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# FRANCHISE DISCLOSURE DOCUMENT

2018 APR 18 AM 10 28

**Afficient Academy[sm]**
**Afficient Academy Of America, Inc**
**A Delaware Corporation**
**1054 S De Anza Blvd, Suite 201**
**San Jose, Ca 95129**
**(408) 642-1012**
**Email Franchise@Afficienta Com**
**WWW AFFICIENTA COM**

The franchisee will operate an Afficient Academy Learning Center business This Disclosure Document describes the Afficient Academy Learning Center opportunity we offer See Item 1 of this Disclosure Document for further details

As of the date of this Disclosure Document, the initial fees for an Afficient Academy Learning Center franchise are a $1,000 franchise fee and a $500 per person training fee The estimated initial investment ranges from $46,630 - $141,540 Consult Items 5 through 7 of this Disclosure Document for further details

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

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, contact our Vice President of Operations at 1054 S De Anza Blvd, Suite 201, San Jose, CA 95129, (408) 642-1012

The terms of your contract will govern your franchise relationship Don't rely on the disclosure document alone to understand your contract Read your entire contract carefully Show your contract and this disclosure document to an advisor, like a lawyer or an accountant

Buying a franchise is a complex investment The information in this disclosure document can help you make up your mind More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D C 20580 You can also visit the FTC's home page at www ftc gov for additional information Call your state agency or visit your public library for other sources of information on franchising

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

Issuance Date March 22, 2018

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Risk Factors

1 THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE ALL DISPUTES ONLY IN OUR HOME STATE (CURRENTLY CALIFORNIA) OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE

2 THE FRANCHISE AGREEMENT PROVIDES THAT THE LAW OF OUR HOME STATE (CURRENTLY CALIFORNIA) GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THIS TERRITORY IS NOT EXCLUSIVE YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS

4 THIS NEW FRANCHISOR HAS BEEN IN BUSINESS FOR SUCH A SHORT PERIOD OF TIME THAT ITS FRANCHISES ARE A HIGHER RISK INVESTMENT THAN FRANCHISORS WITH A LONGER-TERM OPERATING HISTORY

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Information about comparisons of franchisors is available Call the state administrators listed in Exhibit E or your public library for sources of information

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Disclosure Document If you learn that anything in the Disclosure

Document is untrue, contact the Federal Trade Commission and the state authority, if any (see Exhibit E)

Effective Date See the next page for state effective dates

## EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

| STATES | EFFECTIVE DATE |
|---|---|
| California | Pending |

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**EXHIBITS**

California Appendix

| | |
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| Exhibit A | Financial Statements |
| Exhibit B | Franchise Agreement |
| Exhibit C | None |
| Exhibit D | Agents for Service of Process |
| Exhibit E | State Administrators |
| Exhibit F | Sample General Release |
| Exhibit G | Spousal Consent |
| Exhibit H | Owner's Guaranty and Assumption of Franchisee's Obligations |
| Exhibit I | Electronic Debit Authorization |
| Exhibit J | List of Active Franchisees |
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| Exhibit L | Receipts |

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

To simplify the language in this Disclosure Document, "Efficient Academy" or "We" or "Our" means Efficient Academy of America, Inc , the franchisor "You" or "Your" means the person who buys the franchise "Efficient Academy Mark" or "Mark" means the service mark you use in operating the franchise

### Organizational History

Efficient Academy of America, Inc is a Delaware corporation formed on November 22, 2016 We do business under our corporate name and variations of that name Our principal business address is 1054 S De Anza Blvd , Suite 201, San Jose, California Our authorized agent for service of process is listed in Exhibit D

We have two affiliates Efficient Academy, Inc ("AAI") has a principal business address of 1054 S De Anza Blvd , Suite 201, San Jose, California AAI produces and provides the software that you will use in your Efficient Academy, which is described in more detail in Items 8, 11 and 14

Efficient Academy Learning Center of Silicon Valley, Inc ("AA-SV") has a principal business address of 1054 S De Anza Blvd , Suite 201, San Jose, California AA-SV has operated a business similar to the franchises offered in this Disclosure Document since July 2015, and that business is counted as a company-owned unit in Item 20 of this Disclosure Document

### Prior Business Experience

As a franchise corporation, we have not directly operated an Efficient Academy Learning Center Since July 2015, our affiliate AA-SV has operated (and continues to operate) a business similar to the type of franchise we offer AA-SV's business was used as the prototype for developing the franchises we currently offer See Item 2 below for details on the individuals who operate our AA-SV Neither Efficient Academy nor AA-SV have ever offered franchises before in this or any other lines of business

### Our Business

We grant franchises (referred to in this Disclosure Document as an "Efficient Academy Learning Center") for the right to establish and operate a children's Learning Center under our proprietary Efficient Academy Mark In operating your franchise, you must follow our standards, specifications and operating procedures We are engaged in no other business A franchise for the operation of an Efficient Academy Learning Center within a defined territory is granted under the terms of our standard form Franchise Agreement found following Item 23 of this Disclosure Document

### Description of an Efficient Academy Franchise

An Efficient Academy Learning Center is an academic tutoring and education center for elementary to high school aged children Students are enrolled into one or more of our learning

programs Afficient Academy software is specifically designed to identify children's skill level and provide step-by-step training, practice and educational support to help children build core academic skills and confidence The software programs track individual student learning and use sophisticated algorithms to provide learning at a level customized to each child's needs At Afficient Academy, children receive a combination of both online practice and skills testing and personalized tutoring from our on-site tutors to help them learn at their own pace and focus on their specific needs

We currently offer English and Math programs and are developing our proprietary programs in additional subject matters

**Market, Regulatory & Competitive Factors**

The services offered by an Afficient Academy Learning Center appeal to parents who are interested in giving their children a solid academic foundation or additional academic support It is a particularly appealing option for children who enjoy technology and will be more engaged using a combination of personal attention and computer support to learn

The market for tutoring is highly developed and competitive Demand is strong for Learning Centers offering these high levels of academics and education The market is somewhat seasonal, many parents enroll their children during the school year and enrollment may be lower during the summer

You will be subject to local, county and state licensing regulations for the operation of businesses in general and this type of business in particular Certain states may require specific certification with instructional duties In addition, your Afficient Academy Learning Center may be subject to laws governing persons who work with children, including requirements for background checks

You should consult with governmental agencies and your lawyer about any special requirements that may apply to you or your Afficient Academy Learning Center You are responsible for complying with all applicable laws and regulations regardless of any general information or guidance we may provide

You will compete with other Learning Centers and after-school educational programs

**ITEM 2**
**BUSINESS EXPERIENCE**

President Jiayuan Fang

Since November 2016, Mr Fang has been President of Afficient Academy of America, Inc in San Jose, CA Since August 2014, he has also been President of Afficient Academy, Inc in San Jose, CA Prior to this, from July 2012 to June 2014, he worked as Vice President of Research & Development for Cadence in San Jose, CA, and from July 2002 to June 2012 he was President of Signity, Inc in San Jose, CA

Director Weijie Yun

Since November 2016, Mr Yun has been the Director of Afficient Academy of America, Inc in San Jose, CA Since September 2014, Mr Yun has been a Director of Afficient Academy Inc in San Jose, CA From June 2008 to May 2012, Mr Yun was CEO of Telegent System in Sunnyvale, CA

Vice President of Operations Dilip Acharya

Since November 2016, Mr Acharya has been the Vice President of Operations of Afficient Academy of America, Inc in San Jose, CA Since May 2016, Mr Acharya has been Senior Manager of Business Development and Marketing for Afficient Academy, Inc in San Jose, CA Prior to this, Mr Acharya has worked as a branch manager for Kumon North America in Boston, MA

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item

## ITEM 4
## BANKRUPTCY

No bankruptcies are required to be disclosed in this Item

## ITEM 5
## INITIAL FEES

We charge $1,000 as an Initial Franchise Fee This is payable in a lump sum at the time you sign the Franchise Agreement and is non-refundable unless you are unable to open your Learning Center for reasons that we determine are beyond your control

We also charge $500 per person for initial training You are required to have all operators and managers of your Learning Center attend training Training fees are non-refundable unless you cancel training more than 72 hours before training is scheduled to begin

