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To simplify the language of this Offering Circular "Daekyo America" or "We" means Daekyo America, Inc., the franchisor.

"You" means the individual who buys the franchise. This franchise is offered to natural persons only, and is not available to corporations, partnerships, or other entities.

**1. The Franchisor, its Predecessors and Affiliates**

1.1 The Name of the Franchisor, its Predecessors and Affiliates. The franchisor is Daekyo America, Inc., a California corporation ("Daekyo America" or "We"). Daekyo America was incorporated on November 1, 1990, and is a wholly-owned subsidiary of Daekyo Corporation, Ltd., a corporation organized and existing under the laws of the Republic of Korea ("Daekyo Korea"). Daekyo America does not have any predecessors.

1.2. The Name Under Which the Franchisor Does or Intends to Do Business. Daekyo America is doing business and intends to do business under its own name. It may use any of the following names at times: "Noonnoppi Korean," "Noonnoppi Math(ematics)," "Noonnoppi Teaching," "Noonnoppi Methods," "Noonnoppi Class," "Noonnoppi English," "Noonnoppi System," "E.nopi Language," "E.nopi MATH," "E.nopi," and "E.nopi Learning Center." The word "Noonnoppi" literally means "one's eye level" in Korean. It represents special teaching methods developed and perfected by Daekyo Korea emphasizing self-paced teaching geared toward the particular needs and ability of each student. The brand name for overseas business outside of Korea will be "E.nopi".

1.3. The Principal Business Address of the Franchisor, its Predecessors and Affiliates, and the Franchisor's Agent for Service of Process. Daekyo America has its principal

place of business at 3333 Wilshire Boulevard, Suite 520, Los Angeles, California 90010.

Daekyo Korea maintains its principal place of business at Noonoppi Boramae Center, 729-21, Bongchon-dong, Kwanak-ku, Seoul, Korea.

Affiliates of Daekyo America are (a) Daekyo D&S, Daekyo CNS, Daekyo Culture Foundation, Daekyo Children TV, Daekyo Publishing, all of which are Korean corporations, conduct no business in the United States, and have their corporate headquarters at the same address as Daekyo Korea; and (b) Daekyo USA, a Delaware corporation, and Daekyo USA is a wholly-owned subsidiary of Daekyo Korea with its headquarters at 701 Palisades Avenue, Englewood Cliffs, New Jersey 07632. Daekyo USA operates E.nopi Learning Center franchises in the eastern United States

The name and address of Daekyo America's agent for service of process in California are: Hak Hyung Kim, 3333 Wilshire Boulevard, Suite 520, Los Angeles, California 90010.

1.4. The Business Form of the Franchisor. Daekyo America is a corporation organized and existing under the laws of the State of California.

1.5. The Franchisor's Business and the Franchises to be Offered in this State. Daekyo America offers a franchise to operate neighborhood supplemental teaching classes under the name of E.nopi Learning Center (the "Franchise"). Daekyo America's franchisees teach the languages and math at the E.nopi Learning Centers utilizing E.nopi instructional materials and methods developed and provided by Daekyo America. Daekyo America has offered franchises for this type of business since 1991. Daekyo Korea has operated similar supplemental teaching institutions in Korea since 1976.

The primary target groups of Daekyo America's operations in the United States originally were Korean-American pre-school, primary, and secondary school students. Since Daekyo Korea offers supplemental teaching programs in Korea, some Korean-American parents and students living in the United States who have immigrated to the United States already are familiar with Noonoppi Methods and are a logical group from which to recruit students for E.nopi Learning Centers. Daekyo America's goal is to achieve the same name recognition in the United States with all parents and children, so Daekyo America has expanded its student base to include everyone who is interested in receiving a high quality education in the subjects that the E.nopi Learning Centers offer. The emphasis remains on pre-school, primary, and secondary school students, both high-achieving and those who need remedial work.

Daekyo America provides a complete set of instructional materials and administrative forms to you without additional charge. Instructional materials consist of work sheets, diagnostic tests, and achievement tests. Administrative forms include all forms necessary for registration and enrollment of students

Each student begins his or her study at the appropriate level as determined by a pre-enrollment placement test. In mathematics, there currently are 32 different levels in nine different areas. Each level of E.nopi MATH has 240 pages of worksheets. In Korean, there are 10 different levels. Each level of E.nopi KOREAN has approximately 200 pages of worksheets. E.nopi ENGLISH has 8 different levels and each level has 200 pages of worksheets.

Noonoppi Methods emphasize self-learning and disciplined practice by each student. Upon enrollment, students are provided with a set of worksheets. They must study approximately half an hour for each subject at home every day. Each student is expected to

finish approximately 100 pages of math worksheets and 90 pages of Korean and English language worksheets per month. In addition, they are provided with an approximately hour of classroom instruction for each enrolled subject per week at the E.nopi Learning Center they attend.

Each E.nopi Learning Center must be open at least two days a week and not less than four hours per day. You may set the opening hours for your center. In-class instruction is mostly by face-to-face tutorials that you conduct.

