**

**TO DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

**State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	June 6, 2023 (amended _____, 2024)
Hawaii	April 30, 2023 (amended _____, 2024)
Illinois	
Indiana	April 30, 2023 (amended _____, 2024)
Maryland	September 20, 2023 (amended _____, 2024)
Michigan	May 3, 2023 (amended February 6, 2024)
Minnesota	August 17, 2023 (amended _____, 2024)
New York	October 17, 2023 (amended _____, 2024)
North Dakota	
Rhode Island	
South Dakota	
Virginia	August 4, 2023 (amended _____, 2024)
Washington	
Wisconsin	April 30, 2023 (amended _____, 2024)

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

**EXHIBIT "J"**  
**TO DISCLOSURE DOCUMENT**

**RECEIPTS**

*[See Attached]*

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 BiC Franchise System Corporation offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (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 BiC Franchise System Corporation 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, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

\_\_\_\_ Hao Lam; 3712 88th Ave SE, Mercer Island, Washington 98040; (206) 380-6068

\_\_\_\_\_  
Issuance Date: April 3, 2023 (amended February 6, 2024)

BiC Franchise System Corporation’s agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

- EXHIBIT "A" List of State Administrators and Agents for Service of Process
- EXHIBIT "B" Agent for Service of Process
- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "E" Table of Contents of the confidential Brand Standards Manual
- EXHIBIT "F" List of Franchisees
- EXHIBIT "G" Financial Statements of BiC Franchise System Corporation
- EXHIBIT "H" Other Agreements
- EXHIBIT "H"-1 State Addenda
- EXHIBIT "H"-2 Franchisee Disclosure Questionnaire
- EXHIBIT "H"-3 General Release
- EXHIBIT "H"-4 Satellite Office Addendum
- EXHIBIT "H"-5 Social Media Policy
- EXHIBIT "I" State Effective Dates
- EXHIBIT "J" Receipts

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

\_\_\_\_\_  
Date

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner’s copy. The other Receipt must be signed and returned to BiC Franchise System Corporation.)

## 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 BiC Franchise System Corporation offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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EXHIBIT "J"	Receipts

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 Print Name

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 (Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to BiC Franchise System Corporation.)