## ITEM 6
## OTHER FEES

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Royalty | $36 per enrolled student per subject, or $33 if you meet our criteria for high school level tutoring[1] | By the 10th of each month for the preceding month's enrollment | An enrolled student is any student enrolled as of the last day of the month |
| Registration Fee[2] | $10 per new student | By the 10th of each month for the preceding month's new enrollments | Payable upon enrollment of a new student If a student drops out and then re-enrolls more than 1 month later, you must pay this fee again at their re-enrollment |
| New Manager Training Fee | $500 per person | At least one week prior to training | Only required if you hire a new manager or bring in a new partner who must receive training |
| Tutor Training Fee | $500 per person | At least one week prior to training | Only required if you hire a new tutor |
| Uniforms | $30 - $240 | Prior to opening, on demand | You will purchase staff uniforms from us The least expensive uniform (a short-sleeved shirt) is about $30 Your total cost will depend on your order |
| Incentive Prizes | $300 - $500 | Prior to opening, on demand | You will pay us for the initial package of incentive prizes, and over time you will buy additional prizes from us on an as-needed basis |
| Indemnification | Impossible to estimate Could range from a nominal amount to a cost greater than the total investment | On demand | Only payable if a third party brings a claim against us and you are responsible under the Franchise Agreement |

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Late Payment Charge | Payment due plus 1% per month on the overdue amount | On demand | Payable only if you have failed to pay an amount when due to us We will charge the lower amount of this or the highest amount permitted by applicable law<br><br>Under California law, the maximum interest rate is 10% annually |
| Insufficient Funds Fee | $25 per insufficient funds incident | On demand | Only required if our bank draw for an amount you owe to us is rejected or your check to us bounces |

We charge $36 per enrolled student for our Afficient Academy Math and Afficient Academy English programs If you hire a tutor who meets our qualifications to tutor at the high school level (Grades 9 – 12), you will qualify to pay a Reduced Royalty rate of $33 for all students enrolled at your Learning Center in that subject once you have had at least 10 subject months of high school level enrollment (meaning 1 student for 10 months, 2 students for 5 months, etc ) As we introduce additional programs in other subjects, we will individually set the royalty rate and the Reduced Royalty for those programs, and it may be the same, higher or lower than $36/$33 per student You are not required to implement any new programs we offer, and you will be advised of the royalty rate for any new program before you decide whether or not to implement it

From time to time, we may authorize you to offer a promotional discount for new students, during which time we will not collect this registration fee Except in that instance, we will collect this fee

General Notes

- This table shows fees that are (or under certain circumstances, may be) payable to us Unless otherwise stated, all fees are imposed by and are payable to us and none of the fees are refundable There will be other fees you need to pay others to operate your business These are described in Item 7

- For all fees due to us, we require that you pay by direct or electronic deposit that we initiate through our bank

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

| EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Franchise Fee | $1,000 | Lump sum | Date franchise agreement signed | Afficient Academy |
| Training Fee[1] | $500 - $1,500 | Lump sum | Prior to training | Afficient Academy |
| Training Program Travel Expenses[2] | $0 - $3,000 | As incurred | As incurred | Travel, food & hospitality suppliers |
| Leased Real Estate[3] | $2,500 – $6,000 | As incurred | Upon signing lease | Landlord |
| Construction & Remodeling [4] | $10,000 - $50,000 | As incurred | Before opening | Contractors |
| Equipment[5] | $10,000 - $25,000 | Lump sum | Before opening | Suppliers |
| Fixtures | $0 - $5,000 | As incurred | Before opening | Suppliers |
| Signage[6] | $3,000 - $5,000 | Lump sum | As incurred | Suppliers, landlord |
| Uniforms & Incentives[7] | $330 - $540 | As incurred | Before opening | Afficient Academy |
| Initial Advertising[8] | $2,000 - $5,000 | As incurred | As incurred | Vendors |
| Liability Insurance | $300 - $500 | Lump sum | As incurred | Vendors |
| Accounting & Legal Expenses | $2,000 - $4,000 | As incurred | As incurred | Accountant, Attorney |
| Security & utility deposits, business licenses & other prepaid expenses | $5,000 - $15,000 | As incurred | As incurred | Vendors & governmental entities |

| EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Additional Funds[9] | $10,000 - $20,000 | As incurred | As incurred | Various |
| TOTAL | $46,630 - $141,540 | | | |

You must directly pay (or provide independent financing for) all initial investment expenditures listed in this Item 7 to begin operations of your Afficient Academy Learning Center We do not offer any financing (see Item 10) Except the circumstance where the franchise fee is refundable (see Item 5 of this Disclosure Document), none of the other investment expenditures are refundable unless you make independent arrangements with sellers or suppliers about whether, and under what conditions, payments may be refundable Some costs and expenses will vary due to a disparity of prices, availability, and other factors The cost of each item can and should be independently checked by you within your local area The figures provided in this table are estimates based on our affiliate's experience starting the current locations operated by AA-SV

The training fee cost depends on how many people need to be trained We anticipate that in most instances it will be 1-3 people

Your travel costs depend on how far away you are from our current training location, San Jose, California If you are local, you will not incur training costs, but if you do not live near our training facility, you will incur costs to fly or drive to San Jose, California, stay in a hotel or motel, and eat meals in this area Training lasts for two weeks

This estimate is based on a leased commercial space of approximately 1,000 - 1,200 square feet, situated in a commercial or retail zoned area in a strip mall or shopping plaza with available parking and visibility from the street

Our estimate for construction build-out costs anticipates a finished commercial space of the size described in Note 3, above, in which you need to furnish a finished space with new carpet, new paint, add walls to construct a small private office and potentially upgrade lighting fixtures or the finishes in the restroom If you lease a significantly larger space or a space that is unfinished or needs more significant construction, your costs will be higher

Equipment includes computers, computer networking equipment, and furniture including tables, chairs, desks and cabinets

We require you to install prominent and visible signage within one month of opening the business, preferably illuminated signage

We require you to purchase a starter pack of incentive prizes to give away to children as they progress through subject matter, as well as uniforms for everyone who works at your Afficient

Academy Learning Center This estimate covers the starter pack of incentives and a range of uniforms

We require you to spend a minimum of $2,000 on initial advertising You may spend this money on flyer distribution, internet marketing or grand opening advertising at your Afficient Academy Learning Center

This estimates your initial startup expenses for the first 3 months of operations based on our Affiliate's experience, adjusted for current pricing levels, in operating a similar business as discussed in Item 1 under "Prior Business Experience " This is only an estimate, and we cannot guarantee you will not have additional expenses, such as personal expenses, that exceed our estimates Revenues and costs can vary due to many factors The estimate assumes you will hire and pay two part-time tutors and does not include your salary You should review all initial investment figures carefully with a competent financial business advisor

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

**Required Purchases**

We require you to purchase certain goods that we designate

- You are required to use the Afficient software described in Item 11
- You are required to purchase from us and provide to students in your Learning Center the incentive prizes that we designate, following our system which designates a point system and the appropriate prizes available at each point level
- We require that you purchase from us the uniforms we designate

We also impose the general requirement that you follow our business system in precise detail Apart from these requirements, we currently have no required specifications, designated suppliers or approved suppliers for goods, services or real estate relating to your franchise business

**Required and Approved Suppliers**

Our Affiliate is a required supplier of the Afficient software Our Affiliate is currently working on expanding the subject matters supported by our software and in the future you will be required to offer new subject matters At this time, it is impossible to estimate the details or revenues that may be derived from future system improvements You will not pay our Affiliate directly for use of the software We provide the Afficient software to you at no cost other than the fees you pay to us disclosed in Item 6

**Approval of Alternate Suppliers**

We have authority to determine the vendors for the products we require you to purchase You may suggest a new vendor by providing us with a written request If we are willing to consider

an alternate vendor for the item you suggest, we have the right to require you to purchase at your own expense a sample sufficient for us to review the quality We will let you know in writing within sixty (60) days if we approve the new vendor We also have the right to require you to provide us with additional information about the vendor

Our specifications and requirements are contained in our confidential Manuals, which are provided to you and may be updated occasionally Future supplements, improvements or changes to our business system may require you to add or eliminate previously authorized Learning Center services or products used in your business

