



## **JEI SELF-LEARNING SYSTEMS, INC.**

4221 Wilshire Blvd., Suite 224  
Los Angeles, California 90010  
(323) 936-3300

### **INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY THE FEDERAL TRADE COMMISSION**

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT.

IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION  
Washington, D.C. 20580

Date of Issuance: September 29, 2005

Revised: March 29, 2006

# **JEI Self-Learning Centers**

## **FRANCHISE OFFERING CIRCULAR**

### **JEI SELF-LEARNING SYSTEMS, INC.**

4221 Wilshire Blvd., Suite 224  
Los Angeles, California 90010  
(323) 936-3300

The franchise offered is for the operation of learning centers offering a nurturing education environment utilizing the "Self-Learning System" of helping students understand theories and concepts by working on their own.

The initial franchise fee is \$25,000. The estimated initial investment ranges from \$60,200 to \$97,100.

#### **RISK FACTORS:**

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION OR LITIGATION IN LOS ANGELES COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND CALIFORNIA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED. YOU MIGHT WANT TO INVESTIGATE WHETHER ANY STATE FRANCHISE LAWS PROTECT YOU. YOU SHOULD REVIEW THE STATE-SPECIFIC ADDENDA ATTACHED TO THIS OFFERING CIRCULAR AND FRANCHISE AGREEMENT FOR STATE-SPECIFIC PROVISIONS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing JEI SELF-LEARNING SYSTEMS, INC. with other franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the state administrators listed in Exhibit A.

The Effective Date for this Franchise Offering Circular is \_\_\_\_\_ or as listed in Exhibit I for your state.

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## **ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATE**

### The Franchisor

To simplify the language in this Offering Circular, the words "we," "our" and "us" refer to JEI SELF-LEARNING SYSTEMS, INC., the franchisor of this business. "You" and "your" refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Offering Circular also apply to your owners and will be noted.

We were incorporated in the State of California on March 23, 1992 for the purpose of offering JEI Self-Learning Center franchises. We were originally incorporated as Jaeneung Educational Institute, Inc. We officially changed our name to JEI America, Inc. in September 1998 and then changed our name to our present name, JEI SELF-LEARNING SYSTEMS, INC. in July 2004. Our principal business address is 4221 Wilshire Blvd., Suite 224, Los Angeles, California 90010. We do business under our corporate name or "Jaeneung," "JEI Self-Learning Centers," "JEI Self-Learning Center," "Jaeneung Math Class," "Jaeneung Korean Class," "Jaeneung Chinese Character Class," "Hanja," "Jaeneung English Class," "Jaeneung Classes," "JEI," "JEI America."

### Our Business Activities

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

JEI Self-Learning Centers offer a supplemental form of education using a method developed by our parent company, JEI Corporation, (see below), called the Self-Learning System. This method allows each student to fulfill their potential by providing customized study programs based on each student's study ability. JEI Self-Learning Centers use diagnostic testing to evaluate each student and tailor study programs to maximize the student's learning potential. Progress is monitored by an academic advisor and new study programs are assigned based on student performance. The Self-Learning System was developed to cultivate creative and talented individuals who can resolve problems on their own. Self-Learning System study programs are offered in mathematics, Korean language, Chinese Characters ("Hanja"), and English language to pre-school, primary and secondary school students.

Each JEI Self-Learning Center typically requires 900 to 1,200 square feet of space and is located near retail shopping and residential areas in a highly visible location, with sufficient parking. You must operate the Franchised Center in accordance with our standards, methods, procedures and specifications, which we refer to as our "System" and which is more particularly described in our Franchise Agreement attached as Exhibit C to this Offering Circular. Other than offering and selling franchises and supporting and supplying franchisees, we are not engaged in any other line of business. We have offered franchises in the United States and Canada since April 26, 1993. As of the date of this Offering Circular,<sup>\*\*</sup> we were providing support and supplies to approximately 79 franchisees throughout the United States in markets within Arizona, California, Delaware, Georgia, Illinois, Maine, Maryland, Michigan, New Jersey, New York, Nevada, Oregon, Tennessee, Texas, Virginia and Washington, and to 4 franchisees in Canada.

<sup>\*</sup> Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached as Exhibit C to this Offering Circular.

<sup>\*\*</sup> We update these figures annually.

We have not previously offered franchises in any other line of business.

#### Our Parent Company

We are a subsidiary of JEI Corporation (our "Parent Company"). Our Parent Company is a Korean corporation, originally incorporated in May 1977 under the name, Jaeneung Math Research Team. Our Parent Company officially changed its name to JEI Corporation in 2001. The Parent Company's principal business address is 55-5 Hye-hwa-dong, Chongno-gu, Seoul, Korea. JEI Corporation, our Parent Company, has not offered and does not currently offer franchises in this or any other line of business. Our Parent Company developed the Self-Learning System and has granted us the right to sublicense the use of the Self-Learning System to our franchisees for use in the operation of JEI Self-Learning Centers.

#### Our Predecessors and Affiliates

We have no predecessors. We have no affiliates.

#### General Description of the Market and Competition

Our concept is targeted to pre-school, primary school and secondary school students. We are one of a growing number of businesses offering supplemental educational programs to students. As a franchisee, you will compete with other educational facilities and private and public tutoring services. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. We do not grant exclusive territories to our franchisees. You may encounter competition from other JEI Self-Learning Centers operated by us or other franchisees. Fluctuations in population demographics and density, availability of qualified instructors or advisors, traffic patterns and local or national economic conditions affect this industry; these factors are generally difficult to predict.

#### Regulations Specific to the Industry

Some states and local jurisdictions may have laws that regulate supplemental educational study programs and educational facilities. We do not consider a JEI Self-Learning Center to be a "school," since courses are offered in a limited number of subjects and instruction is conducted using the Self-Learning System. Some state laws may impose requirements concerning licensing, tuition, curriculum and teacher certification. Additionally, every state has enacted laws, rules, regulations and ordinances which may apply to the operation of a JEI Self-Learning Center, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of the premises; (b) regulate matters affecting the health, safety and welfare of your students, such as general health and sanitation requirements, restrictions on smoking, and availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; and (e) regulate the proper use, storage and disposal of waste. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating a JEI Self-Learning Center ("Applicable Law") and you should consider both their effect and cost of compliance.

**ITEM 2. BUSINESS EXPERIENCE**

**Managing Director, Eastern Region: Dae Ha Kim**

Mr. Kim serves as our Managing Director, Eastern Region, and has done so since April 2000. Previously, from 1995 until April 2000, Mr. Kim was the Marketing Director for our Parent Company.

