

JEI SELF-LEARNING SYSTEMS, INC.

FRANCHISE AGREEMENT

EXHIBIT C TO THE OFFERING CIRCULAR

Revised: March 29, 2006

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EXHIBITS

- A. GENERAL RELEASE
- B. NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
- C. GUARANTY AND ASSUMPTION OF OBLIGATIONS
- D. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS
- E. RENEWAL AGREEMENT
- F. INITIAL INVENTORY
- G. MULTI-STATE ADDENDA

JEI SELF-LEARNING SYSTEMS, INC.

FRANCHISE AGREEMENT

This Franchise Agreement made this _____ day of _____, 20____, is by and between JEI SELF-LEARNING SYSTEMS, INC., a California corporation, having its principal place of business at 4221 Wilshire Blvd., Suite 224, Los Angeles, California 90010 ("Franchisor"), and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor has developed or acquired a license to use and sublicense the use of, and is in the process of further developing, a System (as defined herein) identified by the service mark "JEI SELF-LEARNING CENTERS" and relating to the establishment and operation of learning centers (the "JEI Self-Learning Centers") that offer a nurturing educational environment utilizing the "SELF-LEARNING SYSTEM" of helping students understand theories and concepts by working on their own;

WHEREAS, Franchisor has developed or acquired certain Proprietary Products (as defined herein) which are specially suited for use in the operation of JEI Self-Learning Centers, and which Franchisor shall furnish to Franchisee and furnishes to other franchisees on a for-profit basis;

WHEREAS, in addition to the service mark, "JEI SELF-LEARNING CENTERS" and certain other Marks (as defined herein), and the Proprietary Products, the distinguishing characteristics of the System include, without limitation, uniform standards and procedures for efficient business operations; products and supplies; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies; techniques and trade secrets; and the Manual (as defined herein);

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a single JEI Self-Learning Center using the System and the Marks;

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

WHEREAS, Franchisee desires to establish and operate a JEI Self-Learning Center and has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of Franchisee's representations made in such application; and

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

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

1. **DEFINITIONS**

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

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

"Agreement" means this agreement entitled "JEI SELF-LEARNING SYSTEMS, INC. Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

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

"Approved Location" means the site for the operation of the Franchised Center selected by Franchisee and approved in writing by Franchisor, as identified in Section 2.2;

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

"Competitive Business" means any business which offers (or grants franchises or licenses to others to operate a business that offers) products or services which are the same as, similar to or competitive with those provided by JEI Self-Learning Centers or in which Confidential Information could be used to the disadvantage of Franchisor or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to any JEI Self-Learning Center operated by Franchisee under a franchise agreement with Franchisor;

"Confidential Information" means any trade secrets or other confidential or proprietary information of Franchisor, regardless of the form or medium of such information or the manner of disclosure, relating to the Franchise, the System, the Marks, the Copyrighted Materials or the Proprietary Products, including, without limitation, know-how, knowledge of and experience in operating a JEI Self-Learning Center, methods, formats, specifications, policies, procedures, information, standards, business management and operating systems and techniques; record keeping and reporting methods; accounting systems; management and personnel training techniques; advertising and promotion techniques; specifications for signs, displays, business forms, and business stationery to be used by franchisees; designs, drawings, and specifications for the Approved Location; the Manual; ideas, research and development; student account data; lists of franchisees and suppliers; suggested pricing and cost information; information relating to computer hardware and software specifications, including, without limitation, technological manuals, system requirements, technological support systems, training programs or techniques; product information; this Agreement and any other information or material identified by Franchisor as confidential or proprietary; provided, however, that Confidential Information shall not include information that (a) is already in the possession of Franchisee at the time of its disclosure to Franchisee by Franchisor, unless provided to Franchisee in connection with this Agreement and provided that such information is not subject to any other confidentiality or non-disclosure agreement; (b) is or becomes generally known to the public other than as a result of a disclosure, directly or indirectly, by Franchisor; or (c) is disclosed to Franchisee on a non-confidential basis by a person other than Franchisor, provided that such person is not in violation of a confidentiality or non-disclosure agreement with Franchisor in making such disclosure;

"Cooperative Advertising" means the combined advertising program of two (2) or more Franchisees established within a common market that Franchisor may require for JEI Self-Learning Centers within a particular region;

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

"Designated Area" shall have the meaning given to such term in Section 2.3;

"Director" means the person designated by Franchisee who has primary responsibility for managing the day-to-day operations and affairs of the Franchised Center, provided that if Franchisee is an individual and not a business entity, the Director shall be Franchisee;

"Effective Date" means _____, 20____;

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

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" shall have the meaning given to such term in Section 3.1;

"Franchised Center" means the JEI Self-Learning Center to be established and operated by Franchisee pursuant to this Agreement;

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

"Franchisor" means JEI SELF-LEARNING SYSTEMS, INC.;