**Revenue from Franchisee Purchases**

As of the date of this Disclosure Document, we have not earned any revenue from the sale of any goods to franchisees

The cost of equipment and supplies purchased in accordance with our specifications will represent approximately 80% of your total purchases in establishing your business, and 30% of your total purchases during the ongoing operation of your business

**Cooperatives**

We do not have any purchasing or distribution cooperatives

**Negotiated Prices**

We have not yet negotiated any purchase arrangements, except for a negotiated license with our Affiliate that permits us to license the Afficient software to you at no cost other than the royalty and registration fees we require you to pay

We may in the future negotiate purchase arrangements with other vendors

**Material Benefits**

We do not provide any material benefits to you if you buy from sources we approve

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements It will help you find more detailed information about your obligations in these agreements and in other items in this disclosure document

| | OBLIGATION | SECTION(S) OF FRANCHISE AGREEMENT ("FA") | ITEM(S) IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| a | Site selection & acquisition/lease | FA - Section 3 03 | 7, 11 |
| b | Pre-opening purchases or leases | FA - Section 3 01, 3 03 | 7, 8 |
| c | Site development & other pre-opening requirements | FA – Sections 3 03 | 7, 11 |
| d | Initial & ongoing training | FA - Sections 3 06, 4 01, 4 02 | 6, 7, 11, 15 |
| e | Opening | FA - Sections 3 03, 3 04, 3 06 | 11 |
| f | Fees | FA - Sections 2 01, 3 01, 3 02, 3 04, 3 05, 3 06, 3 08, 3 10, 3 11, 3 12, 3 13, 3 15, 4 01, 4 02, 5 01, 5 02, 5 04, 6 01, 6 02 | 5, 6, 7, 8, 11, 17 |
| g | Compliance with standards and policies/operating manual | FA - Section 1 02, 1 03, 2 01, 3 04, 3 06, 3 07, 3 08, 3 09, 3 11, 3 13, 3 15, 3 16, 4 01, 4 02, 4 03, 5 02, 5 04, 6 01, 6 02, 6 04, 7 02 | 1, 6, 8, 11, 12, 14, 15, 16, 17 |
| h | Trademark and proprietary information | FA - Sections 1 02, 1 03, 2 01, 2 02, 3 04, 3 06, 3 07, 3 08, 3 09, 4 02, 4 03, 5 02, 5 04, 7 01, 7 07 | 1, 6, 8, 13, 14, 17 |
| i | Restrictions on products or services offered | FA - Sections 1 03, 2 02, 3 08, 3 09, 3 16, 5 02 | 6, 8, 16 |
| j | Warranty and customer service requirements | None | None |
| k | Territorial development and sales quotas | FA - Sections 3 06 | 1, 5, 11, 12, 17 |
| l | Ongoing product or service purchases | FA – Sections 2 01, 3 06, 4 02 | 6, 8 |

| | OBLIGATION | SECTION(S) OF FRANCHISE AGREEMENT ("FA") | ITEM(S) IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| m | Maintenance, appearance and remodeling requirements | FA - Sections 1 03, 2 01, 3 06 | 1, 6, 7, 8, 17 |
| n | Insurance | FA - Sections 3 13 | 6, 7 |
| o | Advertising | FA - Sections 3 04, 5 04 | 6, 7, 17 |
| p | Indemnification | FA - Sections 3 12 | 6 |
| q | Owner's participation/ management/staffing | FA - Sections 3 06, 6 01, 6 02, 6 04 | 6, 11, 15, 17 |
| r | Records/reports | FA - Sections 1 03, 3 13, 3 15, 5 02, 5 04, 6 01, 6 03, 6 04 | 6, 7, 8, 9, 17 |
| s | Inspections/audits | FA - Sections 3 15, 3 16 | 6, 8 |
| t | Transfer | FA - Sections 6 01 - 6 06, 7 07 | 6, 17 |
| u | Renewal | FA - Sections 2 03 | 17 |
| v | Post termination obligations | FA - Sections 5 01, 5 04 | 17 |
| w | Noncompetition covenants | FA - Sections 3 06, 5 04 | 17 |
| x | Dispute resolution | FA - Sections 5 04, 7 05, 7 07, 7 08, 7 09 | 17 |
| y | System improvements | FA - Sections 3 08 | 6, 16 |

## ITEM 10
## FINANCING

We do not offer, direct or indirect financing arrangements We do not guarantee notes, leases or any other obligations you may incur

We do not receive any payments for placing or referring Franchisees to lending sources for financing

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

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

### Preopening Assistance and Services

Before you open your business, we will provide the following assistance

1 Designated Territory Grant and define your designated territory See Item 12 below for discussion (Franchise Agreement ("FA") Section 2 01(b) and Exhibit 1)

2 Site Advice and Approval Provide information about site characteristics, proximity factors, lease provisions and a list of recommended realtors (FA Sections 3 03 and 4 01(d) ) If you need an introduction to a real estate agent with experience in this type of business, we will introduce you to one or help you locate one if we do not already know one in your area We will visit sites you have identified and provide advice regarding the suitability of your options We have the right of final approval over any site you select, and you cannot sign a lease without our approval The franchise is granted for a single, specific location (FA Section 2 01 ) Unless we agree otherwise, you must open for business within one hundred eighty days of the date you sign the Franchise Agreement (FA Section 3 03 )

3 Lease Review your lease and provide guidance We recommend that every franchisee hire a lawyer to review their lease agreements We do not offer legal advice, but we will review the lease to the best of our ability and point out issues that we are aware may help or harm your interests based on our management's experience This review does not replace a lawyer's review

4 Training Program Train you and any other manager at our corporate headquarters located in San Jose, California Training lasts up to ten (10) days (FA Section 4 10(a) ) The goal of the training program is to familiarize you with all facets of operating the business Training is mandatory for all owners and managers, and you must satisfactorily complete all segments of training before starting business operations Determination of whether you satisfactorily complete training rests solely with us (FA Section 4 01(a)) The training program is given so you complete it about thirty days before the intended opening of your business Your travel and living expenses while attending the training program are your responsibility Attendance at additional training programs given through Franchisee Conventions (discussed below) or if a new person assumes management of your franchise (discussed below) is also required In training you, we use the services and draw upon the expertise of our operating personnel who have primary responsibility and experience for training in the areas of marketing, administrative, technical and other management functions Instructional materials include a course curriculum and excerpts from our confidential Start-Up Guide, Operations Manual and Policy Manual Training covers the topics listed in the table below

5 Marketing Support Provide you with marketing ideas and our marketing guidelines We announce your Grand Opening on the Afficient Academy main website, and we create a site specific page on our Afficient Academy website for your franchise We will also designate the name of your Learning Center

6 Grand Opening Support Assist you with planning and attend your Grand Opening

7 Confidential Operating Manuals Loan to you one complete copy each of our confidential Start-Up Guide, Operations Manual and Policy Manual containing, among other things, specifications, instructions and requirements about authorized services, suppliers, standards and operating procedures These manuals always remain our property and we may change any manual occasionally to reflect changes in our business system You must treat the manuals and all information in them as confidential You must keep all manuals current and follow new or changed provisions The master copy of each manual maintained at our principal office is controlling in the event of a dispute about the contents of any manual (FA Section 3 06(a)(iv) ) We will permit you to view a copy of the Operations Manual prior to signing the Franchise Agreement

8 Initial Forms Provide you with copies of enrollment and other operating forms as detailed in our manuals

**Assistance, Support and Services During Operations**
**("Section" refers to section(s) of the Franchise Agreement)**

After your business begins operations, we will provide

1 Start Up Assistance Assist you remotely for a period of up to two weeks at your franchise to aid in learning operations and to assist in establishing standard operating procedures (FA Section 4 02(a) )

2 Consultation Provide continuing support by having representatives at our corporate office available to answer questions arising in the day-to-day operation of your business (FA Section 4 02(a) )

3 Proprietary Software Provide you with a license to use and base your tutoring programs on our proprietary Afficient Math and Afficient English Language Arts software programs, together with any future software programs we offer under the Afficient brand

4 Franchisee Conventions We may, but are not required to, sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest We have the right to charge for these seminars If we do, we have the right to charge you to attend It is your responsibility to pay all travel, living and other expenses incurred by you in attending these seminars, as well as your share of renting any conference room, etc Attendance at seminars is encouraged but not mandatory (FA Section 4 02(b) )