**Managing Director, Western Region: Chong Tae ("Brian") Moon**

Mr. Moon serves as our Managing Director, Western Region, and has done so since November 2003. Previously, from February 1999 until October 2003, Mr. Moon was the Account Supervisor for A's Match Inc., dba National Dyeing Co., a garment manufacturer located in Los Angeles, California.

**Vice President, Franchise Development, Western Region: Sung Joon ("Justin") Hong**

Mr. Hong serves as our Vice President, Franchise Development, Western Region, and has done so since February 1999.

**Franchise Operations Manager, Easter Region: Jieun Hong**

Jieun Hong is one of our Franchise Operations Managers and has been working at JEI since May 2005. Previously, she had worked for about two years as an ESL instructor after receiving her Master of Arts in TESOL from Columbia University, New York, New York in 2004. She had also worked as a high school English teacher in Ilsan, Korea from 2001 to 2002.

**Franchise Operations Manager, Western Reagion: Hye Jin ("Jin") Kim**

Hye Jin Kim serves also as one of our Franchise Operations Managers and has done so since January 2006. Previously, from August 2003 until January 2005, Ms. Kim was the Office Manager for Primax Manufacturing & Training, Inc., located in Bellflower, California. In August 2003, she received a Bachelor of Arts in Sociology from the University of California, Los Angeles.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Offering Circular.

**ITEM 4. BANKRUPTCY**

No person previously identified in ITEMS 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this ITEM.

**ITEM 5. INITIAL FRANCHISE FEE**

**Franchise Fee**

You must pay an initial "Franchise Fee" of \$25,000. The Franchise Fee is paid to us in a lump sum when you sign the Franchise Agreement and is nonrefundable except as described below. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise

Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.

We will refund 50% of the Franchise Fee if we, in our discretion, determine that you are unable to satisfactorily complete the training program described in ITEM 11 of this Offering Circular and if we terminate the Franchise Agreement as a result of making that determination.

#### Initial Inventory Fee

We supply you with an initial inventory of proprietary course materials, workbooks and other materials, ("Proprietary Products"), which are listed in Exhibit F to the Franchise Agreement. The Proprietary Products are specially developed and suited for use in the operation of JEI Self-Learning Centers. The fee for the initial inventory of Proprietary Products ranges from approximately \$3,000 to \$4,000, plus any shipping costs.

If the Franchise Agreement is terminated before the opening of your JEI Self-Learning Center, you may be required to return the initial inventory of Proprietary Products to us. We will issue a refund for returns, provided the items are returned within 30 days after originally delivered to you, and remain in an unopened or unused and saleable condition. Otherwise, the initial inventory is not refundable. Further information concerning our policy on returns of Proprietary Products is provided to our franchisees in our Manual. This policy may change from time to time. There are no limits on our right to change or implement new policies. You must pay the shipping costs to return the initial inventory of Proprietary Products.

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**ITEM 6. OTHER FEES**

Below is a detailed description of other recurring or isolated fees or payments that you must pay to us or that we impose or collect for a third party under the terms of the Franchise Agreement.

Name of Fee	Amount	Due Date	Remarks								
Royalty Fee	Will vary. Exact amount is calculated by multiplying number of subjects by a Subject Fee and adding a Minimum Fee of \$250 and \$15 per subject for the Registration Fee/Diagnostic Test Fee. The highernumber of subjects, the lower the Subject Fee that is applied to calculate the Royalty Fee:  <table border="0"> <tr> <td>Number of Subjects</td> <td>Subject Fee</td> </tr> <tr> <td>1-100</td> <td>\$17</td> </tr> <tr> <td>101-200</td> <td>\$14</td> </tr> <tr> <td>201 and up</td> <td>\$12</td> </tr> </table>	Number of Subjects	Subject Fee	1-100	\$17	101-200	\$14	201 and up	\$12	Monthly	See Definition of Registration Fee/Diagnostic Test Fee
Number of Subjects	Subject Fee										
1-100	\$17										
101-200	\$14										
201 and up	\$12										
Marketing Fund Contribution	Up to 1% of Gross Sales	Monthly	No fee is currently assessed but we reserve the right to charge one. (Sections 3.4 and 11.3) We may require Marketing Fund Contributions to be used in cooperative advertising.								
Local Advertising	During the first 2 years of the initial term of the franchise, the greater of \$350 or 2%; from the beginning of the third year through the remainder of the initial term, 2%	Monthly	You pay directly subject to our approval. (Sections 11.2) We may require Local Advertising expenditures to be used in cooperative advertising.								
Telephone Directory Advertising	Varies according to area and type of listing	As invoiced	You are required to list and advertise in the "white pages" and "yellow pages of your local telephone directory. (Section 11.6)								
Audit Expenses	All costs and expenses associated with audit	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due. (Section 12.6)								
Late Fees	18% per year or the highest rate allowed by applicable law, whichever is lower	Upon demand	Applies to all overdue Royalty Fees, Marketing Fund Contributions and other amounts due to us, including any taxes. (Section 3.7) Also applies to any understatement in amounts due revealed by an audit. (Section 12.6)								
Ongoing Purchases of Proprietary Products	As incurred	As invoiced	You are required to replenish your inventory of workbooks, course materials and other items ("Proprietary Products"), which we supply for use in the operation of JEI Self-Learning Centers.								
Special Chargeable Items	As incurred	As invoiced	We may periodically supply you with certain items to be purchased from us, such as apparel, supplemental instructional material, promotional products, etc. We will publish prices for these items as we make the items available.								
Approval of Products or Suppliers	All reasonable costs of evaluation	Time of evaluation	Applies to new suppliers you wish to purchase from or products you wish to								



Name of Fee	Amount	Due Date	Remarks
			purchase that we have not previously approved. (Section 13.1)
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5)
Transfer Fee	\$5,000	At the time of transfer	Does not apply to an assignment under Section 18.3 of the Franchise Agreement. (Section 18.2.8)
System Modifications	Not to exceed \$5,000 during the initial term of the franchise, subject to adjustments based on Consumer Price Index	As required	If we decide to modify the System by requiring new equipment, copyrighted materials, fixtures, software, trademarks, etc., you must make the modifications at your expense. (Section 10.2)
Relocation Assistance	Costs and expenses of providing relocation assistance	Time of assistance	We will charge you for relocation assistance if you request it and we agree to provide it. (Section 5.6)
Customer Service	All costs incurred in assisting your students	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your students. (Section 13.8)
Ongoing Training Programs	Attendance fees, (if applicable), plus your expenses as well as employees' expenses in attending	Time of program	Attendance will not be required more than one time per year and collectively will not exceed 3 days in any year. (Section 8.5)
Additional Training	Market rates; currently, \$250 per day, plus our expenses and your expenses as well as your employees' expenses in attending	Time of service	We provide an initial training program for you and one additional person at no charge. You pay for additional training if you request it, or if you appoint a new Director to manage your day-to-day operations. (Sections 8.1 and 8.4)
Additional Operations Assistance	Market rates; currently, \$250 per day, plus our expenses	Time of assistance	We provide approximately 3 days of assistance around the beginning of operations. You pay for additional assistance if you request it. (Section 8.2)
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail. (Section 22.4)
Indemnification	All costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Center. (Section 21.2)

No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are generally nonrefundable.