"Franchisor Indemnitees" shall have the meaning given to such term in Section 21.2;

"Grand Opening Advertising" shall have the meaning given to such term in Section 11.1;

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

"Gross Sales Reports" shall have the meaning given to such term in Section 12.2;

"Incapacity" means the inability of Franchisee to operate or oversee the operation of the Franchised Center for a period of more than four (4) calendar days by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

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

"Initial Inventory Fee" shall have the meaning given to such term in Section 3.2;

"Initial Term" shall have the meaning given to such term in Section 4.1;

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

"JEI Self-Learning Centers" shall have the meaning given to such term in the recitals to this Agreement;

"Local Advertising" shall have the meaning given to such term in Section 11.2;

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

"Marketing Fund" means the System-wide marketing, advertising and promotion fund defined in Section 3.4 and established by Franchisor in Section 11.3;

"Marketing Fund Contribution" shall have the meaning given to such term in Section 3.4;

"Marks" means the service mark "JEI SELF-LEARNING CENTERS" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with JEI Self-Learning Centers, including, without limitation, the following: "Jaeneung," "JEI," "JEI Self-Learning Centers," "Jaeneung Classes," "JEI Self-Learning Systems, Inc.," "JEI Self-Learning System," "Jaeneung Mathematics," "Jaeneung Korean," "Jaeneung Chinese Character Class," "Hanja," "Jaeneung English Class," "Ipsum," "Tendercare," "Thinking Pizzaa" and "A Better Life Through Better Education;"

"Monthly Royalty Fee" shall have the meaning given to such term in Section 3.3;

"Proprietary Products" means such products and other items for use in connection with JEI Self-Learning Centers specified by Franchisor from time to time as Proprietary Products in accordance with Section 13.2 hereof;

"Renewal Term" shall have the meaning given to such term in Section 4.2;

"Royalty Rate" shall have the meaning given to such term in Section 3.3;

"System" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may, from time to time, be added to, amended, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of JEI Self-Learning Centers;

"Taxes" shall have the meaning given to such term in Section 3.5; and

"Uniform Franchise Offering Circular" means Franchisor's Uniform Franchise Offering Circular which Franchisor has provided to Franchisee in connection with this Agreement.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts from Franchisor, upon the terms and conditions herein contained, a revocable, limited, nonexclusive license to operate one (1) JEI Self-Learning Center at the Approved Location using the System, the Marks, the Copyrighted Materials and the Proprietary Products.

2.2 Approved Location

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

2.3 Approved Location Not Determined

If the Approved Location of the Franchised Center has not been determined as of the Effective Date, then the geographic area in which the Franchised Center may be located shall be restricted to the geographic area described below (the "Designated Area"). When the Approved Location has been determined, its address shall be inserted into Section 2.2, provided that the failure to insert such address shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection to Franchisee. The following is a detailed description of the geographic area or boundaries of the Designated Area:

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity to perform any part of the rights or obligations licensed to Franchisee hereunder, or to grant any person or entity the right to act as Franchisee's agent or representative to perform any part of Franchisee's rights or obligations hereunder.

2.5 Territory

Franchisor does not grant exclusive territories and retains the right to establish JEI Self-Learning Centers at any location Franchisor, in its sole discretion, desires.

2.6 Franchisor's Rights

2.6.1 The Franchise granted under this Agreement is nonexclusive and Franchisor retains all rights and discretion with respect to the System, the Marks the Copyrighted Materials and the Proprietary Products, including, without limitation, the following:

2.6.2 To establish, own or operate, and to license others the right to establish, own or operate, JEI Self-Learning Centers at any location, except the Approved Location, as Franchisor deems appropriate;

2.6.3 To establish, own or operate, and to license others to establish, own or operate, other businesses offering the same or competitive products and/or services utilizing the Marks or other trade names, trademarks or service marks without offering Franchisee any right thereto;

2.6.4 To establish, own or operate, and to license others to establish, own or operate other businesses that utilize trade names, trademarks or service marks other than the Marks at any location, as Franchisor deems appropriate;

2.6.5 To sell or otherwise distribute products and/or provide services similar to or competitive with the products and/or services offered through the Franchised Center, whether using the Marks or other trade names, trademarks or service marks, through any alternate channel of distribution (including, without limitation, the Internet or other distribution channels), under terms and conditions that Franchisor, in its sole discretion, deems appropriate;

2.6.6 To use the Marks in other businesses that are not competitive with JEI Self-Learning Centers;

2.6.7 To acquire businesses that are similar to or competitive with JEI Self-Learning Centers;

2.6.8 To be acquired by any third party which operates businesses similar to or competitive with JEI Self-Learning Centers; and

2.6.9 To engage in any business or other activities not expressly forbidden by this Agreement.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee to Franchisor of TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) (the "Franchise Fee"). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except as provided in Section 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including, without limitation, general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Initial Inventory Fee

Prior to commencing operation of the Franchised Center, Franchisee shall pay a fee to Franchisor of (the "Initial Inventory Fee"). The Initial Inventory Fee is payment for Franchisee's purchase of the Initial Inventory from Franchisor as described in Exhibit F.