5 Manager Training Provide training (in accordance with our then-current Manager Training Fee Schedule) if a new person becomes an approved manager of your franchise (FA Section 4 01(a) )

6 Consulting If you request, we will provide additional support or on-site consulting services in accordance with our then-current consulting fee schedule (FA Sections 4 02(a) and (f) )

7 Protection of Mark Take all steps reasonably necessary to preserve and protect the ownership and validity of our service mark, and to permit other franchisees to use the mark only in accordance with our standards and specifications (FA Section 4 03 )

**Computer System**

Your Afficient Academy Learning Center must have enough computers for all students present at the same time at your Learning Center to use a computer and run an Afficient software module We require you to use desktop computers with monitors no smaller than 20" We strongly encourage you to purchase identical computers for a uniform look, and have the right to prohibit you from using a combination of different sized computer monitors that present an unappealing appearance All computers will need to have the capability to use an internet browser to access our software

We require you to start with a minimum of 10 computers We estimate that your computer cost will be in the range of $8,000 - $12,000

We have the right to inspect your books, records, data and financial statements, and this right includes access to the software programs used to compile this information (FA Section 3 15(b) )

**Updating Requirements**

In general, you will update or upgrade the various programs used on your computer, just as any computer user does There is no contractual limit on the frequency or cost of this updating process, but because the only software components we require you to use are our software, which we provide to you at the costs listed in Item 6 and an internet browser which typically provides updates at no cost, we estimate that there should be no annual cost for you to maintain current software, unless you elect to use third party software we do not require

We anticipate that you will need to replace the computers in your Learning Center approximately once every five years The cost to do this is listed above

We might also ask you to implement other software or hardware related to system improvements to better manage children's progress and staff records If we do, you may be required to pay a monthly or annual fee for the software or hardware we will require

**Estimated Opening Time**

We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your franchise to be three to six months Factors affecting this time include time to schedule, attend and successfully complete our training program, finding an appropriate site, lease negotiations, time to comply with various permit and licensing requirements, time for delivery and installation of equipment and furniture items as well as interviewing and hiring tutors Unless we agree otherwise, you must commence business operations within 180 days of

the date you sign the Franchise Agreement We require you to put up permanent electrical signage within 1 month of opening the business (FA Section 3 03(a) )

## TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location |
|---|---|---|---|
| Learning Center Operations | 6 | 18 | San Jose, CA |
| Afficient Math | 4 | 24 | San Jose, CA |
| Afficient English | 4 | 24 | San Jose, CA |
| TOTAL | 14 | 66 | |

Our current training program will take approximately two weeks to complete These estimated hours cover the dynamics of operating an Afficient Academy Learning Center and includes the subjects described Training will be provided by trainers with at least six months experience with our company and a Bachelor's degree or equivalent in their field

The training program for new franchisees is scheduled throughout the year on an as-needed basis

During your training program you will have access to elements of our curriculum which are considered intellectual property and you must agree not to distribute, share, publish or use this information outside of your franchise

## ITEM 12
## TERRITORY

You are given an area, usually defined by street boundaries, highways, counties, political subdivisions or other means on a map This mapped area is called your "Designated Territory" or "Territory" in the franchise agreement It is specified and attached as Exhibit 1 before you sign the franchise agreement Once the signing takes place, you are responsible for determining and selecting the exact location of your franchise within this area

You will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control

Our affiliate AAI offers a service called Remote Monitoring which allows students who do not have a Learning Center in their community to complete Afficient Academy programs If there are Remote Monitoring students in the Territory you acquire, AAI will strongly encourage these students to enroll with your Learning Center, but we do not require them to do so After you open your Learning Center, we will encourage students in your Territory to enroll with your

Learning Center, but we will permit them to enroll in Remote Monitoring if they are unable to go to your location We will permit you to offer Remote Monitoring services to students within your Territory, provided that you meet our requirements, which include having available tutors for the subject areas in which you will offer these services

All franchisees are free to enroll students regardless of where those children live or attend school There may be children who reside in your Territory who attend an Afficient Academy Learning Center outside of your Territory You are not permitted to offer Remote Monitoring to any students outside of your Territory

**Right of First Refusal to Open Additional Franchises**

Where we can demonstrate that your Territory will support the opening of another Afficient Academy Learning Center without significantly harming the attendance at your existing Learning Center(s), we may offer the right to open another Afficient Academy Learning Center within the Territory described in your franchise agreement

Before we will offer the opportunity to open a new Afficient Academy Learning Center within the Territory described in your franchise agreement, we will first offer it to you in writing You will have 60 days in which to decide whether you will open another Learning Center within the Territory If you elect to open the additional Afficient Academy Learning Center, you must pay the then-current Initial Franchise Fee, promptly sign the then-current form of franchise agreement, and open the new Learning Center within the time frame required under our then-current system terms

If you decline to open the additional Learning Center within the Territory or fail to respond to us within 60 days of our notice of intent to open an additional Learning Center, we may operate, or grant another franchisee the right to operate, an Afficient Academy Learning Center franchise in the Territory described in your franchise agreement

If we grant the right to open another Learning Center within the Territory described in your franchise agreement to a third party and subsequently determine that the Territory can support a third or more Learning Center, the right to operate such Learning Center will first be offered to owner who is geographically closest to the area in which we determine an additional Learning Center can be established

## ITEM 13
## TRADEMARKS

During the term of the Franchise Agreement, we grant you a license to use the service mark "AFFICIENT ACADEMY," (referred to in this Item as the "Mark") Your continuing ability to use the Mark depends on following all applicable standards, specifications and operating procedures as set forth in our Franchise Agreement and our confidential Operations Manual and Policy Manual

We have one federally registered trademark with the United States Patent & Trademark Office, shown in the chart below All maintenance filings have been made for this registered trademark

| Mark | Registration Number | Date Registered |
|---|---|---|
| AFFICIENT ACADEMY | 5,269,925 | August 22, 2017 |

Our right to license others to use the above Mark comes from an exclusive license agreement between our Affiliate, Afficient Academy, Inc , and us This agreement has a term of 10 years and, unless canceled or modified, may be renewed by us for additional terms of 10 years each The agreement can be modified only if both parties agree in writing The agreement can be canceled only if we engage in or permit acts that reflect unfavorably on the reputation and goodwill of the Mark Even if the license agreement were canceled, this would not adversely affect any rights you have to use the Mark under your franchise agreement

You must notify us if you discover any unauthorized use of the Mark (or a colorable imitation of them), or if litigation involving the Mark is started or threatened Although the franchise agreement requires us to take all steps reasonably necessary to preserve and protect the ownership and validity of the Mark, we are not specifically obligated to protect any rights you have to use the Mark or to protect or indemnify you against claims of infringement or unfair competition We have the right to control any litigation or administrative proceeding involving the Mark You have no specific rights under the Franchise Agreement if we require you to modify or discontinue use of the Mark as a result of a proceeding or settlement

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

### Patents

We have filed a patent application with the U S Patent & Trademark Office covering the methodology used in the software that you will be licensed to use in your Afficient Academy Learning Center It is application number U S 2016-0180725 A1

Our patent application is pending and has not yet been approved

### Copyrights

We have not registered any copyrights material to the franchise with the U S Copyright Office as of the effective date of this disclosure We do claim copyright protection and trade secret protection (discussed below) for our confidential Operations Manual and Policy Manual, as well as Start-Up Guide and curriculum and intellectual property

### Proprietary Trade Secrets

The franchise agreement describes, and our Operations Manuals contain, proprietary and trade secret know-how developed by us and licensed to you In addition, our software code and portions of the software that are not visible to children or parents who participate in Afficient Academy tutoring is proprietary to us This proprietary information is referred to below as our "System " Under the terms of the franchise agreement (1) you do not acquire any interest in our System, other than the right to use it in the operation of your franchise during the term of your

agreement, (ii) you agree not to use our System in any business or capacity other than the development and operation of your franchise, (iii) you agree to treat the software and the Operations Manuals, including updates, in confidence as trade secrets, (iv) you agree not to make any unauthorized copies of any software or Manual or any other confidential information supplied by us and (v) you agree to take specific steps to maintain the confidentiality of our System during and after the term of your franchise We are not aware of any infringing uses that would materially affect your use of our proprietary materials