#### NOTES

<sup>1</sup> Registration Fee/Diagnostic Test Fee. The term "Registration Fee/Diagnostic Test Fee" means the royalty fee collected by us for each diagnostic test administered by you to determine placement of the customer based on their educational level; and each registration of a customer for a class. You may charge whatever price you wish for this Diagnostic Fee/Registration Fee.

**ITEM 7. INITIAL INVESTMENT**

We anticipate that you will incur the following estimated initial expenditures in the establishment of the Franchised Center.

<b>Names of Expenditures</b>	<b>Actual or Estimated Amounts For You</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Franchise Fee <sup>1</sup>	\$ 25,000	Cashier's Check	Upon Signing Franchise Agreement	Us
Real Estate/Rent <sup>2</sup>	1,350 - 7,200	As Arranged	Before Beginning Operations	Lessor
Utility Deposits <sup>3</sup>	0 - 800	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements <sup>4</sup>	10,000 - 20,000	As Arranged	Before Beginning Operations	Third Parties
Office Equipment & Supplies <sup>5</sup>	2,000 - 3,000	As Arranged	Before Beginning Operations	Approved Suppliers
Initial Inventory <sup>6</sup>	3,000 - 4,000	As Arranged	Before Beginning Operations	Us
Furniture, Fixtures & Equipment <sup>7</sup>	2,000 - 4,000	As Arranged	Before Beginning Operations	Third Parties
Insurance <sup>8</sup>	600 - 1,000	As Arranged	Before Beginning Operations	Third Parties
Training <sup>9</sup>	1,000 - 3,000	As Arranged	Before Beginning Business	Third Parties
Signage <sup>10</sup>	1,000 - 4,000	As Arranged	Before Beginning Business	Third Parties
Grand Opening <sup>11</sup>	1,000 - 2,000	As Arranged	First 3 Months of Operation	Third Parties
Legal & Accounting <sup>12</sup>	500 - 2,000	As Arranged	Before Beginning Business	Attorney, Accountant
Licenses & Permits <sup>13</sup>	100 - 1,000	As Arranged	Before Beginning Business	Licensing Authority
Additional Funds <sup>14</sup> (3 months)	10,000 - 15,000	As Arranged	As Necessary	You Determine
<b>TOTAL<sup>15</sup></b>	<b>\$ 57,550 - \$ 92,000</b>			

## NOTES

<sup>1</sup> Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Offering Circular.

<sup>2</sup> Real Estate. You must lease or otherwise acquire a suitable facility for the operation of the Franchised Center. We expect JEI Self-Learning Centers to be located near retail shopping and residential areas in a highly visible location. The facility typically ranges in size from 900 to 1,200 square feet. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. We assume you will have to pay the first month's rent and a security deposit equal to one month's rent in advance. The amounts you pay are typically not refundable, but in certain circumstances the security deposit may be.

<sup>3</sup> Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of deposit will vary depending upon the policies of the local utilities.

<sup>4</sup> Leasehold Improvements. To convert an existing facility into a JEI Self-Learning Center, the facility must be improved or renovated according to our standards and specifications. The cost of the leasehold improvements will vary depending upon the size and location of the Franchised Center, local wage rates and material costs. The low estimate assumes that your landlord will provide a partial build-out allowance.

<sup>5</sup> Office Equipment & Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment, such as a personal computer and a point-of-sale system with accompanying software. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors.

<sup>6</sup> Initial Inventory. You will be required to purchase an initial inventory of course materials, workbooks and other proprietary items ("Proprietary Products") that are necessary for the operation of JEI Self-Learning Centers using the Self-Learning System.

<sup>7</sup> Furniture, Fixtures & Equipment. You will be required to purchase and install equipment, fixtures, furniture and items of décor necessary to outfit and operate your Franchised Center according to our specifications, including tables, chairs, lighting, filing cabinets, shelving and other items. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the Franchised Center, competition among suppliers and other related factors.

<sup>8</sup> Insurance. Requirements are described in greater detail in Section 15 of the Franchise Agreement. Factors that may affect your cost of insurance include the size and location of the Franchised Center, value of the leasehold improvements, amount of inventory, number of employees and other factors.

<sup>9</sup> Training. The cost of initial training is included in the Franchise Fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.

<sup>10</sup> Signage. This range includes the cost of all signage used in the Franchised Center. The signage requirements and costs will vary based upon the size and location of the Franchised Center, local zoning requirements and local wage rates for installation, among other things.

<sup>11</sup> Grand Opening. You must spend a minimum of \$1,000 on Grand Opening Advertising during the first 3 months of operation. You may choose to spend more. See ITEM 11. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the Franchised Business, time of year and customer demographics in the surrounding area.

<sup>12</sup> Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Franchised Center. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.

<sup>13</sup> Licenses & Permits. Local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses, among other things. Your actual costs may vary based on the requirements of local government agencies.

<sup>14</sup> Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including employees' salaries, for the first 3 months that the Franchised Center is open. However, we cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high.

<sup>15</sup> Total. In compiling this chart, we relied on our and our Parent Company's combined industry experience and over 10 years of experience in operating JEI Self-Learning Centers. The amounts shown are estimates only and may vary for many reasons including the size of your Franchised Center, the capabilities of your management team, where you locate your Franchised Center and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the Franchised Center.

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

Except as indicated below, you are not required to purchase or lease products or services from us or from suppliers approved by us or under our specifications.

### Authorized Products, Services and Suppliers

You must remodel, furnish and equip the Franchised Center according to our standards and specifications. All equipment, fixtures, furniture, insurance, inventory, decorations, signs and other products or materials for use in or sale through your Franchised Center must meet our specifications and quality standards and, if required by us, shall be purchased only from an Approved Supplier, which may be us. We will provide, in the Manual or by other written or electronic form, a list of items you will need to purchase for resale or to operate your Franchised Center and, if required, a list of Approved Suppliers for some or all of these items, and from time to time we may revise this list. Our specifications may include minimum standards for performance, design, appearance and quality. We formulate and modify our specifications and standards for products and services based upon our and our Parent Company's industry knowledge and our Parent Company's experience in operating JEI Self-Learning Centers for more than 10 years.