It is not required that you have previous teaching experience. As a prospective franchisee, however, you should have a good moral character, an aptitude and enthusiasm for teaching, and a basic understanding of the subjects being taught. You will be trained by Daekyo America before assuming any in-class teaching assignments.

You will be granted a license to use the name "E.nopi Learning Center" for your franchise operation. Each Franchise is for a single-location center where the Math and language can be taught. You are given a territory within which you can locate the center and operate the Franchise. Daekyo America, at its sole discretion, may grant a Franchise to a third person within the assigned territory after six months from the date on which you opened your E.nopi Learning Center. In addition, we reserve the right to promote the use of Noonoppi Methods by licensing public and private schools and in-home tutors to use the Noonoppi Methods.

There are competitors of Daekyo America that provide supplemental and after-school education classes in some or all of the same subjects and to the same age groups of students as Daekyo America, including Kumon, Sylvan Learning Centers, Jaeneung Educational Institute, Inc. (JEI), and The Huntington Learning Centers. One or more of these competitors

Institute, Inc. (JEI), and The Huntington Learning Centers. One or more of these competitors may do business in California. As of December 31, 2005, Daekyo America had 7 offices throughout the United States through which it arranged in-home tutoring using Noonoppi Methods. See Exhibit B-2 for a list of these offices, seven of which are operating on the effective date of this Offering Circular.

1.6 The Prior Business Experience of the Franchisor, its Predecessors and Affiliates. Daekyo Korea, the parent company of Daekyo America, was established in 1976. The combined enrollment of all such centers in Korea exceeds 2.5 million students as of December 31, 2005. Daekyo Korea also publishes books and magazines geared toward pre-school through secondary school children.

Daekyo America has offered the Franchises since July 1991. Exhibit B-1 summarizes Daekyo America's franchise activities during 2005, 2004, and 2003.

Neither Daekyo Korea nor Daekyo America has offered franchises in other lines of business. Daekyo Korea does not directly offer or operate any franchise business in the United States.

## 2. **Business Experience**

### 2.1 Director. Sang Hoon Woo

The sole director of Daekyo America is Sang Hoon Woo. Mr. Woo currently is serving as president, chief financial officer, and secretary of Daekyo America.

### 2.2 Principal Officers. Sang Hoon Woo

Mr. Woo is president, chief financial officer, and secretary of Daekyo America. He has overall management responsibility for the franchising of E.nopi Learning

Centers in the United States. Mr. Woo had worked as director of Daekyo Korea from April 21, 1994, until he was appointed president of Daekyo America on April 7, 2004. He has been president of Daekyo America since April 7, 2004.

There are no other individuals who are officers of Daekyo America. Daekyo America does not use any franchise brokers, but does have one employee who sells the Franchises in California.

### 3. **Litigation**

Kumon North America, Inc. v. Daekyo America, Inc. and Daekyo Co., Ltd. (United States District Court, Central District of California, Case No. 01-02806 GHK). This copyright infringement action against Daekyo America and Daekyo Korea is pending in the United States District Court for the Central District of California (the "Kumon Proceeding"). On March 26, 2001, Kumon North America, Inc. ("Kumon NA") filed a copyright infringement action against Daekyo America and Daekyo Korea (collectively "Daekyo Defendant"). Kumon Institute of Education, Inc. ("Kumon Japan," together with Kumon NA, "Kumon") was joined as a plaintiff to this action on October 8, 2002. Kumon is a major competitor of Daekyo America, Daekyo Korea, and Daekyo USA in the sale and distribution of education materials.

The original complaint alleged that, without consent, approval, or license, Daekyo Defendant has infringed and continues to infringe upon certain exclusive rights of Kumon NA in the Kumon math materials. The complaint sought permanent injunctive relief. Kumon subsequently amended the complaint to add, inter alia, a claim for money damages. Daekyo Defendant denies Kumon's claims on the basis of, inter alia, laches, lapse of copyright, lack of copyrightability, and estoppel.



The parties engaged in court-ordered mediation and settlement discussions from September 2001 to September 2002, during which time a stay of discovery was in place. The settlement discussions proved unsuccessful, and the Court lifted the stay on October 7, 2002. Thereafter, the parties proceeded with discovery limited to Daekyo Korea's motion to dismiss for lack of personal jurisdiction. The Court denied the motion on April 7, 2003, and the parties proceeded with merits discovery.

Merits discovery has consisted of written and oral discovery. Written discovery has included the exchange of interrogatories, requests for admissions, and requests for documents. Oral discovery has included the depositions of key witnesses.

Daekyo Defendant is vigorously defending the Kumon Proceeding. Other than this 1 action, no litigation is required to be disclosed in this Offering Circular.

**4. Bankruptcy**

No person previously identified in Item 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or under comparable laws of Korea or any other foreign country.