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

We do not require you to personally participate (on a full time basis) in the direct operation of the franchise business, however we strongly recommend that you do so If you do not personally manage the operation of your Afficient Academy, you must hire a full-time manager to oversee operations

Any manager(s) hired by you must first be approved by us and trained We will only approve managers who have business experience and enough technical knowledge to be able to operate and trouble-shoot various computer issues We will provide you with a specific list of skills that your manager must have They must also successfully complete our training program - see Item 6 above under "New Manager Training " We also require that any manager employed by you enter into a written confidentiality agreement See Item 14 above We do not require that your manager(s) have an ownership interest in your franchise

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

You must (1) offer and sell only those Learning Center programs and curriculums that we have approved for sale in writing, (2) offer and sell all types of Learning Center programs and curriculums we specify, (3) refrain from any deviation from our standards and specifications without our prior written consent, and (4) discontinue offering and selling any Learning Center programs and curriculums which we may, in our discretion, disapprove in writing at any time There are no contractual limits on our right to make changes or improvements to services (or products) offered as part of our system All Learning Center programs and curriculums must meet our then-current standards and specifications, as specified in our Manuals or otherwise in writing See also Items 8 and 9

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

### THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements You should read these provisions in the agreements attached to this Disclosure Document

| | PROVISION | AGREEMENT SECTION | SUMMARY |
|---|---|---|---|
| a | Term of Franchise | 2 03(a) | 5 years from date of signing |
| b | Renewal or extension of term | 2 03(b) | One additional 5 year renewal option |
| c | Requirements for you to renew or extend | 2 03(b) | You must be in good standing under the Franchise Agreement and not have had more than 3 defaults during the immediately prior 12 month period and give us written notice of your intent to renew 180 days prior to the end of your term |
| d | Termination by you | 5 01 | Only if we default and do not remedy within 30 days of written notice If you leave the system early, you must pay us 6 months' royalty and registration fees as liquidated damages |
| e | Termination by us without cause | None | We can only terminate you for cause |
| f | Termination by us with cause | 5 02 | Subject to "g" and "h" only if you default and do not remedy the default |
| g | "Cause" defined-curable defaults | 5 02, 5 03 | Subject to "h" below, you have 30 days to cure all defaults after notice from us, unless you have defaulted on 2 other occasions within a 6 month period |
| h | "Cause" defined-defaults which cannot be cured | 5 02 | Abandonment, insolvency, unsatisfied judgments, levy, foreclosure, criminal behavior, mark abuse, unauthorized disclosure, misrepresentation, intentional fraud, etc |

| | PROVISION | AGREEMENT SECTION | SUMMARY |
|---|---|---|---|
| i | Your obligations on termination or nonrenewal | 5 04 | You must stop using our System, software and Mark, pay creditors, return our Manuals, assign your lease, offer us asset purchase rights, transfer phone numbers and all social media accounts to us, transfer customer information, follow non-disclosure, competition & good-will covenants (see also "r" below), stop using our Website, and (if applicable under "d" above) pay us additional amounts owed |
| j | Assignment of contract by us | 6 06 | No restrictions on our right to assign |
| k | "Transfer" by you - defined | 6 01-6 05 | Includes transfers of franchise agreement, assets, ownership changes, death and permanent disability |
| l | Our approval of transfer by you | 6 01 | Our written consent is required, will not be unreasonably withheld as long as certain conditions are satisfied (see "m ") |
| m | Conditions for our approval of transfer | 6 01 | We are given a right of 1st refusal (see "n " below), new person/entity meets our standards, you are in good standing, the transfer fee is paid, new persons signs our then-current form of franchise agreement and successfully completes our training program, release signed by you, and we approve the terms of your sale |
| n | Our right of first refusal to acquire your franchise | 6 03 | We have 30 days to match any offer for your business, for transfers of more than 50%, we have a right of first refusal to buy 100% of the interest |
| o | Franchisor's option to purchase your business | 5 04 | In most cases involving termination of your agreement, we have a 30 day option to assume your real estate lease, buy the physical assets, inventory, etc |

| | PROVISION | AGREEMENT SECTION | SUMMARY |
|---|---|---|---|
| p | Your death or disability | 6 02 | You or your estate must put a new operator in place and have that person complete training within 120 days, or must transfer the business to a new owner with our approval (see "l" above) We have the right to manage your business during the interim period if the business is not run properly |
| q | Non-competition covenants during term of franchise | 3 06(d) | Neither you nor your spouse can have involvement in any competitive business |
| r | Noncompetition covenants after franchise is terminated or expires | 5 04(h)(ii) | Except as prohibited by law, neither you nor your spouse can have involvement in any competitive business for 12 months within 50 miles of the Territory (same restrictions apply after transfer) |
| s | Modification of Agreement | 7 02 | Must be in writing signed by both parties Changes to operations/ policy manuals do not change status/rights under the franchise agreement |
| t | Integration/merger | 7 02 | Only the terms of the franchise agreement are binding (subject to state law) Any promises outside the disclosure document and franchise agreement may not be enforceable |
| u | Dispute resolution by arbitration/mediation | 7 07 | Subject to our remedies at law and in equity, all disputes are settled by binding arbitration in our home state in a court of competent jurisdiction or by arbitration |
| v | Choice of forum | 7 07 | Litigation generally must be in our home jurisdiction, currently in San Jose, CA |
| w | Choice of law | 7 07 | The law of our home state (currently California) applies, except for service mark issues where federal law may apply |
| x | Limitation of claims | 7 08 | Claims must be brought within one (1) year |

| | PROVISION | AGREEMENT SECTION | SUMMARY |
|---|---|---|---|
| y | Waiver of punitive damages | 7 09 | Both we and you waive right to collect punitive damages |

## ITEM 18
## PUBLIC FIGURES

We do not use any public figure to promote our franchise

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Vice President of Operations at 1054 S De Anza Blvd, Suite 201, San Jose, CA 95129 and (408) 642-1012, the Federal Trade Commission, and the appropriate state regulatory agencies

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**Table No 1**
**System Wide Outlet Summary**
**For Years of 2015 to 2017**

| Outlet Type | Year | Outlets at Start of Year | Outlets at End of Year | Net Change |
|---|---|---|---|---|
| Franchised | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 |

| Outlet Type | Year | Outlets at Start of Year | Outlets at End of Year | Net Change |
|---|---|---|---|---|
| Company-Owned | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| | 2017 | 0 | 1 | 1 |
| Total Outlets | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| | 2017 | 0 | 1 | 1 |

**Table No 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For the Fiscal Years of 2015 to 2017**

| State | Year | Number of Transfers |
|---|---|---|
| Total | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |

**Table No 3**
**Status of Franchised Outlets**
**For the Fiscal Years of 2015 to 2017**

| State | Year | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Totals | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Afficient Academy You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you

**Table No 4**
**Status of Company-Owned Outlets**
**For Years 2015 to 2017**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| CA | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 1 | 0 | 0 | 0 | 1 |
| Totals | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 1 | 0 | 0 | 0 | 1 |

We do not directly own any outlets However, our Affiliate owns and operates an Afficient Academy Learning Center which is listed in this table

**Table No 5**
**Projected New Franchised Outlets As of December 31, 2017**

| State | Franchise Agreements Signed But Outlet Not Opened As Of December 31, 2017 | Projected New Franchised Outlets In The Next Fiscal Year (2018) | Projected Company-Owned Outlets In The Next Fiscal Year (2018) |
|---|---|---|---|
| CA | 0 | 3 | 1 |
| Total | 0 | 3 | 1 |

## ITEM 21
## FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit A is our audited financial statement for the fiscal year ended December 31, 2017, and our reviewed financial statement for the period November 22, 2016 to December 31, 2016 We have not been operating long enough to provide a full three years of financial statements

Our fiscal year end is December 31

## ITEM 22
## CONTRACTS

Attached to this Disclosure Document as Exhibit B is one copy of the Franchise Agreement

## ITEM 23
## RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit L Please sign and date one copy and return it to us Retain the other copy for your records