If you would like to use any item or service in establishing or operating the Franchised Center that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications and/or samples for us to determine whether the item or service complies with our standards and specifications or the supplier meets our Approved Supplier criteria. We may charge a reasonable fee to you or the prospective supplier in connection with determining whether we will approve an item, service or

supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease such items or services or from such supplier. We apply the following and other general criteria in approving a proposed supplier: the ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and dependability and general reputation of the supplier.

From time to time, we may review our approval of any item, service or supplier. We will notify you if we revoke our approval of an item, service or supplier, and you must immediately stop purchasing disapproved items or services, or must immediately stop purchasing from a disapproved supplier.

#### Proprietary Products

We, and our Parent Company, have developed and are continuing to develop certain proprietary items, such as course materials and workbooks ("Proprietary Products"), which are specially suited for use in JEI Self-Learning Centers. In order to maintain the uniformity of the System, you must purchase all of your requirements of Proprietary Products from us. There are no alternative sources of supply. We may introduce new or modify existing Proprietary Products. We require you to carry a sufficient inventory of Proprietary Products to operate the Franchised Center at full capacity, including any new Proprietary Products we may introduce as part of the System. As a result of our supply of Proprietary Products to you and other franchisees, we will derive revenue equal to the price we charge you and other franchisees for such products. As of the end of the most recent fiscal year ended December 31, 2005, our revenue for the sale of Proprietary Products to franchisees was \$0.

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

You are required to purchase and use the point-of-sale system and computer hardware and software described in ITEM 11. We do not derive revenue as a result of your purchase of the point-of-sale system or computer hardware and software.

#### Insurance

You must purchase and maintain in effect during the term of the Franchise Agreement the type and amount of insurance specified in Section 15 of the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or lessor. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance.

#### Miscellaneous

We may negotiate group rates, including price terms, for purchases of equipment and supplies necessary for the operation of the Franchised Center. Presently, there are no such purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join. We do not receive revenue or other material consideration from third-party suppliers as a result of purchases made by you or any other franchisee. However, in the future we may receive volume rebates, markups and other benefits from suppliers.

We estimate that approximately 10% to 27% of your expenditures for leases and purchases in establishing your Franchised Center will be for goods and services that must be purchased either from us or an Approved Supplier, or in accordance with our standards and specifications. We estimate that approximately 25% to 31% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, an Approved Supplier or in accordance with our standards and specifications.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional JEI Self-Learning Centers) based on whether you purchase through the sources we designate or approve; however, purchases of unapproved products or purchases from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

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

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

	<b>Obligation</b>	<b>Section In The Franchise Agreement</b>	<b>ITEM In the Offering Circular</b>
a.	Site selection and acquisition/lease	Sections 2 and 5	ITEMS 11 and 12
b.	Pre-opening purchases/leases	Sections 5, 13 and 15	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 and 8	ITEMS 7, 8 and 11
d.	Initial and ongoing training	Section 8	ITEMS 6, 7 and 11
e.	Opening	Sections 5, 8, and 11	ITEM 11
f.	Fees	Sections 3, 5, 8, 10, 11, 12, 13, 15, 18, 21 and 22	ITEMS 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 5, 6, 7, 9, 10, 11 and 13	ITEMS 8 and 16
h.	Trademarks and proprietary information	Sections 6, 7 and 9	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6, 7, 9 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	Section 13	ITEM 16
k.	Territorial development and sales quotas	Section 4.1	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 10 and 13	ITEM 6
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Sections 3 and 11	ITEMS 6 and 11
p.	Indemnification	Section 21	ITEM 6
q.	Owner's participation/management/staffing	Section 13	ITEM 15

Obligation		Section In The Franchise Agreement	ITEM In the Offering Circular
r.	Records and reports	Sections 3 and 12	ITEM 11
s.	Inspections and audits	Sections 6 and 12	ITEMS 6, 11 and 13
t.	Transfer	Section 18	ITEM 17
u.	Renewal	Section 4	ITEM 17
v.	Post-termination obligations	Section 17	ITEM 17
w.	Non-competition covenants	Sections 7 and 17	ITEM 17
x.	Dispute resolution	Sections 22 and 23	ITEM 17

**ITEM 10. FINANCING**

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

**ITEM 11. FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you under the Franchise Agreement.

**A. Before The Franchised Center Opens**

Before you open your Franchised Center, we will:

1. if we have not already approved a site that you have selected prior to signing the Franchise Agreement, designate the area within which you will locate the Franchised Center, provide you with our criteria for site selection and approve the site you have selected for the location of the Franchised Center. (Sections 2.3 and 5.1)

**Neither we nor any of our employees have special expertise in selecting sites for JEI Self-Learning Centers; we make no representations that your Franchised Center will be profitable or successful by being located at the Approved Location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.**

2. review and approve your lease or purchase agreement for the site for the Approved Location of the Franchised Center. (Section 5.2)

**Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises.**

3. provide you with standard plans and specifications for the build-out of the Franchised Center along with a list of required equipment and improvements which you are required to purchase and install. (Section 5.3)

4. provide an initial training program lasting not more than 10 days. This training is described in detail later in this ITEM. (Section 8.1)

5. provide to you on-site assistance and guidance for approximately 3 days to assist you with any questions you may have in operating the Franchised Center. (Section 8.2)

6. provide to you, on loan, one copy of the JEI Self-Learning Systems, Inc. Operations Manual (the "Manual"). The Table of Contents of the Manual, along with number of pages devoted to each section, is included as Exhibit D to this Offering Circular. (Section 9.1)

**B. Other Assistance During the Operation of The Franchised Center**

After the opening of the Franchised Center, we will:

1. from time to time, advise and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods. Our guidance is based on our and our franchisees' experience in operating JEI Self-Learning Centers. Such advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Section 14.1)

2. at our discretion, make periodic visits to the Franchised Center for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Franchised Center. We may prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Center and detail any deficiencies that become evident as a result of any such visit. If we prepare a report, you may request a copy from us. (Section 14.2)

3. make available to you operations assistance and ongoing training as we deem necessary. (Sections 8.2 and 8.5)

4. make available to you changes and additions to the System as generally made available to all franchisees. (Section 14.3)

5. periodically provide advertising and promotional materials including ad-slicks, brochures, fliers and other materials for your use. (Section 14.4)

6. approve forms of advertising materials you will use for Local Advertising, Grand Opening Advertising and Cooperative Advertising. Our advertising programs are described below. (Section 11)