**5. Initial Franchise Fee**

Upon signing the Franchise Agreement, you must pay Daekyo America (a) a one-time, lump-sum initial franchise fee of \$2,000, and (b) a \$1,000 security deposit, which Daekyo America will return, without interest, when (i) your Franchise expires or is terminated, (ii) you return all Daekyo America materials to Daekyo America, and (iii) you otherwise comply with your obligations under Section 8.5 of the Franchise Agreement. There are no other initial payments to Daekyo America from you unless you purchase from Daekyo America supplies

such as pencils, pencil boxes, or additional folders beyond the one folder for each student that Daekyo America provides. Daekyo America provides these additional supplies at their wholesale prices, and your purchase and resale of these supplies are optional.

**6. Other Fees**

**6.1 Summary of Other Fees.**

<b>Description</b>	<b>Amount</b>	<b>Due Date</b>	<b>Payee</b>
Initial Enrollment Fees	50% of enrollment fees received. See Item 6.2 below	Fifth day of the following month. See Item 6.4 below.	Daekyo America
Monthly Tuition	28%-40% of tuition received. See Item 6.3 below.	Fifth day of the following month. See Item 6.4 below.	Daekyo America
Supplies (Optional)	Minimal; less than \$200/year. See Items 5 and 6.5.	According to invoices	Daekyo America
Insurance Premiums	Various. See Items 6.6 and 7 below.	Depending on the individual contract	Insurance carrier

6.2 Initial Enrollment Fees. You pay Daekyo America one half of the initial enrollment fees you charge each student who enrolls in your E.nopi Learning Center. The current initial enrollment fee is \$30 per person. You may waive initial enrollment fees for those students listed in Schedule B attached to the Franchise Agreement. Section 3.5 of the Franchise Agreement defines Daekyo America's share of the initial enrollment fees as a "Royalty."

6.3 Monthly Tuition. The suggested monthly tuition fee for a student is \$85 per subject. You pay Daekyo America an amount equal to the applicable percentage of all tuition charged to and collected from students for each subject that they study at your E.nopi

Learning Center. Section 3.5 of the Franchise Agreement defines Daekyo America's share of the monthly tuition as a "Royalty." The applicable percentages for calculation of the amount to be paid Daekyo America each month are as follows:

<b>Number of subjects</b>	<b>Percentage</b>	<b>Due Date</b>
1 - 29	40%	Fifth day of each month
30 - 59	38	Fifth day of each month
60 - 79	35	Fifth day of each month
80 - 99	33	Fifth day of each month
100 - 125	30	Fifth day of each month
126+	28	Fifth day of each month

6.4 Monthly Payment Due Date. Payments for enrollment fees and monthly tuition charges (Royalties) are due and payable to Daekyo America on or before the fifth day of each month.

6.5 Supplies. You may purchase and carry Daekyo America's folders, pencils, and pencil boxes for sale or gifts to students. Daekyo America will provide the supplies to you at wholesale prices. Payments for the supplies are due in accordance with invoices. Daekyo America provides you with instructional and administrative materials and one folder per person without charge, except for a refundable \$1,000 security deposit. See Items 1.5, 4 and 11.3A. A list of these materials is attached as Schedule E to the Franchise Agreement.

6.6 Insurance Premiums. You must carry the liability and casualty insurance described in Section 6.11 of the Franchise Agreement. Your landlord also may require you to maintain liability and casualty insurance on your leased premises or its contents. The Franchise Agreement and applicable law also require that you maintain workers compensation insurance for any employees that you may have.

**7. Initial Investment**

You may incur certain initial set-up costs and expenses. The following table shows an estimate of your required initial investment.

**Estimated Initial Investment**

<b>Item</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$2,000	Lump Sum	On Signing the Franchise Agreement	Daekyo America
Security Deposit	\$1,000	Lump Sum	On Signing the Franchise Agreement	Daekyo America
Start-up Training	\$200	Lump Sum	At signing of Training Agreement	Daekyo America
Rent	\$1,000- \$2,000	As Incurred	Monthly; First Month Usually Due on Signing Lease	Landlord
Security Deposit	\$1,000- \$2,000	Lump Sum	Prior to Opening, Usually Due Upon Signing Lease	Landlord
Insurance Premiums	\$500- \$1,000	As Incurred	Prior to Opening, Depending on the Individual Contract	Insurance Carrier
Sign, Furniture, and Supplies (1)	\$1,000- \$5,000	Lump Sum	Prior to Opening	Suppliers
Computers (2)	\$1,000- \$2,000	As incurred	Prior to Opening	Suppliers
Advertising	\$500	As Incurred	As Incurred	Media

<b>Item</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Business License	\$150	As Incurred	Usually Prior to Opening, Depending on the Municipal Regulations	Municipal Government

Fictitious Name Registration and Publication	\$50 - \$200	Lump Sum, Depending on the Individual Contract	Prior to Opening	County Recorder/Registrar and Local Newspaper
Additional Funds (Three Months)	\$2,000 - \$3,000	As Incurred	As Incurred	Rent, Employees, Suppliers, Utilities, Taxes
<b>TOTAL</b>	\$10,400 to \$17,050			

- 1) Tables or student desks and chairs (new or used); reception area chairs (new or used); blackboard (new or used); exterior signs; pencils and erasers; Daekyo America provides instructional and administrative materials at its expense.
- 2) You must use our proprietary software, ERP, which will assist in all aspects of operating your E.nopi Learning Center. Your computer must have Internet capability and have an e-mail address used exclusively for your E.nopi business.