3.3 Monthly Royalty Fee

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature whatsoever, so long as this Agreement remains in effect, a royalty fee (the "Monthly Royalty Fee") which shall be the product of the number of subjects multiplied by the Subject Fee plus the Minimum Fee of \$250, and the Registration Fee/Diagnostic Test Fee per subject as set forth below:

Number of Subjects	Subject Fee	Minimum Fee	Registration Fee/Diagnostic Test Fee
1-100	\$17	\$250	\$15 per subject
101-200	\$14	\$250	\$15 per subject
201- and up	\$12	\$250	\$15 per subject

Should a student take the diagnostic test and not register for a subject or register for a subject and not take the diagnostic test the Registration Fee/Diagnostic Test Fee is still due and payable.

Each payment of a Monthly Royalty Fee shall accompany the monthly Gross Sales Report, as required by Section 12.2, for such monthly period. If Franchisor requires Franchisee to pay Monthly Royalty Fees through electronic transfer, as provided for in Section 3.6, the Gross Sales Reports may be submitted to Franchisor via facsimile transmission or e-mail.

3.4 Marketing Fund Contribution

Franchisor shall have the right, in its sole discretion, to establish and administer a System-wide marketing, advertising and promotion fund ("Marketing Fund"), which shall be funded by contributions from Franchisees. If a Marketing Fund is established by Franchisor, Franchisee shall be required to contribute on a monthly basis, an amount ("Marketing Fund Contribution") specified by Franchisor to the Marketing Fund. The Marketing Fund Contribution shall not exceed one percent (1%) of Franchisee's monthly Gross Sales. Marketing Fund Contributions shall be made at the same time and in the same manner as Monthly Royalty Fee payments. If established, the Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 11.3.

3.5 Taxes

Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes ("Taxes") imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor, whether such services or goods are furnished by sale, lease or otherwise, ; provided,

however, that Taxes shall not include any income taxes assessed on Franchisor for doing business in the state where the Franchised Center is located.

3.6 Electronic Transfer

Franchisor shall have the right to require that Franchisee pay all Monthly Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor under this Agreement, including any Taxes, through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such Electronic Depository Transfer Account for the purpose of receiving any payments due to Franchisor hereunder. Every month, Franchisee shall make timely deposits to the Electronic Depository Transfer Account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any and all documents required to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's prior written consent.

3.7 Late Fees

All Monthly Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor under this Agreement, including any Taxes, that are not received by Franchisor within five (5) business days after the due date shall incur a late fee at a rate of eighteen percent (18%) per annum (or the highest rate allowed by Applicable Law, whichever is lower) from the date such payment is due until the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs and expenses incurred by Franchisor in the collection of any unpaid and past due Monthly Royalty Fees, Marketing Fund Contributions, amounts due for purchases from Franchisor or any other amounts due Franchisor, including, without limitation, reasonable accounting and attorneys' fees. This Section 3.7 shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

3.8 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments received from Franchisee to any past due indebtedness of Franchisee for Monthly Royalty Fees, Marketing Fund Contributions, amounts due for purchases from Franchisor or any other amount owed to Franchisor, including any Taxes.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of five (5) years from the Effective Date, unless sooner terminated pursuant to Section 16 (the "Initiation Term"); provided, however, that the first year of Franchisee's operations is a probationary period (the "Probation Period"). If, at the end of the Probation Period, Franchisee does not have students enrolled in at least fifty (50) subjects, the Probation Period may be extended at Franchisor's sole discretion until such subject enrollment level is reached.

4.2 Renewal Term

Subject to the conditions set forth below, Franchisee shall have the right to renew the Franchise at the expiration of the Initiation Term and any Renewal Term (as defined herein) for an additional term of five (5) years from the date of such expiration (a "Renewal Term"). To qualify for a Renewal Term, each of the following conditions shall have been fulfilled and remain true as of the last day of the then-current term of this Agreement:

4.2.1 Franchisee has, during the entire duration of the then-current term of this Agreement, substantially complied with all material provisions hereof;

4.2.2 Franchisee has access to and, for the duration of the subsequent Renewal Term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards, for the duration of such Renewal Term;

4.2.3 Franchisee has, at its own expense, made such capital expenditures during the then-current term as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Center reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor, and has timely met such obligations during the then-current term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given prior written notice of the renewal to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the then-current term of this Agreement;