7. provide you with modifications to the Manual as they are made available to franchisees. (Section 9.2)



C. Advertising and Promotion

1. During your first 3 months of operation, you must spend at least \$1,000 on Grand Opening Advertising, including print or news media and/or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We will provide you with guidance for conducting Grand Opening Advertising, and we will review and approve the materials you use in your Grand Opening Advertising. (Section 11.1)

2. During the first 2 years of the term of the franchise, you must spend the greater of \$350 or 2% of your Gross Sales each month on advertising, promotions and public relations in the local area surrounding the Franchised Center. At the beginning of the 3<sup>rd</sup> year of the term of the franchise, the Local Advertising expenditure will be 2% of Gross Sales. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements. (Section 11.2)

3. We may develop a System-wide Marketing Fund, and if we do, you will be required to contribute up to 1% of your Gross Sales to the fund. (Section 11.3) We will set the exact percentage that you must contribute and we may adjust the percentage from time to time. We will administer the Marketing Fund as follows:

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

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

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

(d) All JEI Self-Learning Centers owned by us will make similar contributions to the Marketing Fund as required of franchisees.

(e) We will have an accounting of the Marketing Fund prepared each year and we will provide you with a copy if you request it. We may require that the annual accounting be audited by an independent certified public accountant at the expense of the Marketing Fund.

(f) The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund.

4. Although we are not obligated to do so, we may create a Cooperative Advertising program for the benefit of all JEI Self-Learning Centers located within a particular region. We 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. We will determine the geographic territory and market areas for each Cooperative Advertising program. You must participate in any Cooperative Advertising program established in your region. If a Cooperative Advertising program is implemented in a particular region, we may establish an advertising council for franchisees in that region to self-administer the program. (Section 11.4)

5. You must list the telephone number for the Franchised Center in your local telephone directory and advertise your Franchised Center in the "yellow pages" category that we specify. You must place the listings together with other JEI Self-Learning Centers operating within the distribution area of the directories. (Section 11.6)

D. Computer/Point-of Sale System

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

- Windows98, Pentium 550MHz, 65MB RAM, 256-color display card, 28.8-Kbps modem or Ethernet card
- Microsoft Internet Explorer 5.5 or higher
- Microsoft Office
- High-Speed Internet Access

We may require you to update, modify or replace your system during the term of the franchise. (Section 10.2)

You are not required to enter into any ongoing maintenance or support agreements but you may find it advantageous to do so. You must update or upgrade computer hardware and software as we deem necessary but not more than one time per year.

We have the right to independently access all information you collect or compile at any time without first notifying you. (Section 12.6)

E. Methods Used to Select the Location of the Franchised Center

If you have a potential site for the Franchised Center, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area within which you must locate the Franchised Center and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5.1)

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other JEI Self-Learning Centers, lease requirements, traffic patterns, visibility, available parking and overall suitability. We will provide

you with written notice of our approval or disapproval of any proposed site within a reasonable time after receiving all requested information. If you and we cannot agree on a suitable site for the Franchised Center, we may terminate the Franchise Agreement.

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a JEI Self-Learning Center is 4 months. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You are required to open your Franchised Center and be operational within 10 months after signing the Franchise Agreement. (Section 5.4)

G. Training

We will conduct an initial training program that the Director of the Franchised Center must attend and complete to our satisfaction. (Each franchisee must designate a Director of their Franchised Center who is responsible for day-to-day operations. If you are an individual, you must designate yourself as Director; if you are a business entity you must designate a Director; he or she does not need to have an ownership interest in the Franchise Center.) Our initial training program is mandatory for the Director. One additional assistant of your choosing may also attend. Training will take place at our training facility in Los Angeles, California, or at another location we designate, on an as needed basis as we may determine. The initial training program consists of no more than 10 days of training. Initial training covers all material aspects of the operation of a JEI Self-Learning Center, including such topics as the Self-Learning System; sales and marketing of courses offered; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures, other operational issues and on-the-job training. If you replace your Director, your new Director must attend our training program. Although we do not charge for initial training, you may be charged fees for additional training of a new Director. You are responsible for training your own employees and other management personnel. This initial training is in addition to the 3 days of on-site opening assistance we provide to you. (Section 8)

TRAINING SUBJECT	TIME BEGUN	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR
Orientation	Day 1	Training Manual (1)	1	n/a	Brian Moon / Dae Ha Kim
Introduction to JEI Corp.		Training Manual (1)	1	n/a	Justin Hong / Jieun Hong
Franchise Agreement Procedure		Training Manual (1)	2	n/a	Justin Hong / Jieun Hong
Mindset in Education Business		Training Manual (1)	1	n/a	Justin Hong / Jieun Hong
Self-Learning Systems	Day 2	Training Manual (1)	4	n/a	Justin Hong / Jieun Hong
US Ed Trends		Training Manual (1)	1	n/a	Hanna Rhee / Taechum Jeong
Programmed Workbook Outline		Training Manual (2)	1	n/a	Justin Hong / Taechum Jeong
Math	Day 3	Training Manual (2)	3	1	Jin Kim / Taechum Jeong
English		Training Manual (2)	3	1	Jin Kim / Taechum Jeong
Hangul	Day 4	Training Manual (2)	2	1	Jin Kim / Taechum Jeong
Korean		Training Manual (2)	2	1	Elle Choi / Taechum Jeong
US Standardized Tests		Training Manual (1)	2	n/a	Elle Choi / Taechum Jeong

TRAINING SUBJECT	TIME BEGUN	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	INSTRUCTOR
Evaluation System	Day 5	Training Manual (1)	3	n/a	Jin Kim / Jieun Hong
JEI-Global		Training Manual (1)	4	3	Jin Kim / Jieun Hong
Class Operations Procedure	Day 6	Training Manual (1)	1	6	Justin Hong/Jieun Hong
Managing Instructors	Day 7	Training Manual (1)	2	2	Jin Kim/Jieun Hong
Material Request		Training Manual (1) Center Kit	2	2	Hanna Rhee / Jieun Hong
Franchise Reports	Day 8	Training Manual (1)	2	2	Lomi Mun / Wonsook Lee
Parent Counseling		Training Manual (1)	2	3	JEI Director
Sharing of Center Running Experience		Training Manual (1)	2	2	Justin Hong / Jieun Hong
Marketing / Promotion	Day 9	Training Manual (1) Advertisement Kit	3	n/a	Justin Hong / Jieun Hong
Center Opening Procedure		Training Manual (1) CI Guide Book	3	n/a	Brian Moon / Jieun Hong
Business Plan		Training Manual (1)	1	n/a	Justin Hong / Jieun Hong
Customer Service	Day 10	Training Manual (1)	2	n/a	Jin Kim / Jieun Hong
Children & Education		Training Manual (1)	2	n/a	Jin Kim / Jieun Hong
Pop Quiz		n/a	1	n/a	Jin Kim / Jieun Hong
Evaluation		n/a	2	1	Jin Kim / Jieun Hong

Dae Ha Kim, Brian Moon, Justin Hong, Jieun Hong and Jin Kim will provide training. Their qualifications are included in ITEM 2. Wonsook Lee, Lomi Mun, Taehum Jeong, Hanna Rhee and Elle Choi will also provide training. Their qualifications are as follows:

Wonsook Lee is one of our Administrators/Accounting and has been working at JEI since 1999 as an administrator, as well as an account clerk, while managing the mail study program.