The figures in this Item 7 are estimates only, and we cannot guarantee that you will not have greater or additional expenses starting the business. Your costs will depend on factors such as local economic conditions, the local market for supplemental education classes, competition, number of employees you hire, if any, prevailing wages, and the rating area for calculation of insurance premiums. To compile these estimates, we have relied on information provided by our franchisees and on our 15 years of experience providing supplemental education classes and franchising such classes. You should review these figures carefully with a business advisor before making any decision to purchase a Franchise.

Daekyo America does not provide any financing arrangements for franchisees. We will provide new franchisees with one of the following two subsidies: (a) rent or other subsidies on or around the opening date of the E.nopi Learning Center; or (b) rebates of some royalties (see Items 6.2 and 6.3) which have already been paid by franchisees for a period of up to the first six months of the term of the Franchise. The actual amount, form, and timing of subsidies shall be determined by Daekyo America in its sole discretion and shall not be subject to challenge by franchisees. These subsidies will not apply to existing franchisees or former franchisees opening an E.nopi Learning Center again.

There are no other direct or indirect payments to Daekyo America in conjunction with the purchase of the Franchise.

#### **8. Restrictions on Sources of Products and Services**

At your center, you must use only Noonnoppi instructional materials provided by Daekyo America. Daekyo America provides you the instructional materials without any charge. (See Item 5 regarding security deposit.) Instructional materials provided free of charge include work sheets, diagnostic tests, achievement tests, record sheets, progress charts for each student, and instructor's manuals. The list of instructional and administrative materials provided by Daekyo America is attached as Schedule E to the Franchise Agreement.

Daekyo America may approve or disapprove the location and facilities of your center. Daekyo America has no other specifications, designated suppliers, or approved suppliers for goods, services, or real estate relating to your franchise business. Neither Daekyo America nor any of its affiliates derives any income based upon the lease of your location. Please see Item 11.2 for additional information regarding site selection.

You have no obligations to purchase or lease any other items from Daekyo America or any other designated source.

**9. Franchisee's Obligations**

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Offering Circular</b>
a. Site selection and acquisition/lease	Section 4 of Franchise Agreement	Item 11.2
b. Pre-opening purchases/leases	Section 4 of Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Sections 4 and 5 of Franchise Agreement	Items 6, 7, and 11
d. Initial and ongoing training	Section 5 of Franchise Agreement	Item 11
e. Opening	Section 4 of Franchise Agreement	Item 11
f. Fees/Deposits	Section 3 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Section 6 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 7, 8.5, and 10.10 of Franchise Agreement	Items 13 and 14

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Offering Circular</b>
i. Restrictions on products/services offered	Section 4, 6 and 9 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 6 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	None	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 6 of Franchise Agreement	Item 11
n. Insurance	Section 6.11 of Franchise Agreement	Items 6 and 8
o. Advertising	None	Items 6 and 11
p. Indemnification	Section 6.11 of Franchise Agreement	Item 6
q. Owner's participation/management staffing	Sections 5 and 6 of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 6.3 and 6.8 of Franchise Agreement	Item 6
s. Inspections/audits	Section 6.4 of Franchise Agreement	Items 6 and 11
t. Transfer	Sections 8.6 and 10.1 of Franchise Agreement	Item 17
u. Renewal	Section 2.2 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 8.5 of Franchise Agreement	Item 17



	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Offering Circular</b>
w.	Non-competition covenants	Sections 9 and 10.10 of Franchise Agreement	Items 15, 16, and 17
x.	Dispute resolution	Sections 10.2 and 10.6 of Franchise Agreement	None

## 10. **Financing**

Neither Daekyo America nor any of its affiliates offers direct or indirect financing. Daekyo America does not guarantee your note, lease, or any other obligation. There is no payment that Daekyo America receives from any person for the placement of your financing with that person.

## 11. **Franchisor's Obligations**

Except as disclosed below, Daekyo America need not provide any assistance to you:

11.1 Selection of Franchisee. We will evaluate your application for the Franchise through an in-depth interview. If you demonstrate your proficiency in the subject area and are judged to have a good moral character and an aptitude and enthusiasm for teaching, you will be invited to participate in the Franchisee Training Program.

11.2 Selection of the Center Site. Prior to signing the Franchise Agreement, you must identify the location for your E.nopi Learning Center. We must approve the site you identify and select. The site must be in an area where students are safe to come and study. The facility you choose should be large enough to accommodate at least 20 students at a time. We will not approve any residential property as the Franchise site.

Except for Daekyo America's approval, as described in the preceding paragraph, it is your obligation and responsibility to select the site for your center and to make any necessary legal arrangements to lease or rent the facilities.