**CALIFORNIA APPENDIX**
**TO AFFICIENT ACADEMY OF AMERICA, INC DISCLOSURE DOCUMENT**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 20000 THROUGH 20043 PROVIDE RIGHTS TO THE FRANCHISEE CONCERNING TERMINATION OR NONRENEWAL OF A FRANCHISE IF THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THE LAW, THE LAW WILL CONTROL

THE FRANCHISE AGREEMENT PROVIDES FOR TERMINATION UPON BANKRUPTCY THIS PROVISION MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 USCA SEC 101ET SEQ)

THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW, INCLUDING, BUT NOT LIMITED TO, A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE, A LIMITATION OF ACTIONS PERIOD, AND A WAIVER OF PUNITIVE DAMAGES

A SPOUSE WHO IS NOT A PARTY TO THE FRANCHISE AGREEMENT WILL BE REQUIRED TO SIGN A PERSONAL GUARANTY, AGREEING TO BE JOINTLY AND SEVERALLY LIABLE FOR ALL THE OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT THE SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS THIS PLACES THE PERSONAL ASSETS OF THE OWNER AND THE OWNER'S SPOUSE AT RISK

YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (California Corporations Code Sections 31000 through 31516) Business and Professions Code Section 30010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (Business and Professions Code Sections 2000 through 20043)

NEITHER THE FRANCHISOR NOR ANY PERSON DESCRIBED IN ITEM 2 OF THE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES EXCHANGE AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 USCA 78a ET SEQ, SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE

THE FRANCHISE AGREEMENT CONTAINS A LIQUIDATED DAMAGES CLAUSE UNDER CALIFORNIA CIVIL CODE SECTION 1671, CERTAIN LIQUIDATED DAMAGES CLAUSES ARE UNENFORCEABLE

OUR URL IS www afficienta com OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www corp ca gov

# EXHIBIT A

# FINANCIAL STATEMENTS

# AFFICIENT ACADEMY OF AMERICA, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017

* * *

# AFFICIENT ACADEMY OF AMERICA, INC

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C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To Management of
Afficient Academy of America, Inc
San Jose, California

**Report on the Financial Statements**
We have audited the accompanying financial statements of Afficient Academy of America, Inc (the Company) which comprise the balance sheets as of December 31, 2017, and the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

1301 Shoreway Road, Suite 160 • Belmont, CA 94002 • Phone (650) 227-6799 • Fax (650) 228-7999
46560 Fremont Blvd., Suite 403 • Fremont, CA 94538 • Phone (510) 770-8680 • Fax (510) 770-8685

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Afficient Academy of America, Inc as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C G Uhlenberg LLP

March 22, 2018
Fremont, California

## AFFICIENT ACADEMY OF AMERICA, INC

BALANCE SHEET
December 31, 2017

**ASSETS**

| | | |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents | $ | 30,000 |
| Prepaid expenses | | 2,500 |
| Total Current Assets | | 32,500 |
| **TOTAL ASSETS** | $ | 32,500 |

(Continued)

The accompanying notes are an integral part of these financial statements

## AFFICIENT ACADEMY OF AMERICA, INC

BALANCE SHEET
December 31, 2017

### LIABILITIES AND SHAREHOLDER'S EQUITY

| | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable | $ | 225 |
| Related Party Payable | | 42,590 |
| Total Current Liabilities | | 42,815 |
| Total Liabilities | | 42,815 |
| Shareholder's Equity | | |
| Common stock, par value $0 001, 1,000 shares authorized, 1,000 shares issued and outstanding | | 1 |
| Additional Paid-in Capital | | 29,999 |
| Acumulated deficits | | (40,315) |
| Total Shareholder's Equity | | (10,315) |
| **TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** | $ | 32,500 |

(Concluded)

The accompanying notes are an integral part of these financial statements

## AFFICIENT ACADEMY OF AMERICA, INC

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | | |
|---|---|---|
| Operating Expenses | | |
| Legal & professional fees | $ | 17,767 |
| Office expense | | 244 |
| Advertising | | 5,400 |
| Business license & franchise tax | | 900 |
| Total Operating Expenses | | 24,311 |
| Operating Loss | | (24,311) |
| Loss Before Provision for Income Taxes | | (24,311) |
| Provision for Income Taxes | | 800 |
| Net loss | $ | (25,111) |

The accompanying notes are an integral part of these financial statements

**AFFICIENT ACADEMY OF AMERICA, INC**

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Common Stock | | Additional | Accumulated | |
|---|---|---|---|---|---|
| | No of Shares | Amount | Paid-in Capital | Deficits | Total |
| Balance as of December 31, 2016 | 1,000 | $ 1 | $ 29,999 | $ (15,204) | $ 14,796 |
| Net Loss | - | - | - | (25,111) | (25,111) |
| Balance as of December 31, 2017 | 1,000 | $ 1 | $ 29,999 | $ (40,315) | $ (10,315) |

The accompanying notes are an integral part of these financial statements.

## AFFICIENT ACADEMY OF AMERICA, INC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | | |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net loss | $ | (25,111) |
| Adjustments to reconcile net income to net cash used for operating activities | | |
| Changes in assets and liabilities | | |
| Increase in prepaid expenses | | (2,500) |
| Decrease in accounts payable | | (5,073) |
| Increase in related party payable | | 32,684 |
| Net Cash Provided by Operating Activities | | (0) |
| Net Increase in Cash and Cash Equivalents | | (0) |
| Cash and Cash Equivalents at Beginning of Year | | 30,000 |
| Cash and Cash Equivalents at End of Year | $ | 30,000 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the year for | | |
| Interest | $ | - |
| Income taxes | $ | 800 |

The accompanying notes are an integral part of these financial statements

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Nature of Planned Operations

Afficient Academy of America, Inc (the Company), a wholly owned subsidiary of Afficient Academy, Inc , a Delaware corporation (the Parent), was incorporated under the laws of the State of Delaware on November 22, 2016 (date of inception) The Company was also qualified to transact business in the State of California commencing on December 2, 2016 The company grants franchisees for the right to establish and operate a children's Learning Center under their proprietary Afficient Academy trade mark For the year ended December 31, 2017, the Company was in its planning stage primarily engaged in preparing franchising agreements and recruiting franchisees The company had incurred expenditures mainly for marketing and legal consultations Once the Company's planned principal operations commence, its focus will be on selling and marketing the business model and trademark owned by its Parent company and operate as the franchisor for franchisee operated learning centers

### Basis of Accounting

The Company uses the accrual method of accounting for financial statements and income tax purposes Revenue is recognized when earned and measurable, expenses are recognized in the period incurred, if measurable

### Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in interest rates Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or shorter at investment date are considered to be cash equivalents

### Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses in the financial statements and accompanying notes Actual results could differ from those estimates

### Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry and, accordingly, can be affected by a variety of factors Risks include competition from companies with greater resources and well established franchising approach Development of sales channels and networks in a rapidly changing

environment also indicate uncertainties in the business operation The company relies on its Parent company for its funding until it develops its own franchisee base

## 2 CASH AND CASH EQUIVALENTS

The cash balance as of December 31, 2017, consisted of the following

| | |
|---|---|
| Checking | $ 30,000 |
| Total Cash and Cash Equivalents | $ 30,000 |

The Company maintains its cash balances at East West Bank. The Company's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) in the amount up to $250,000 per bank As of December 31, 2017, the bank balance was fully covered by FDIC insurance

## 3 ACCOUNTS PAYABLE

Accounts payable as of December 31, 2017 consisted of the following

| | |
|---|---|
| Franchise Tax | $ 225 |
| Total | $ 225 |

## 4 RELATED PARTY PAYABLE

As of December 31, 2017, the Company's payable to its Parent in the amount of $42,590, was related to the operating expenses advanced by the parent company

## 5 SHAREHOLDER'S EQUITY

The Company was authorized to issue 1,000 shares of common stock As of December 31, 2017, 1,000 shares of common stock were issued and outstanding

## 6 INCOME TAXES

The Company accounts for its income taxes under the asset and liability approach whereby the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities are recognized as deferred tax assets and liabilities Effective federal and state corporate income tax rates have been applied in the calculation of the deferred tax assets