4.2.7 Franchisee has executed Franchisor's current form of Franchise Agreement offered by Franchisor in the grant of Franchises to prospective new franchisees, or has executed the Renewal Agreement attached as Exhibit E hereto, at Franchisor's election (with appropriate modifications to reflect that the Franchise Agreement relates to the grant of a renewal Franchise), which Franchise Agreement or renewal documents shall supersede this Agreement in all respects. The terms of such Franchise Agreement or renewal documents, including, without limitation, the amounts of the Monthly Royalty Fees and Marketing Fund Contributions, may vary from the terms of this Agreement; provided, however, that Franchisee shall not be required to pay an additional Franchise Fee in connection with the Renewal Term;

4.2.8 Franchisee has complied with Franchisor's then-current qualifications for a new Franchisee and has agreed to comply with any new or additional training requirements; and

4.2.9 Franchisee has executed a general release, in a form substantially similar to the General Release attached as Exhibit A hereto, of any and all claims against Franchisor, its Affiliates and their respective officers, directors, shareholders, managers, members, partners, owners, employees, agents and representatives, except to the extent prohibited by the laws of the state in which the Franchised Center is located.

5. APPROVED LOCATION

5.1 Selection of Site

Following the Effective Date, Franchisee shall promptly select a site for the Franchised Center and shall notify Franchisor of such selection. If Franchisor approves of such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of such alternative sites for the Franchised Center until such time as Franchisor has approved of a site for the Franchised Center. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Franchised Center. Franchisor has the right to approve or disapprove of a proposed location for the Franchised Center based on such factors as Franchisor, in its sole discretion, deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other JEI Self-Learning Centers, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, parking availability and overall suitability. Franchisor shall notify Franchisee of its approval or disapproval of a proposed site for the Franchised Center within a reasonable time after Franchisee notifies Franchisor of the selection of such site. Franchisee shall not locate the Franchised Center on a selected site without the prior written approval of Franchisor. *Franchisor does not represent that it, or any of its owners or employees have special expertise in selecting sites for JEI Self-Learning Centers. Neither Franchisor's assistance nor approval in selecting the location for the Franchised Center is intended to indicate or in fact indicates that the Franchised Center will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location.*

5.2 Lease of Approved Location

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

5.2.1 A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise grant;

5.2.2 A provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Center, as Franchisor may request;

5.2.3 A provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor, in its sole discretion and at its sole option, the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) business days after the expiration of the period in which Franchisee may cure the default;

5.2.4 A provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of Applicable Law;

5.2.5 A provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Center;

5.2.6 A provision stating that any default under the lease shall constitute a default under this Agreement; and

5.2.7 A provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the Approved Location and operate the Franchised Center.

5.3 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, copies of standard plans and specifications for the development of a JEI Self-Learning Center, including exterior and interior design and layout, fixtures, equipment, décor and signs. (the "Specifications"). The Specifications are subject to alteration as may be necessary in Franchisor's sole discretion. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with the Specifications within one hundred eighty (180) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.3.1 Employ a qualified licensed architect or engineer to prepare, subject to Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the Specifications;

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

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

5.3.4 Employ a qualified, licensed general contractor approved by Franchisor to complete construction of all required improvements to the Approved Location;

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

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

5.3.7 Establish Internet access and obtain at least one (1) telephone number and one (1) facsimile number solely dedicated to the Franchised Center.

5.4 Opening

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

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

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

5.4.1.3 Complete initial training required under Section 8 of this Agreement to the satisfaction of Franchisor;

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

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

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

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

5.4.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Center at the Approved Location within ten (10) months following the Effective Date. The parties acknowledge and agree that time is of the essence under this Agreement.

5.5 Use of Approved Location

Franchisee shall not use, or permit any other person to use, the Approved Location for any purpose other than the operation of a JEI Self-Learning Center in full compliance with this Agreement and the Manual without the prior written consent of Franchisor, which consent may be withheld for any reason.

5.6 Relocation

Franchisee shall not relocate the Franchised Center without the prior written consent of Franchisor, which consent may be withheld or delayed at Franchisor's sole discretion. If the lease for the Approved Location expires or terminates without the fault of Franchisee or if the Franchised Center's premises are destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its reasonable discretion, allow Franchisee to relocate the Franchised Center. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set

forth in Sections 5.1 through 5.4. Franchisor shall have the right to charge Franchisee for any costs or expenses incurred by Franchisor in providing assistance to Franchisee in relocating the Franchised Center, including, without limitation, accounting and attorneys' fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance to Franchisee. If no proposed relocation site meets with Franchisor's approval, this Agreement shall be terminated as provided in Section 16.2.1.2.