11.3 Obligations of Franchisor During the Franchise Operation. When you and an authorized officer of Daekyo America sign the Franchise Agreement, the franchisor-franchisee relationship is established. While the franchise relationship exists, we will provide you with the following materials and training:

A. Materials. Under the terms of Section 6.1 of the Franchise Agreement, we will provide you with instructional and administrative materials necessary for classroom instruction, testing, grading, reporting, and the operation of the E.nopi Learning Center. A list of these materials is attached to the Franchise Agreement as Schedule E. Those materials will be provided without charge, except for the refundable security deposit discussed in Item 5. Daekyo America's supplies of pencils, pencil boxes, and additional work folders are not essential to the operation of the Franchise and are not required. If you choose to purchase these items, we will sell them to you at wholesale prices.

B. Training. We will provide initial and on-going training and education to you during the term of the Franchise Agreement.

All of Daekyo America's current instructors have at least university degrees, and some have advanced degrees in the field of education. All of Daekyo America's instructors have been with Daekyo America for at least five years with management and teacher training responsibilities. All of Daekyo America's instructors have experience both in Korea and in the

United States, and they have participated in the development of Noonoppi Methods and Daekyo America's training program.

All Daekyo America's training programs focus on Noonoppi Methods, rather than general pedagogic techniques. Noonoppi Methods are based on a self-paced, individualized approach to learning that emphasizes drills so that students become so familiar with the fundamental facts and skills of the subject that they eventually can focus on creative problem-solving and real life application rather than math or language mechanics. All trainees are taught how to present Daekyo America's instructional approach and materials to students.

There are no additional programs or refresher courses required other than the following training programs:

<b>Description</b>	<b>Length</b>	<b>Trainees</b>	<b>Attendance (4)</b>	<b>Fees (5)</b>
Basic (1)	30 hours	New Franchisees	Mandatory	\$200
First-Year Training (2)	24 hours/year	All First Year Franchisees	Mandatory	None
Supplemental Training (3)	16 hours/year	All Franchisees	Mandatory	None

1) Before your E.nopi Learning Center opens, you must have on-the-job training for at least one week at an existing E.nopi Learning Center designated by Daekyo America. This initial training program will introduce you to the extensive work booklets for each of the subjects that Daekyo America offers. These work booklets emphasize extensive practice of the fundamentals of each subject area. You will be taught how to diagnose each student's level, select the individualized program for the student, and monitor the student's progress, both orally

and with written achievement tests. At least one full day is spent observing the center in operation with students in attendance. You also will be taught business fundamentals as they apply to the management and operation of a center, as well as instruction in your reporting requirements to Daekyo America. The total training consists of approximately 30 hours over a period of five days. There is \$200 fee for initial training. (Sections 5.1 and 5.4 of Franchise Agreement.)

2) During the first twelve months of the Franchise, you must attend at least four training sessions of 6 hours each. Attendance at these sessions is mandatory for first-year franchisees, unless waived by Daekyo America. There is no fee for this training. During the first year training, Daekyo America's instructors review the initial training subject matter and provide greater detail. If Daekyo America has developed new materials or procedures, those also are presented during the first year training. (Sections 5.1 and 5.4 of Franchise Agreement.)

3) Beginning in the second year of the Franchise, you must attend 16 hours per year of training. Attendance at such training is mandatory, unless waived by Daekyo America. There is no fee for this training. The 6 hours of annual supplemental training is for franchisees with at least one full year of experience operating their center. The supplemental training consists of review of prior training and presentation of any new materials or procedures. (Sections 5.2 and 5.4 of Franchise Agreement.)

4) With the consent of Daekyo America, you may fulfill the training requirements explained above by self-study of appropriate training materials in lieu of physically attending sessions if the training location is outside a one hundred twenty mile radius of your center. (Section 5.3 of Franchise Agreement.)

5) Except for the lump-sum initial franchise fee due upon signing the Franchise Agreement and start-up training fee, there are no fees or charges to participate in Daekyo America's training programs. However, you are expected to pay for your own travel and lodging expenses, if any. (Section 5.4 of Franchise Agreement.)

C. Subsidies; Rebates. Daekyo America does not provide any financing arrangements for franchisees. We will provide new franchisees with one of the following two subsidies: (a) rent or other subsidies on or around the opening date of the E.nopi Learning Center; or (b) rebates of some royalties (see Items 6.2 and 6.3) which have already been paid by franchisees for a period of up to the first six months of the Franchise. The actual amount, form, and timing of subsidies shall be determined by Daekyo America in its sole discretion and shall not be subject to challenge by franchisees. These subsidies will not apply to existing franchisees or former franchisees opening an E.nopi Learning Center again.

11.4 Advertising. Periodically, Daekyo America, in its sole discretion, will place advertisements in the local media (primarily newspapers) to promote its educational methods. This advertising is prepared by Daekyo America's staff and is at no cost to you. There is no advertising council composed of franchisees. We do not participate in any local or regional advertising cooperative. Subject to Daekyo America's prior approval, you may run your own advertising campaigns at your own cost.