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2017, are as follows

| | |
|---|---|
| Non-current | |
| Net operating loss | $ 6,381 |
| Valuation allowance | (6,381) |
| Total deferred tax assets – non-current | $ 0 |

The provision for income tax consisted of the following

| | |
|---|---|
| California income tax - current | $ 800 |
| Total provision for income taxes | $ 800 |

The Company files income/franchise tax returns on a consolidated basis with its parent company with the U S federal and state of California and Delaware The Company is subject to U S federal income tax examinations by tax authorities for all years since incorporation and California and Delaware income tax examinations by tax authorities for all years since incorporation The Company has not been notified of any commencements of examinations of any open tax years by any tax authorities

As of December 31, 2017, the Company had net operating loss of approximately $33,816, and $10,305 to be carried over to offset future taxable income for federal and California income tax purposes, respectively If not utilized, the federal net operating loss carryforwards will expire starting in 2036, and the state net operating loss carryforwards will expire starting in 2026

The Company has adopted the provisions of uncertain tax positions as addressed in FASB ASC 740-10 As a result of the implementation of FASB ASC 740-10, the Company did not record any contingent tax liabilities

It is the Company's policy that if a tax liability related to uncertain tax position was recorded, it would recognize any associated interest and penalties in operating expenses For the year ended December 31, 2017, the Company recognized no interest expense and penalties and had no amount accrued at December 31, 2017 as a result of the implementation of FASB ASC 740-10

## 7 FRANCHISING

For the year ended December 31, 2017, the Company was working on franchise and licensing agreements that set forth the terms of arrangement with future franchisee or licensee, as well

as marketing its business model and trade mark to potential franchisees There was no franchised store sold or in operation as of December 31, 2017

## 8 SUBSEQUENT EVENT

The Company has evaluated subsequent events through March 22, 2018, the date which the financial statements were available to be issued

# AFFICIENT ACADEMY OF AMERICA, INC

FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW
REPORT

FOR THE PERIOD FROM
NOVEMBER 22, 2016 (INCEPTION) TO
DECEMBER 31, 2016

*  *  *

**AFFICIENT ACADEMY OF AMERICA, INC**

FOR THE PERIOD FROM
NOVEMBER 22, 2016 (INCEPTION) TO DECEMBER 31, 2016

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Kifer CPA

# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management of
Afficient Academy of America, Inc
San Jose California

We have reviewed the accompanying balance sheet of Afficient Academy of America, Inc (the Company) as of December 31, 2016 and the related statements of income changes in shareholder s equity, and cash flows for the period from November 22, 2016 (date of inception) to December 31 2016 A review includes primarily applying analytical procedures to management s financial data and making inquiries of Company management A review is substantially less in scope than an audit the objective of which is the expression of an opinion regarding the financial statements as a whole Accordingly we do not express such an opinion

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America We believe that the results of our procedures provide a reasonable basis for our conclusion

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America

Sunnyvale, California
February 27, 2017

Kifer CPA | 1286 Kifer Road Suite 116 Sunnyvale CA 94086 | Phone (408) 739-7000 Fax (408) 689-4301

## AFFICIENT ACADEMY OF AMERICA

BALANCE SHEET
DECEMBER 31, 2016

### ASSETS

| | | |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents | $ | 30,000 |
| Total Current Assets | | 30,000 |
| **TOTAL ASSETS** | $ | 30,000 |

### LIABILITIES AND SHAREHOLDER'S EQUITY

| | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable | | 5,298 |
| Related party payable | | 9,906 |
| Total Current Liabilities | | 15,204 |
| Total Liabilities | | 15,204 |
| Shareholder's Equity | | |
| Common stock, $0 0001 par value, 1000 shares authorized, 1,000 shares issued and outstanding | | 30,000 |
| Retained earnings | | (15,204) |
| Total Shareholder's Equity | | 14,797 |
| **TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** | $ | 30,000 |

(Continued)

See independent accountant's review report and accompanying notes

## AFFICIENT ACADEMY OF AMERICA

STATEMENT OF INCOME
FOR THE PERIOD FROM NOVEMBER 22, 2016 (INCEPTION)
TO DECEMBER 31, 2016

| | | |
|---|---|---|
| Operating Expenses | $ | 15,204 |
| Operating Income | | (15,204) |
| Income Before Provision for Income Taxes | | (15,204) |
| Provision for Income Taxes | | - |
| Net Income | $ | (15,204) |

See independent accountant's review report and accompanying notes

## AFFICIENT ACADEMY OF AMERICA

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE PERIOD FROM NOVEMBER 22, 2016 (INCEPTION)
TO DECEMBER 31, 2016

| | Shares of Common Stock | Common Stock & Additional Paid-In Capital | Retained Earnings | Total Shareholder's Equity |
|---|---|---|---|---|
| Balance on November 21, 2016 | - | $ - | $ - | $ - |
| Issued shares for Cash | 1,000 | 30,000 | - | 30,000 |
| Net Income | | - | (15,204) | (15,204) |
| Balance on December 31, 2016 | - | $ 30,000 | $ (15,204) | $ 14,797 |

See independent accountant's review report and accompanying notes

## AFFICIENT ACADEMY OF AMERICA

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM NOVEMBER 22, 2016 (INCEPTION)
TO DECEMBER 31, 2016

| | | |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net income | $ | (15,204) |
| Adjustments to reconcile net income to net cash used for operating activities | | |
| Changes in assets and liabilities | | |
| Increase in accounts payable | | 5,298 |
| Increase in related party payable | | 9,906 |
| Net Cash Used for Operating Activities | | - |
| Cash Flows from Financing Activities | | |
| Proceeds from issuance of common stock | | 30,000 |
| Net Cash Provided by Financing Activities | | 30,000 |
| Net Decrease in Cash and Cash Equivalents | | 30,000 |
| Cash and Cash Equivalents - Beginning of Year | | - |
| Cash and Cash Equivalents - End of Year | $ | 30,000 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the year for | | |
| Income taxes | $ | - |
| Interest expenses | $ | - |

(Concluded)

See independent accountant's review report and accompanying notes

# AFFICIENT ACADEMY OF AMERICA, INC

## NOTES TO FINANCIAL STATEMENTS
## FOR THE PERIOD FROM NOVEMBER 22, 2016 (DATE OF INCEPTION) TO DECEMBER 31, 2016

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Planned Operations

Afficient Academy of America, Inc (the Company), a wholly owned subsidiary of Afficient Academy, Inc (the Parent), was incorporated under the laws of the State of Delaware on November 22, 2016 (date of inception) The Company was also qualified to transact business in the State of California commencing December 2, 2016

From the date of inception to December 31, 2016, the Company was in its planning state primarily engaged in preparing franchising agreements and has expenditures incurred solely for legal consultation Once the Company's planned principal operations commence, its focus will be on selling and marketing of business model and trademark owned by its Parent company Future funding is expected to be provided by its Parent company There can be no assurance that such financing strategy will be achieved on terms attractive to us

Basis of Accounting

The Company uses the accrual method of accounting for financial statement and income tax purposes Revenue is recognized when earned and measurable, expenses are recognized in the period incurred, if measurable

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in interest rates Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or shorter at investment date are considered to be cash equivalents

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry and, accordingly, can be affected by a variety of factors Risks include competition from companies with greater resources and well established franchising approach Development of sales channels and networks in a rapidly changing environment also indicate uncertainties in the business operation

## 2 CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of December 31, 2016 consisted of the following

| | |
|---|---|
| Checking | $ 30,000 |
| Total Cash | $ 30,000 |

The Company maintains its cash balances at East West Bank The differences between the bank and book balances are due to reconciling items such as outstanding checks and deposit in transit The Company's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) in the amount up to $250,000 per bank except for noninterest-bearing account, which is guaranteed in full by the FDIC Temporary Insurance Coverage program As of December 31, 2016, the bank balance was fully covered by FDIC insurance

## 3 ACCOUNTS PAYABLE

Accounts payable as of December 31, 2016 consisted of the following

| | |
|---|---|
| Legal & Professional | $ 5,073 |
| Franchise Tax | 225 |
| Total Accounts Payable | $ 5,298 |

## 4 RELATED PARTY PAYABLE

As of December 31, 2016, the Company was due to its Parent in the amount of $9,906, solely related to the legal expenses incurred for organizational costs