6. PROPRIETARY MARKS

6.1 Ownership

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

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name or trade name, with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, without the prior written consent of Franchisor. Franchisee shall not use any Mark or Copyrighted Materials in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under Applicable Law. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee under this Agreement. Franchisee shall not register or seek to register as a copyright, either with the United States Copyright Office or any state or foreign country, any of the Copyrighted Materials. Franchisee shall include on its letterhead, forms, cards and other identifying materials, and shall display at the Approved Location, at least two (2) prominent notices stating that the Franchised Center is an "Independently Owned and Operated JEI Self-Learning Center Franchise." One of the foregoing notices shall be affixed to or near the main entry of the Approved Location.

6.3 Notification of Infringements and Claims

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

6.4 Reimbursement for Use of Marks or Copyrighted Materials

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

6.5 Discontinuance of Use

If it becomes necessary, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of any of the Marks or Copyrighted Materials and/or to use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions in that regard within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of any of the Marks or Copyrighted Materials or any loss of goodwill associated with any modified or discontinued Marks or Copyrighted Materials or for any expenditure made by Franchisee to promote modified or substitute Marks or Copyrighted Materials.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and Copyrighted Materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks and Copyrighted Materials in the operation of the Franchised Center, Franchisor and its designees shall have the right to enter and inspect the Franchised Center and the Approved Location at all reasonable times and, additionally, shall have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Center in accordance with the quality control provisions and performance standards established by Franchisor under this Agreement. Franchisor and its designees shall have the right, at any reasonable time, to

remove sufficient quantities of products, supplies or other inventory items offered for retail sale, used in the preparation of products offered for retail sale or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor and its designees shall have the right to observe Franchisee and its employees during the operation of the Franchised Center and to interview students and employees and to photograph and videotape the Franchised Center.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing any of the Marks or any variation thereof. Franchisor has the exclusive right to advertise on the Internet and create websites using or containing any of the Marks (including "JEI SELF-LEARNING CENTER"). Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual.

7. COVENANTS

7.1 Requirement of Confidentiality

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

7.2 Improvements

If Franchisee, during the term of this Agreement, conceives or develops any improvements or additions to the System, copyrightable works, Internet websites, or any other documents or information pertaining or relating to the System or the Franchise, or any new trade names, trademarks and service marks or other commercial symbols related to the Franchise, or any advertising or promotional ideas related to the Franchise (collectively, "Improvements"), Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's prior written approval before using any such Improvements. Any Improvement approved by Franchisor may be used by Franchisor and all other franchisees of Franchisor without any obligation to Franchisee for royalties or similar fees. Any and all Improvements shall be deemed the sole and exclusive property of Franchisor and "works-made-for-hire" under this Agreement. To the extent any Improvement does not qualify as a "work-made-for-hire," Franchisee shall assign to Franchisor, without charge, any and all rights or interests Franchisee has in such Improvements. Franchisor, in its sole discretion, may make application for, and own, copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may consider such Improvements as the property and trade secret of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees of Franchisor that has been generally authorized for use by such other franchisees.

7.3 In-Term Covenant Not to Compete

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

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

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

7.3.1.3 Directly or indirectly, on behalf of Franchisee or any other person, partnership, company, corporation, proprietorship, or other entity, solicit, divert, take away or interfere with any of the employees of Franchisor or any other franchisee of Franchisor.

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

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

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

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that, without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, the Marks and the Copyrighted Materials.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Prior to the opening of the Franchised Center, the Director and up to one (1) assistant shall attend and successfully complete, to Franchisor's reasonable satisfaction, an initial training program consisting of not more than ten (10) business days of classroom and on-the-job instruction pertaining to operation of the Franchised Center including, but not limited to, preparation and presentation of educational programs, sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for the training required under this Section 8.1; provided, however, that all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with, and prior to, the opening of the Franchised Center, Franchisor shall make available to Franchisee for approximately three (3) days, one (1) of Franchisor's representatives, experienced in the System, for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Center. In the event that Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Center, Franchisor, in its sole discretion, may make available to Franchisee such additional assistance as Franchisor deems necessary and appropriate; provided, however, that Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines, in its sole discretion, that the Director is unable to complete the training program to Franchisor's reasonable satisfaction, Franchisor shall have the right to terminate this Agreement. In the event that this Agreement is terminated pursuant to this Section 8.3, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release in substantially the form attached as Exhibit A hereto. If Franchisee is a business entity and the Director fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute Director and such substitute Director shall complete the initial training to Franchisor's reasonable satisfaction. To the extent that the substitute Director requires training in addition to the initial training required by Section 8.1, Franchisee shall be required to pay Franchisor's then-current rates for such additional training.

8.4 New Director

If Franchisee is a business entity and Franchisee names a new Director following the opening of the Franchised Center, then the new Director shall be required to complete the initial training program to Franchisor's reasonable satisfaction within thirty (30) days after being named as the Director. The new Director may attend the initial training program without charge to Franchisee; provided, however, that Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Director's attendance at such training; and provided further that Franchisor shall have the right to require Franchisee to pay all costs of such training if Franchisor determines, in its sole discretion, that the appointment of Directors by Franchisee has become excessive or is caused by poor hiring practices.