11.5 Computer Data and Information You must obtain a computer for use at your E.nopi Learning Center. You must use our proprietary software, ERP, which will assist in all aspects of operating your E.nopi Learning Center. Your computer must have Internet capability and have an e-mail address used exclusively for your E.nopi business.

11.6 Operating Manuals. We do not provide you with any operating manual, but we do provide instructional, testing, and administrative materials. See Schedule E to the Franchise Agreement, which is Exhibit A to this Offering Circular.

11.7 The Typical Length of Time Between the Signing of the Franchise Agreement and the Opening of the Franchise Business. The typical length of time between the signing of the Franchise Agreement and the opening of the Franchise business is approximately one month.

## 12. **Territory**

You will be given a territory within which you can operate the Franchise. The assigned territory is not exclusive to you. Daekyo America may grant additional Franchises in the territory after you have been open for business for six months. These Franchises may compete with you. In addition, we have the right to promote the use of Noonnoppi Methods by operating company-owned classes or by licensing or otherwise contracting with public schools, private schools, and in-home tutors to use Noonnoppi Methods and materials.

## 13. **Trademarks**

13.1 Daekyo America Marks. Daekyo Korea has granted Daekyo America an exclusive license to use in California, Oregon, Washington, Nevada, Utah, Arizona, Idaho, Montana, Wyoming, Colorado, New Mexico, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Arkansas, Canada, Guatemala, and Mexico, the following trademarks, service marks, trade names, and commercial symbols:

A. "Daekyo," which is a trade name under which Daekyo Korea does business in Korea.

B. Commercial symbols that appear on the upper left corner of the facing page ("Daekyo Symbols"). The first symbol represents "eyeview" or "Noonnoppi." The word "Noonnoppi" literally means "one's eye level" in Korean. It represents special teaching methods developed and perfected by Daekyo Korea emphasizing self-paced teaching geared toward the particular needs and ability of each student. The second symbol represents Daekyo America's prosperous future with its management philosophy based upon humanism.

C. "Noonnoppi," which literally means "one's eye level." The word is used to describe Daekyo America's methods based on self-paced teaching at the appropriate level for each individual.

D. "Eyeview," which is the English word to describe Noonnoppi Methods.

E. Noonnoppi Math (Registration No. 2282382, October 5, 1999), Daekyo, with accompanying Daekyo Symbol (Registration No. 2282384, October 5, 1999), Daekyo America, with accompanying Daekyo Symbol (Registration No. 2258358, July 6, 1999), Noonnoppi (in Korean characters), with accompanying Daekyo Symbol (Registration No. 2495213, October 9, 2001), Eyeview, with accompanying Daekyo Symbol (Registration No. 2156165, May 12, 1998), and Noonnoppi Korean, with accompanying Daekyo Symbol (Registration No. 2282383, October 5, 1999) (collectively, the "Registered Marks"), have been registered on the Principal Register with the United States Patent and Trademarks Office as trademarks, service marks, or both. The date of first commercial use of the Registered Marks is no later than 1996, except Registration No. 2495213, which has a date of first commercial use no later than 1997. Noonnoppi Class, Noonnoppi Methods, Noonnoppi Teaching, Noonnoppi

Learning Center, and Noonoppi System are unregistered trademarks in commercial use since approximately 1992. Daekyo America has used the DAEKYO English unregistered mark since 2002, and the E.nopi and the E.nopi MATH unregistered marks since approximately April 1, 2003. On February 11, 2003, Daekyo Korea filed two trademark registration applications with the United States Patent and Trademark Office for "E.nopi" (Serial Nos. 76489286 and 76489287). All the foregoing unregistered trademarks are collectively referred to in this Offering Circular as the "Unregistered Marks."

Neither Daekyo Korea nor Daekyo America has registered the single word "Noonnoppi" in English characters, but the date of first commercial use of the word "Noonnoppi" is no later than 1991. Moreover, the word "Noonnoppi," when combined with the word "math" and when combined with the word "Korean," are registered trademarks. Daekyo Korea has not applied for trademark registrations for the words "E.nopi MATH" (though it has applied for "E.nopi"). By not having a Principal Register federal registration for the single word "Noonnoppi" or for the Unregistered Marks, Daekyo America and Daekyo Korea do not have certain presumptive rights granted by a registration. However, Daekyo America believes that its Registered Marks that include the word "Noonnoppi" should protect the use of the word in the context of the supplemental education classes that Daekyo America Franchises offer. Daekyo America also believes that, when effective, its registration of the word "E.nopi" should protect the use of the word "MATH," "ENGLISH," "KOREAN," when combined with the word "E.nopi." There are no effective determinations of the Patent Office, the trademark administrator of the State of California, or any court. There is no pending material litigation involving proprietary marks that are material to the Franchise.



The Registered Marks, the Unregistered Marks, and the Daekyo Marks collectively are referred to in this Offering Circular as the "Daekyo Marks." The Daekyo Marks are set forth in Schedule A to the Franchise Agreement.