Lomi Mun is one of our Administrators/Accounting and has been working at JEI since 2005 as an administrator, as well as an account clerk. She studied Business Economics from 1999 to 2002, and worked for Major Textile as a Traffic Coordinator. She received a Bachelor of Arts in Psychology from the University of California, Los Angeles in March 2005.

Taehum Jeong has been working at JEI since February 2006 as a Franchise Coordinator. He attended the University of Albany in New York, and received a Bachelor of Science in May 2005, concentrating on Finance and Marketing. He also graduated from LaSalle Military Academy in Oakdale, New York in May 2001.

Hanna Rhee is one of our Franchise Coordinators and has been working at JEI since February 2006. She received a Bachelor of Science in Childhood Education from Nyack College in Nyack, New York in December 2005. From 2001 to 2005, she has been an active Coordinator and a Peer Advisor for various non-profit organizations.

Elle Choi is our Researcher and has been working at JEI since February 2006. She received a Bachelor of Arts in Art History from the University of California, Los Angeles in December 2005. She has served as an Instructor at an after school learning center as well as tutoring students from 2000 to 2003.

We retain the right to name additional individuals to provide training.

From time to time we may require that previously trained and experienced franchisees, their managers, and/or employees attend refresher-training programs to be conducted at our headquarters. We may charge tuition for attendance at these programs. In addition, you are solely responsible for all of your costs and expenses to attend; however, we will not require you to attend more than one of these programs in any calendar year and these programs will not collectively exceed 3 days during any calendar year. (Section 8.5)

## **ITEM 12. TERRITORY**

You must operate the Franchised Center only from the Approved Location listed in Section 2.2 of the Franchise Agreement. If the Approved Location has not already been determined when you sign the Franchise Agreement, you and we will agree upon a Designated Area within which you will locate the Franchised Center. Although we may assist you in selecting a location, you are solely responsible for selecting the Approved Location and negotiating the terms of the lease. You may not relocate the Franchised Center without our consent.

The franchise granted to you is nonexclusive.

Also, we have the right to: (a) establish, own or operate, and to license others the right to establish or operate, JEI Self-Learning Centers at any location as we deem appropriate, except the Approved Location; (b) establish, own or operate, and to license others to establish or operate, other businesses offering the same or competitive products or services using the Marks or other trade names, trademarks or service marks without offering you any right; (c) establish, own or operate, and to license others to establish, own or operate other businesses using trade names, trademarks or service marks other than the Marks at any location; (d) sell or otherwise distribute products or provide services similar to or competitive with the products 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 the Internet, under terms and conditions that we (in our sole discretion) deem appropriate; (e) use the Marks in other businesses that are not competitive with JEI Self-Learning Centers; (f) acquire businesses that are similar to or competitive with JEI Self-Learning Centers; and engage in any business or other activities not expressly prohibited in by the Franchise Agreement.



The 1<sup>st</sup> year of operations is a probationary period (the "Probation Period"). If you do not have students enrolled in at least 50 subjects, we may extend the Probation Period until you reach the minimum required subject enrollment level, or we may terminate the Franchise Agreement. Once you have completed the Probation Period, you are not required to complete it again during the 1<sup>st</sup> year of a renewal term of the franchise.

## **ITEM 13. TRADEMARKS**

We grant our franchisees the right to operate JEI Self-Learning Centers under the name "JEI SELF-LEARNING CENTERS," which is the principal Mark used to identify our System of operation. You may also use any other current or future Mark to operate your Franchised Center that we designate in writing, including the logo on the front of this Offering Circular and the trademarks listed below. By "Marks," we mean the trade names, trademarks, service marks and logos used to identify JEI Self-Learning Centers. Our Parent Company, JEI Corporation, has obtained a registration on the Principal Register of the United States Patent and Trademark Office ("USPTO") for the following service marks:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
JEI LEARNING CENTERS	2608724	August 20, 2002
JEI	2661126	December 17, 2002
JEI AMERICA, INC.	2629676	October 8, 2002
JAENEUNG	2845145	May 25, 2004
A BETTER LIFE THROUGH BETTER EDUCATION	2910105	December 14, 2004

Our Parent Company has filed an application for registration on the Principal Register of the USPTO for the following Marks:

JEI SELF-LEARNING SYSTEMS
JEI SELF-LEARNING CENTERS
JEI (+ 4 Korean Letters) <b>JEI 재능교육</b>
www.jei-edu.com (smile mark) 
www.jeilearning.com (smile mark) 
Self-Learning JEI English Self-Learning <b>JEI English</b>
Self-Learning JEI Math Self-Learning <b>JEI Math</b>
4 Korean Characters <b>재능국어</b>

Our Parent Company has granted us a license to use and sublicense the use of the Marks listed above. The term of the license is perpetual; however, the license agreement may be terminated if we make an assignment of assets for the benefit of creditors, if a trustee is appointed to administer our business or if we are adjudged bankrupt.

There are currently no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the

Marks in this state or any other state in which a JEI Self-Learning Center may be located.

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

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

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

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to such proceeding. We have the right to control the defense and settlement of any such proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Center, but you may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or website using any domain name containing the word "JEI Self-Learning Centers" or any variation thereof without our prior written consent. We retain the sole right to advertise on the Internet and create websites using the "JEI Self-Learning Centers" domain name and any other domain names we may designate in the Manual.

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

No patents are material to the franchise. We and our Parent Company, JEI Corporation, own copyrights in the Operations Manual, our Proprietary Products, including, without limitation, course materials and workbooks, marketing materials and other copyrightable items that are part of the System ("Copyrighted Materials"). While we claim copyrights in these and similar items, we have not registered the Copyrighted Materials with the United States Registrar of Copyrights and need not do so to protect them. You may use the Copyrighted Materials only as we specify while operating the Franchised Center and you must stop using them if we direct you to do so.