8.5 Ongoing Training

From time to time during the term of this Agreement, Franchisor may require the Director to attend ongoing training programs or seminars. Franchisor, in its sole discretion, may charge a fee for any ongoing training

required hereunder. Franchisor shall not require the Director to attend more than one (1) ongoing training session or collectively not more than three (3) days of ongoing training in any calendar year. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Director's attendance at such training.

9. MANUAL

9.1 Manual

On the Effective Date, Franchisor shall provide to Franchisee one (1) copy of the Manual. Franchisee shall conduct the Franchised Center in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2 Revisions

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

9.3 Confidentiality

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

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Center to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

10.2 Modification of the System

Franchisor shall retain the right to revise or modify the System from time to time in any manner including, without limitation, by the adoption and use of new or modified Marks or Copyrighted Materials or the purchase and/or use of new or additional computer hardware, software, equipment, products, supplies or techniques. Franchisee shall accept and use any such revisions or modifications to the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such revisions or modifications in the System may reasonably require; provided, however, that Franchisee shall not be required to implement or conform to any such revisions or modifications to the extent that the cost of implementing or conforming to such revisions or modifications would exceed (a) ONE DOLLAR (\$1.00) during the first (1st) year of the Initial Term; (b) FIVE THOUSAND DOLLARS (\$5,000.00) at any time following the first (1st) year of the Initial Term, except as provided in subsection (c) of this Section 10.2 (which amounts may be increased consistent with increases to the Consumer Price Index, (U.S. City Average, all items, 1982-84=100), as published by the United States Department of Labor, Bureau of Labor Statistics ("CPI-U")); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement provided that Franchisee provides written notice of its intention not to renew this Agreement. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.3.

10.3 Variance

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

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Grand Opening Advertising

Franchisee shall spend no less than ONE THOUSAND DOLLARS (\$1,000.00) during the first three (3) months of operation of the Franchised Center on local advertisement and promotion of the initial opening of the Franchised Center ("Grand Opening Advertising"). All materials to be used in Grand Opening Advertising must be approved by Franchisor prior to their use pursuant to the requirements of Section 11.2.2. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall continuously promote the Franchised Center. Every month, for the first two (2) years of the Initial Term, Franchisee shall spend the greater of THREE HUNDRED FIFTY DOLLARS (\$350.00) or two percent (2%) of the previous month's Gross Sales on advertising, promotions and public relations within the immediate locality surrounding the Franchised Center ("Local Advertising"). For any periods following the first two (2) years of the Initial Term, the required Local Advertising expenditure shall be two percent (2%) of Gross Sales. Such expenditures shall be made directly by Franchisee, subject to the approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of its expenditures on Local Advertising for the preceding month.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, ad copy, coupons, flyers and scripts. Franchisor shall use its commercially reasonable efforts to provide notice of approval or disapproval to Franchisee within twenty (20) days from the date any such materials are received by Franchisor. If Franchisor does not approve submitted materials within twenty (20) days, such materials shall be deemed to not have received the required approval. Franchisee shall not use any marketing or promotional material prior to receiving Franchisor's approval. The submission of advertising and promotional materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee provides services or sells products.

11.3 Marketing Fund

Franchisor has the right (but not the obligation) to establish a Marketing Fund, as defined in Section 3.4. In the event that Franchisor establishes a Marketing Fund, Franchisee shall be required to make monthly Marketing Fund Contributions, the amount of which shall be set by Franchisor and may be adjusted from time to time; provided, however, that the Marketing Fund Contributions shall not exceed one percent (1%) of the previous month's Gross Sales. Franchisor shall notify Franchisee at least thirty (30) days prior to implementing or changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee according to the following requirements:

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

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

11.3.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s)

shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

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

11.3.5 Each JEI Self-Learning Center operated by Franchisor shall make Marketing Fund Contributions at the same rate as Franchisee or other franchisees of Franchisor.

11.3.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor shall retain the right to have the Marketing Fund audited on an annual basis, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

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

11.4 Cooperative Advertising

Franchisor shall have the right, but not the obligation, to create a Cooperative Advertising program for the benefit of JEI Self-Learning Centers located within a particular region. Franchisor shall have the right to (a) allocate any portion of the Marketing Fund to a Cooperative Advertising program; and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. Franchisor shall have the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor shall have the right to establish an advertising council composed of franchisees within such region to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and Franchisee shall abide by the council's decisions.

11.5 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Center without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator ("URL") www.jeilearning.com (the "Website") that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include on the Website an interior page containing information about the Franchised Center. If Franchisor includes such information on the Website, Franchisor shall have the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's prior written approval. Franchisor shall retain the sole right to market on the Internet, including, without limitation, the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing programs and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements as set forth in the Manual. Franchisor shall retain the sole right to use the Marks and the Copyrighted Materials on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor shall retain the sole right to approve any linking to, or other use of, the Website.