The license agreement between Daekyo Korea and Daekyo America has a one-year term, automatically renewed for an additional one-year terms unless one of the parties terminates it. Daekyo Korea may terminate the agreement at any time for cause if Daekyo America breaches the agreement or files a bankruptcy or similar proceeding. The agreement specifically authorizes Daekyo America to sub-license to franchisees.

13.2. Franchisees' Use of Daekyo Marks. Daekyo America grants you the right to use the Daekyo Marks, but you will have no right to use them for purposes other than conducting your franchise business.

You must follow our rules when you use the Daekyo Marks. You cannot use the Daekyo name or the Daekyo Marks as part of a corporate name or with modifying words, designs or symbols except for those which Daekyo America licenses to you. You may not use Daekyo America's registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Daekyo America.

You must notify Daekyo America immediately when you learn about an infringement of, or challenge to, your use of the Daekyo name or the Daekyo Marks. Daekyo America will take the action deemed appropriate. While Daekyo America is not required to defend you against a claim against your use of the Daekyo name or the Daekyo Marks, Daekyo America will reimburse you for your liability and reasonable costs in connection with defending

the Daekyo name or Daekyo Marks. To receive reimbursement you must have notified Daekyo America immediately when you learned about the infringement or challenge.

You must modify or discontinue the use of a Daekyo Mark if Daekyo America modifies or discontinues it. If this happens, Daekyo America will reimburse you for your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest Daekyo America's right to Daekyo America's trademarks, trade secrets, or business techniques that are part of Daekyo America's business.

Daekyo America does not know of any infringing factors that could materially affect your use of the Daekyo name or the Daekyo Marks.

#### **14. Patents, Copyrights, and Proprietary Information**

No patents are material to the franchise. Neither Daekyo Korea nor Daekyo America has filed a formal application for a copyright registration in the United States for the instructional and administrative materials. However, the instructional and administrative materials have protection under United States copyright laws until at least 2051 based upon Daekyo Korea's first publication in 1976 and Daekyo America's first publication in 1991, but Daekyo Korea and Daekyo America do not have certain presumptive rights granted by a registration. As Daekyo Korea and Daekyo America publish new materials, those materials should be protected (but not subject to certain presumptive rights available only by registration) for 75 years from the date each item is first published. There are no effective determinations of the United States Copyright Office, the State of California, or any court. There is no pending material litigation involving copyrights that is material to the Franchise, and Daekyo America

does not know of any infringing factors that could materially affect your use of Daekyo America's proprietary materials, except for the Kumon Proceeding discussed in Item 3 above.

The instructional and administrative materials are proprietary, and Item 16 of this Offering Circular describes limitations on your use of these materials. You must modify or discontinue your use of Daekyo America's proprietary materials if Daekyo America modifies or discontinues them, but Daekyo America will replace these materials for you at its expense. You also must promptly advise us when you learn about any unauthorized use of our proprietary materials. We are not obligated to take action, but we will respond to this information as we think appropriate. We will reimburse you for any losses you incur by using these materials. To receive reimbursement you must have notified Daekyo America immediately when you learned about the unauthorized use.

**15. Obligation to Participate in the Actual Operation of the Franchise Business**

You are solely responsible for instruction at your center and management of the Franchise, and you must personally conduct classes and teach students using the Noonoppi Methods. You also must attend initial and periodic training and be available to consult with students and their parents or guardians. The Franchise Agreement is personal to you and any rights and obligations under the Franchise Agreement cannot be assigned or delegated. You may employ a qualified assistant to assist you in performing clerical work.

During the term of the Franchise Agreement, you cannot solicit, enroll, or accept any students who do not reside in your territory. During the term of the Franchise Agreement, and for a period of five years after its termination, you must not own, manage, operate, or participate in, whether as an employee, officer, director, agent or franchisee of or a consultant to,

any business, enterprise, entity or occupation that is engaged in any supplemental educational system, except with Daekyo America's prior written consent. For five years after the termination of the Franchise Agreement, you must not directly or indirectly solicit students or employees of Daekyo America, except with Daekyo America's prior written consent. (See also Items 16 and 17 below.)

You shall not at any time disclose any trade secrets or other confidential information of Daekyo America that you have obtained as a result of being a franchisee of Daekyo America. (See Section 10.10 of the Franchise Agreement.)

**16. Restrictions on What the Franchisee May Sell**

You must only use instructional and administrative materials provided by Daekyo America in teaching your classes. Daekyo America reserves the absolute right to change its instructional and administrative materials at any time. You must not sell any instructional or administrative materials that you receive from Daekyo America. You must get prior approval of Daekyo America to use any of the instructional or administrative materials for purposes other than teaching students enrolled at your center. Enrollment is open to any and all students, regardless of their grade, school, or age. All instruction must be given at the site of your center; no in-home tutoring is permitted.

During the term of the Franchise Agreement, you cannot solicit, enroll, or accept any students who do not reside in your territory.