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

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

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

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

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

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



## Materials.

We have developed trade secrets or other confidential or proprietary information ("Confidential Information"), relating to the franchise, the System, the Marks, the Copyrighted Materials or the Proprietary Products, including, 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 for the Franchised Center; 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; the Franchise Agreement and any other information or material we identify as confidential or proprietary.

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

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

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

## **ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED CENTER**

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

As described in ITEM 14, your owners (and members of their immediate families and households), officers, directors, executives, managers, employees, representatives and other individuals having access to Confidential Information may be required to sign nondisclosure and non-competition agreements in substantially the form attached as Exhibit B to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

If you are a business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Guaranty and Assumption of Obligations attached to the Franchise Agreement as Exhibit C.

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

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

You must offer the services and products we specify from time to time, in strict accordance with our standards and specifications. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time.

We may periodically change required or authorized products or services. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications; however, you will not be required to spend more than \$5,000 on modifications during the initial term of the franchise.

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

We do not place restrictions on you with respect to who may be a customer of your Franchised Center.

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

The following table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Offering Circular. You should refer to any state-specific addenda attached to this Offering Circular for exceptions to this ITEM 17.

Provision		Section In the Franchise Agreement	Summary
a	Term of the franchise	Sections 4.1 and 16.2.1.1	The initial term is 5 years ("Initiation Term"). The 1 <sup>st</sup> year of your operations is a probationary period, ("Probation Period"). To complete the Probation Period, you must have students enrolled in at least 50 subjects at your Franchised Center. We can extend the Probation Period until you reach the requisite enrollment level. We may terminate the Franchise Agreement if you fail to complete the Probation Period.
b	Renewal or extension of the term	Section 4.2	You may qualify for an additional term of 5 years ("Renewal Term"), subject to (c) below. If you obtain a Renewal Term of the franchise, you will not be required to repeat the Probation Period, described in (a) above.
c	Requirements for you to renew or extend	Section 4.2; Exhibits A and E	You may obtain a Renewal Term of the franchise at the expiration of the Initiation Term if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain possession of the Approved Location or an approved substitute location for duration of the Renewal Term; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign our current form of Franchise Agreement or the Renewal Agreement attached as Exhibit E to the Franchise Agreement; comply with current qualifications and agree to comply with new or additional training requirements; and sign a general release in a form substantially similar to the General Release attached as Exhibit A to the Franchise Agreement.
D	Termination by you	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it

	Provision	Section In the Franchise Agreement	Summary
			and we materially breach it and we fail to cure our breach within 30 days of receiving your written notice, or, if our breach cannot reasonably be cured within 30 days, then you may terminate if we do not promptly undertake to cure and use our continued efforts to cure the breach with a reasonable period of time.
E	Termination by us without cause	None	
F	Termination by us with cause	Section 16.2	We may terminate the Franchise Agreement only if you default.
G	"Cause" defined-defaults which can be cured	Section 16.2	You can avoid termination of the Franchise Agreement if you cure the following defaults within 30 days of receiving our notice of termination: failure to make payments due us; or failure to comply with mandatory specifications in the Franchise Agreement or Manual.
h	"Cause" defined-defaults which cannot be cured	Section 16.2	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to meet student enrollment levels at the end of the Probation Period; fail to establish and equip the Franchised Center; fail to satisfactorily complete, or cause your Director to complete, initial training; make a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Center; use the Manual or Confidential Information in an unauthorized manner; abandon the Franchised Center for 5 consecutive days; surrender or transfer of control of Franchised Center in an unauthorized manner; fail to maintain the Franchised Center under the supervision of a Director in the event of death or disability; submit reports on 2 separate occasions

	Provision	Section In the Franchise Agreement	Summary
			understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks or Copyrighted Materials; fail on 2 occasions within any 12 months to submit reports or records or to pay any fees due us; violate any health, safety or other laws or conducts the Franchised Center in a manner creating a health or safety hazard; or default under any other agreement between you and us such that we have the right to terminate the Franchise Agreement.
i	Your obligations on termination/nonrenewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Center; stop using any Confidential Information, the System, the Copyrighted Materials, the Proprietary Products and the Marks; if requested, assign your interest in the Approved Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual and all other Confidential Information; assign your telephone and facsimile numbers to us; continue to comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j	Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k	"Transfer" by you-definition	Section 18.2	"Transfer" includes transfer of ownership in the franchise, the Franchise Agreement, the Approved Location, the Franchised Center's assets or the franchisee entity.
l	Our approval of transfer by you	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.

	Provision	Section In the Franchise Agreement	Summary
m	Conditions for our approval of transfer	Section 18.2; Exhibit A	We will consent to a transfer if: we have not exercised our right of first refusal; all amounts you owe us and all outstanding obligations of the Franchised Center are paid; you and the transferee have signed a general release in a form substantially similar to the General Release attached as Exhibit A to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts, agreements and documentation related to the transfer; you or the transferee pay a transfer fee of \$5,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form satisfactory to us; and the transferee has agreed that its Director will complete an initial training program prior to assuming management of the Franchised Center.
n	Our right of first refusal to acquire your Franchised Center	Section 19	We may match an offer for your Franchised Center or for an ownership interest you propose to sell.
o	Our option to purchase your Franchised Center	Section 17.4	Except as described in (n) above, we do not have the right to purchase your Franchised Center; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Center for fair market value, excluding any goodwill.
p	Your death or disability	Section 18.6	If you (or one of you owners) die or become incapacitated, your representative must transfer, subject to the terms of the

	Provision	Section In the Franchise Agreement	Summary
			Franchise Agreement, your interest in the Franchised Center within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q	Non-competition covenants during the term of the franchise	Section 7.3	During the Initiation Term and any Renewal Term, you agree not to: (1) engage in a Competitive Business, directly or indirectly, as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent independent contractor or otherwise, except under a Franchise Agreement with us; (2) have any interest in an entity that is licensing or franchising the right to operate a Competitive Business; or (3) solicit, divert, take away or interfere with any of our employees or with an employee of any of our franchisees.
r	Non-competition covenants after the franchise is terminated or expires	Section 17.2	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: (1) owning or working for a Competitive Business operating at the Approved Location, within a 25-mile radius of the Approved Location or within a 25-mile radius of any other JEI Self-Learning Center; or (2) soliciting, diverting, taking away, interfering with or influencing any of our employees or business associates or any of our franchisees' employees or business associates to compete with us or terminate their relationship with us.
s	Modification of the agreement	Section 22.7	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Manual without your consent if the modification does not materially alter your fundamental rights.
t	Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding. Any other promises may not be enforceable.