11.6 Telephone Directory Advertising

Franchisee shall be required to list and advertise the telephone number(s) for the Franchised Center in the "white pages" telephone directory and the classified or "yellow pages" telephone directory distributed in its trade area and in such directory heading or category as specified by Franchisor. Franchisee must place the classified directory advertisement and listings together with other JEI Self-Learning Centers operating within the distribution area of the directories. If a joint listing is obtained, all JEI Self-Learning Centers listed together shall pay a *pro rata* share of the cost of the advertisements and listings. Telephone directory advertising expenditures are in addition to Franchisee's Grand Opening and Local Advertising obligations.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years after the expiration or termination of this Agreement, all books and records related to the Franchised Center including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial books and records designated by Franchisor or required by Applicable Law.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor on or before 15th day of each month a signed and verified statement of Gross Sales ("Gross Sales Report") for the preceding calendar month in a form that Franchisor approves or provides in the Manual. Franchisee shall include the Monthly Royalty Fee, Marketing Fund Contribution or other amounts payable to Franchisor with the Gross Sales Report.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before twentieth (20th) day of each month, in a form approved by Franchisor, a balance sheet and income statement as of the end of the last day of the preceding month and an income statement for the fiscal year-to-date. Franchisee shall, at its own expense, submit to Franchisor within ninety (90) days after the end of each fiscal year, an income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic financial reports in the manner and at the time specified in the Manual or as otherwise specified in writing by Franchisor.

12.4 Other Reports

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

12.5 Computer/Point-of-Sale System

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

12.6 Right to Inspect

Franchisor or its designee shall have the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus a late fee computed pursuant to Section 3.7 from the date such amount was due until the date it was paid. If the inspection discloses any underpayment of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement.

12.7 Release of Records

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

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its students. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Center only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor). Franchisee shall not offer for sale, sell or provide through the Franchised Center or from the Approved Location any products or services that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee, in the Manual or in other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such lists. If Franchisor is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor. If Franchisee desires to utilize any services or products not approved by Franchisor (with regard to services and products that require Franchisor's approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether such services or products comply with Franchisor's standards and specifications and whether the supplier meets its

Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve any item, service or supplier. Franchisor shall decide within a reasonable time period (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Franchisor may condition approval of a supplier on the following: (a) supplier's ability to provide sufficient quantity of product; (b) quality of products or services at competitive prices; (c) production and delivery capability; and (d) dependability and general reputation. Nothing in this Section 13.1.2 shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

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

13.1.4 Franchisor shall have the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor shall have the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent shall be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

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

13.2 Proprietary Products

13.2.1 Franchisor has developed, invented, designed, created, made or acquired certain proprietary items, such as course materials, workbooks and other items, which are specially suited for use in connection with the Franchised Center ("Proprietary Products"). In order to maintain consistency, quality and uniformity of the System, Franchisor shall make the Proprietary Products available to Franchisee in reasonable quantities in accordance with the procedures for ordering, handling and shipping that Franchisor may establish from time to time and at prices and on credit terms, if any, that Franchisor may determine from time to time, provided that Franchisee is in compliance with this Agreement and all other agreements with Franchisor.

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

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

13.3 Appearance and Condition of the Franchised Center

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

13.4 Ownership and Management

The Franchised Center shall, at all times, be under the direct supervision of Franchisee. The Director shall devote his or her full-time efforts to the management of the day-to-day operation and affairs of the Franchised Center. As used in this Section 13.4, "full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Director.

13.5 Days of Operation

Franchisee shall keep the Franchised Center open for business during normal business hours on all days specified in the Manual.

13.6 Licenses and Permits

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

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Center, and of the issuance of any order, writ, injunction, award or decree which may affect the operation or financial condition of the Franchised Center not more than five (5) calendar days after such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) calendar days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any Applicable Laws.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereunder. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Center and shall at all times give prompt, courteous and efficient service to students of the Franchised Center. The Franchised Center shall in all dealings with its students, parents of students, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee has not fairly handled a complaint, Franchisor shall have the right to intervene and satisfy the student or the parent of the student. Franchisor shall have the right to terminate this Agreement for repeated violation of this Section 13.8. Franchisee shall reimburse Franchisor for all costs and expenses incurred by Franchisor in servicing a student or parent of a student of the Franchised Center pursuant to this Section 13.8.

13.9 Uniforms

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

13.10 Vending Machines

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

13.11 Credit Cards

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

13.12 Best Efforts

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

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1. General Advice and Guidance

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

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits to the Franchised Center for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Center. Franchisor and Franchisor's representatives who visit the Franchised Center may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operation of the Franchised Center. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements within thirty (30) days.