During the term of the Franchise Agreement and for five years after its termination, you may not own, manage, operate, or participate in, whether as an employee, officer, director, agent or franchisee of or a consultant to, any business, enterprise, entity or

occupation that is engaged in any supplemental educational system, except with Daekyo America's prior written consent. For five years after the termination of the Franchise Agreement, you must not directly or indirectly solicit students or employees of Daekyo America, except with Daekyo America's prior written consent.

You shall not at any time disclose any trade secrets or other confidential information of Daekyo America that you have obtained as a result of being a franchisee of Daekyo America. (See Section 10.10 of the Franchise Agreement.)

#### 17. **Renewal, Termination, Transfer and Dispute Resolution**

This table lists important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Term of the franchise	Section 2	Initial term is one year
b. Renewal of the franchise	Section 2	If your performance is satisfactory, term may be renewed for one year
c. Requirements for you to renew or extend	Section 2	Your performance meets the minimum standards as set forth in Schedule G of the Franchise Agreement
d. Termination by you	Section 8.2	Upon 90 days written notice to Daekyo America by you
e. Termination by Daekyo America without cause	None	

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
f. Termination by Daekyo America with cause	Section 8.3	Daekyo America can terminate if you fail to make payments, submit reports, or comply with other provisions of the Franchise Agreement
g. "Cause" defined - curable defaults	Section 8.3	Failure to make payments or file reports; failure to attend training classes; failure to open center within 90 days of signing Franchise Agreement; 50% reduction in class enrollment; failure to follow Noonoppi Methods; failure to comply with other provisions of Franchise Agreement, other than those in Section 8.4
h. "Cause" defined - defaults which cannot be cured	Section 8.4	Non-curable defaults: conviction of felony, bankruptcy, death, repeated defaults even if cured, abandonment, willful and material falsification of report, trademark misuse, unapproved transfers, and involvement in operations of competitors
i. Your obligations on termination/non-renewal	Section 8.5	Obligations include complete de-identification and payment of amounts due (also see r below)
j. Assignment of contract by Daekyo America	Section 10.1	Daekyo America may assign to an entity controlled by it or Daekyo Korea
k. "Transfer" by you	Sections 8.4(f), 8.6, and 10.1	You cannot assign or delegate without Daekyo America's consent

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
l. Daekyo America's approval of transfer by you	Section 8.6	Daekyo America has the right to approve all transfers
m. Conditions for Daekyo America approval of transfer	Section 8.6	New franchisee qualifies
n. Daekyo America's right of first refusal to acquire your business	None	
o. Daekyo America's option to purchase your business	None	
p. Your death or disability	Section 8.4(e)	Automatically terminated
q. Non-competition covenants during the term of the franchise	Sections 9 and 10.10	No involvement in competing business; non-solicitation of students
r. Non-competition covenants after the franchise is terminated or expires	Sections 9 and 10.10	For 5 years from the termination of franchise; non-solicitation of students and employees
s. Modification of agreement	Section 10.4	Modifications only in writing
t. Integration/merger clause	Section 10.3	Only the terms of the Franchise Agreement are binding (subject to state law)
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	None	

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
w.	Choice of law	Section 10.2	California law applies

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law.

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

**18. Public Figures**

Daekyo America does not use any public figure to promote its franchises.

**19. Earnings Claims**

Daekyo America does not furnish or authorize its employees, agents, or salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of E.nopi Learning Centers. Actual results vary from center to center and Daekyo America cannot estimate the results of any particular franchise.

**20. List of Outlets**

Attached to this Offering Circular as Exhibit B-1 is a summary of franchise activity for the years ended December 31, 2005, 2004, and 2003.



Attached to this Offering Circular as Exhibit B-2 is a summary of company-owned center activity for the years ended December 31, 2005, 2004, and 2003. However, Daekyo America does not offer any supplemental education classes at any of these centers. At all these centers, Daekyo America only arranges in-home tutoring using Noonoppi Methods. Daekyo America also has a business office in Los Angeles, California.

Attached to this Offering Circular as Exhibit B-3 is a summary of Daekyo America's projected openings of franchise centers and company-owned in-home tutorial centers as of December 31, 2005. Daekyo America expects to grant ten or more franchise units in California during the one-year period from the date of this Offering Circular

During the fiscal year ended December 31, 2005, a total of three franchises were canceled by mutual agreement because the franchisee either moved or changed employment. A list with names and last-known addresses and telephone numbers is attached to this Offering Circular as Exhibit B-5.

**21. Financial Statements**

Attached hereto as Exhibit C are Daekyo America, Inc.'s financial statements: audited balance sheets as of December 31, 2005, 2004, and 2003, and audited profit and loss statements for the years ended December 31, 2005, 2004, and 2003.

**22. Contracts**

A copy of the Franchise Agreement is attached hereto as Exhibit A.

**23. Receipt**

A detachable acknowledgment of receipt of this Offering Circular is attached as the last page of this Offering Circular.