	Provision	Section In the Franchise Agreement	Summary
u	Dispute resolution by arbitration or mediation	Section 23	Except for claims relating to the Marks, Copyrighted Materials and Confidential Information, and claims for injunctive relief, all disputes must be arbitrated in Los Angeles County, California.
v	Choice of forum	Section 22.18	Any litigation must be pursued in courts located in Los Angeles County, California.
w	Choice of law	Section 22.17	California law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

These states have statutes which may supersede the Franchise Agreement concerning your relationship with us, including the areas of termination, renewal and transfer of the franchise and dispute resolution of the franchise: ARKANSAS (Ark. Code Ann. Sections 4-72-201 to 4-72-210); CALIFORNIA (Cal. Bus. & Prof. Code Sections 20000 to 20043); CONNECTICUT (Conn. Gen. Stat. Ann. Sections 42-133e to 42-133h); DELAWARE (Del. Code Ann. Tit. 6 Sections 2551 to 2556); FLORIDA (Stat., Section 542.335); HAWAII (Haw. Rev. Stat. Sections 482E-1 to 482E-12); ILLINOIS (Illinois Statute 815 ILCS 705/1-44); INDIANA (Ind. Code Ann. Sections 23-2-2.7-1 to 23-2-2.7-7); IOWA (Iowa Code, Ch. 523H, Sections 523H.1 to 523H.17); LOUISIANA (La. Rev. Stat. Ann. Tit. 23, Sections 921[E] and Tit. 12, Section 1042); MICHIGAN (Mich. Comp. Laws, Sections 445.1527 & 445.1535); MINNESOTA (Minn. Stat. Section 80C.14 and Minnesota Rules, Department of Commerce, Section 2860.4400); MISSISSIPPI (Miss. Code Ann. Sections 75-24-51 to 75-24-63); MISSOURI (Mo. Rev. Stat. Sections 407.400 to 407.420); NEBRASKA (Neb. Rev. Stat. Sections 87-401 to 87-410); NEW JERSEY (N.J. Rev. Stat. Sections 56:10-1 through 56:10-12); NORTH CAROLINA (Chpt. 22B, Sec. 3); PUERTO RICO (Ann., Sections 278 to 278d); SOUTH DAKOTA (S.D. Codified Laws, Section 37-5A-51); VIRGIN ISLANDS (Code, Sections 130-139); VIRGINIA (Va. Code Ann. Sections 13.1-557 through 13.1-574); WASHINGTON (Wash. Rev. Code Sections 19.100.180 to 19.100.190); WISCONSIN (Wis. Stat. Sections 135.01 to 135.07). These and other states may have court decisions that may supersede the Franchise Agreement concerning your relationship with us, including the areas of termination, renewal and transfer of the franchise and dispute resolution of the franchise.

**ITEM 18. PUBLIC FIGURES**

We do not presently use any public figures to promote our franchise.



**ITEM 19. EARNINGS CLAIM**

We do not furnish nor authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, expenses or income of the Franchised Center. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

**ITEM 20. LIST OF OUTLETS**

FRANCHISED CENTER STATUS SUMMARY FOR THE YEAR ENDING DECEMBER 31, 2005/2004/2003							
State	Transfers	Cancelled Or Terminated	Not Renewed	Reacquired By Company	Left The System Other	Total From Left Columns	Franchises Operating At Year End
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
California	0/3/2	2/0/5	0/0/0	0/0/0	0/0/0	2/3/7	35/33/28
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Illinois	0/0/0	0/2/0	0/0/0	0/0/0	0/0/0	0/2/0	0/0/2
Maryland	0/0/0	0/3/0	0/0/0	0/0/0	0/0/0	0/3/0	0/1/1
Michigan	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/1/2
New Jersey	0/0/3	0/4/4	0/0/0	0/0/0	0/0/0	0/4/7	15/15/14
New York	0/0/0	0/2/0	0/0/0	0/0/0	0/0/0	0/2/0	5/5/7
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Pennsylvania	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/2
Tennessee	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/0/1
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Virginia	0/0/0	0/2/0	0/0/0	0/0/0	0/0/0	0/2/0	0/0/2
Washington	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	3/3/3
<b>Total</b>	<b>0/4/5</b>	<b>2/16/9</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>2/20/15</b>	<b>65/65/67</b>

STATUS OF COMPANY-OWNED CENTERS FOR THE YEARS ENDING DECEMBER 31, 2005/2004/2003			
STATE	CENTERS CLOSED DURING YEAR	CENTERS OPENED DURING YEAR	TOTAL CENTERS OPERATING AT YEAR END
California	0/0/0	0/0/0	0/0/0
Total	0/0/0	0/0/0	0/0/0

We did not own or operate a JEI Self-Learning Center.

PROJECTED OPENINGS DURING THE YEAR ENDING DECEMBER 31, 2006			
STATE	FRANCHISE AGREEMENTS SIGNED BUT FRANCHISED CENTER NOT OPEN	PROJECTED NEW FRANCHISED CENTERS IN 2006	PROJECTED COMPANY OWNED OPENINGS IN 2006
Arizona	0	0	0
California	2	4	1
Colorado	0	1	0
Florida	0	2	0
Georgia	0	1	0
Hawaii	0	0	0
Illinois	0	1	0
Massachusetts	1	1	0
Maryland	0	1	0
Michigan	0	1	0
Nevada	0	1	0
New Jersey	2	2	0
New York	0	1	0
Oregon	0	1	0
Pennsylvania	0	1	0
Tennessee	0	1	0
Texas	0	1	0
Virginia	0	1	0
Total*	5	20	1

## **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit E are our audited financial statements for the periods ending, December 31, 2003, December 31, 2004, and December 31, 2005.

Our fiscal year end is December 31.

## **ITEM 22. CONTRACTS**

The JEI SELF-LEARNING SYSTEMS, INC. Franchise Agreement (with exhibits) is attached to this Offering Circular as Exhibit C.

The JEI SELF-LEARNING SYSTEMS, INC. form of General Release is attached to the Franchise Agreement as Exhibit A.

The JEI SELF-LEARNING SYSTEMS, INC. form of Nondisclosure and Non-Competition Agreement is

attached to the Franchise Agreement as Exhibit B.

The JEI SELF-LEARNING SYSTEMS, INC. form of Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit C.

The JEI SELF-LEARNING SYSTEMS, INC. form of Renewal Agreement is attached to the Franchise Agreement as Exhibit E.

We provide no other contracts or agreements for your signature.

**ITEM 23. RECEIPT**

Our copy and your copy of the Franchise Offering Circular Receipt are located on the last 2 pages of this Offering Circular.

[The remainder of this page is intentionally left blank.]