14.3 System Improvements

Franchisor shall communicate improvements in the System to Franchisee as such improvements may be developed or acquired by Franchisor and implemented as part of the System.

14.4 Marketing and Promotional Materials

Franchisor may periodically provide advertising and promotional materials including ad-slicks, brochures, fliers and other materials to Franchisee for use in the operation of the Franchised Center.

15. INSURANCE

15.1 Types and Amounts of Coverage

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

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

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

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

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

15.1.5 Such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.2.

15.2 Future Increases

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

15.3 Carrier Standards

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

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing insurance policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnification provisions set forth in Section 21.2. Franchisee shall provide to Franchisor, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that such insurance policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

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

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice thereof, Franchisee shall have the right to terminate this Agreement unless such breach cannot reasonably be cured within thirty (30) days. If the breach cannot reasonably be cured within thirty (30) days, Franchisee shall have the right to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.2 Termination by Franchisor

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

16.2.1.1 Fails to meet the student enrollment levels set forth in Section 4.1 at the end of the Probation Period;

16.2.1.2 Fails to establish and equip the Franchised Center pursuant to Section 5;

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

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

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

16.2.1.6 Discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information;

16.2.1.7 Abandons, fails or refuses to actively operate the Franchised Center for five (5) or more consecutive days (unless the Franchised Center has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Center following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

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

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

16.2.1.10 Submits to Franchisor on two (2) or more separate occasions at any time during the term of this Agreement any reports or other data, information or supporting records that understate any Monthly Royalty Fee or other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.11 Is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment against the Franchised Center remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against the Approved Location or equipment used in the Franchised Center is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

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

16.2.1.13 Fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Monthly Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor or other payment when due to Franchisor, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.14 Continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Center in a manner that presents a health or safety hazard to its students, employees or the public; or

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

16.2.2 Except as otherwise provided in Section 16.2.1, upon any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing, Franchisor has the right to terminate this Agreement by giving notice of such termination at least thirty (30) days before the effective date of the termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure before the effective date of termination (or, with respect to Franchisee's failure to pay any amounts due to Franchisor, within five (5) days of receiving notice of such failure), or provide proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination.

16.3 Reinstatement and Extension

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

16.4 Right of Franchisor to Suspend Performance

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor shall have the right, in its sole discretion, to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products to Franchisee for which Franchisor is an Approved Supplier, until such time as Franchisee cures such breach.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

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

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

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

17.1.3 Upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

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

17.1.5 Pay all sums owing to Franchisor, which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Monthly Royalty Fees, and any other amounts due to Franchisor;

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

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

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

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

17.2 Post-Termination Covenant Not to Compete

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

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

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

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

17.2.2 Franchisee acknowledges that Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance and Marks in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or any or shared information with Franchisee concerning Franchisor's System, absent Franchisee's agreement to strictly comply with the provisions of this Section 17.2. Therefore, except as otherwise approved in writing by Franchisor, for a period of two (2) years after the expiration or termination of this Agreement, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, nor any member of any of their immediate families, may, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 Own any interest whatsoever as an owner, investor, partner, director, officer, employee, consultant, representative, agent or in any capacity, in any Competitive Business located or operating (a) on the Approved Location, (b) within a twenty-five (25) mile radius of the Approved Location, (c) within a twenty-five (25) mile radius of the location of any other JEI Self-Learning Center in existence, under construction, or for which a lease has been signed by Franchisor or a franchisee or licensee of Franchisor, at the time of such expiration or termination; or

17.2.2.2 Solicit, divert, take away, interfere, or otherwise attempt to induce or influence any employee or other business associate of Franchisor or any other franchisee of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

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

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

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

17.2.6 Franchisee also acknowledges and agrees that if Franchisee should violate the provisions of Section 17.2.2, then the period for which the prohibition stated therein is applicable shall extend until two (2) years following the date Franchisee ceases all activities that are in violation of such provision.

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

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

17.3 Unfair Competition

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

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor shall have the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Center including, but not limited to, leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to such assets' fair market value, excluding any goodwill. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price. If Franchisor and Franchisee cannot agree on the fair market value of such assets, an independent appraiser selected by Franchisor shall determine the fair market value. In the event that Franchisor elects to purchase the business assets at fair market value, Franchisee shall convey said assets to Franchisor by a bill of sale, free and clear of all liens, encumbrances and security interests. Franchisor may utilize all or a portion of the purchase price to directly satisfy liens or security interests on such assets.

17.5 Survival of Certain Provisions

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

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor without Franchisee's consent and such rights shall inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Center, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

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

18.2.2 All amounts owed to Franchisor, and all other outstanding obligations relating to the Franchised Center, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in substantially the form attached as Exhibit A hereto, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners and employees, in their