## 5 SHAREHOLDER'S EQUITY

The Company was authorized to issue 1,000 shares of common stock As of December 31, 2016, 1,000 shares of common stock were issued and outstanding

## 6 INCOME TAXES

The Company files a consolidated federal tax return with its parent and records its share of the consolidated federal tax expense on a separate return basis For the period ended December 31, 2016, the Company has no provision for income taxes since the company was not subject to federal or state income tax in its first year of operation

The Company accounts for its income taxes under the asset and liability approach whereby the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities are recognized as deferred tax assets and liabilities Effective federal and state corporate income tax rates have been applied in the calculation of the deferred tax assets

Significant component of the deferred tax assets as of December 31, 2016 was as follows

| | | |
|---|---|---|
| Noncurrent Assets | | |
| Net operating loss | $ | 6,056 |
| Deferred tax asset valuation allowance | | (6,056) |
| Net Deferred Tax Assets - Noncurrent | $ | - |

The Company has total deferred tax assets of approximately $6,056 as of December 31, 2016, which consists primarily of the estimated future benefits of its net operating loss carryforward of $15,204 for 2016 However, because realization of these benefits depends on the generation of future taxable income, which is subject to substantial uncertainty, the Company has placed a full valuation allowance against the deferred tax assets

The Company files income tax returns in the U S federal and California State jurisdictions The Company's federal and California income tax returns remain subject to examination by tax authorities since 2016

The Company has adopted the provisions of uncertain tax positions as addressed in FASB ASC 740-10 It is the Company's policy that if a tax liability related to unrecognized tax benefits was recorded, it would recognize any associated interest and penalties in operating expenses During the period ended December 31, 2016, the Company recognized no interest expense and penalties and had no amount accrued as of December 31, 2016 as a result of the implementation of FASB ASC 740-10

## 7 FRANCHISING

For the period from November 22, 2016 (date of inception) to December 31, 2016, the Company was working on franchise and licensing agreements that set forth the terms of arrangement with future franchisee or licensee There was no franchised store sold or in operation as of December 31, 2016

## 8 SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 27, 2017, which is the date the financial statements were available to be issued

# EXHIBIT B

# FRANCHISE AGREEMENT

# AFFICIENT ACADEMY™

FRANCHISE AGREEMENT

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# AFFICIENT ACADEMY™ FRANCHISE AGREEMENT

THIS AGREEMENT between Afficient Academy of America, Inc , a Delaware corporation, hereinafter referred to as "Franchisor", and _____, a _____ hereinafter referred to as "Franchisee", is made on the basis of the following understandings and recitals and in consideration of the following promises, and the parties hereto, intending to be legally bound, agree as follows

## ARTICLE 1 RECITALS

### 1 01 The Afficient Academy Learning Center System

As the result of the expenditure of time, effort and money in research and development, Franchisor has developed and has the right to license a method and system (hereinafter referred to as the "Afficient Academy System" or "System") for the development and operation of a learning center (which business is herein referred to as an "Afficient Academy Learning Center" or "Learning Center") Franchisor is in the process of developing a network (hereinafter referred to as the "Afficient Academy Network" or "Network") of franchises to use the System on a mutually cooperative and interrelated basis

### 1 02 Proprietary Marks

Franchisor grants franchises to be operated under the proprietary service mark "Afficient Academy" (herein referred to as the "Mark") Franchisor continues to develop, use and control the Mark so that consumer recognition thereof will continue, and Franchisee agrees to represent the System's high standards of service, quality and appearance

### 1 03 Operating Standards

Franchisee acknowledges reading this Agreement and Franchisor's Uniform Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain Franchisor's high standards of service, quality and appearance, as well as the consistency of these standards by all franchises within the Network, in order to protect and preserve the goodwill of the Marks Franchisee therefore agrees to operate the Learning Center as an integral part of the Franchisor's Network and System as they may be changed, approved and developed from time to time, and in this operation adhere to the uniform standards, procedures and policies set forth below

### 1 04 Franchisee Desires A License

Franchisee desires to establish a Learning Center under the System, within the territory hereinafter set forth, and to use in connection therewith the Franchisor's Mark and System, and provide learning center curriculums, progressive levels, interactive software and testing programs and other services and products authorized for the Learning Center, as an integral part of the Franchisor's Network, and to derive the benefits of Franchisor's reputation, advice, experience, guidance and know-how

### 1 05 Granting of Franchises

Franchisor grants to franchisees, for considerations, the right to conduct a business utilizing the Franchisor's System, as part of the Franchisor's Network, offering learning center services and products approved by Franchisor, and utilizing its formats, methods, specifications, standards, operating procedures, guidance and Mark

### 1 06 Investigation of Franchise

Franchisee acknowledges having investigated Franchisor and the competitive market thereof and recognizes that the business contemplated by this Agreement involves business risks which make the success of the venture subject to many variables, including, but not limited to, the business abilities, skills and efforts of Franchisee

### 1 07 No Earnings Claims, No Misrepresentations

Franchisor expressly disclaims the making of, and Franchisee acknowledges not having received or relied upon any warranty or guaranty, express or implied, oral or written, regarding the potential sales, profits or success of the business contemplated by this Agreement Franchisee further acknowledges not having received any representation by Franchisor or its officers, employees or agents that is contrary to the information contained in Franchisor's Franchise Disclosure Document or the terms herein, and further represents to Franchisor, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining this franchise

### 1 08 Receipt of Disclosure Document, Completed Contract

Franchisee acknowledges having reviewed the Franchisor's Franchise Disclosure Document and all Exhibits attached thereto for at least fourteen (14) days prior to the signing of any contract with Franchisor or the payment of any money or other consideration relating to the franchise herein Franchisee further acknowledges having received a separate copy of this Agreement in completed form (i e in form for signing with no blanks or open terms, excepting only signatures) at least seven (7) days prior to signing this Agreement with Franchisor or paying any money or other consideration relating to the franchise herein

## ARTICLE 2 GRANT OF FRANCHISE

### 2 01 Grant of Franchise, Territory

(a) Grant of Franchise Subject to and upon all of the terms and conditions set forth in this Agreement, Franchisor grants to Franchisee the right and license, and Franchisee undertakes the obligation to establish and operate a Learning Center under the System and the Mark as Franchisor directs, and to use the Mark in connection with the various learning center services utilized in the operation of the Learning Center from a single specific location (herein referred to as the "Premises") which is located within the area described in Exhibit 1 attached hereto and made a part hereof

(b) Territory Franchisor has the sole authority to determine how many learning centers under the System and the Mark may be supported in the area described in Exhibit 1 of this Agreement During the term of this Agreement, Franchisor may determine that this area (the "Territory") can support another learning center However, so long as Franchisee remains in good standing, as defined herein, Franchisor may not operate, nor will it grant others a license to operate a Learning Center under its System at any location within the Territory without first offering Franchisee an option to purchase under Section 2 01(c) of this Agreement

(c) Franchisee Option to Purchase In the event that Franchisor determines that an additional learning center may be supported within the Territory, the parties shall follow the following steps

(i) Franchisor shall provide written notice to Franchisee of its determination to offer another learning center within the Territory

(ii) Franchisee shall have no more than sixty (60) days from the date of such notice to provide Franchisor with written notice of Franchisee's intention to operate the additional learning center Franchisee shall then have an additional thirty (30) days in which to sign the then-current form of franchise agreement for the additional learning center and pay all initial fees due under such franchise agreement to Franchisor in full

(iii) If Franchisee declines to open the additional learning center or fails to respond to Franchisor within sixty (60) days of Franchisor's notice to Franchisee, Franchisor shall have the right to operate or grant to another franchisee or franchisees the right and license to operate, a Learning Center under the System and Mark at another location within the Territory The parties agree that Franchisee's waiver of its option to purchase shall not be deemed a waiver of any future options, except as provided in section 2 01(a)(iv)

(iv) If Franchisee declines to open an additional learning center and a third party elects to open it, then if Franchisor determines that a third (or more) learning center may be supported within the Territory, Franchisor shall offer the first option to purchase such learning center to the franchisee whose existing learning center is geographically closest to the anticipated location of such additional learning center If this is not Franchisee, then if the third party franchisee declines, Franchisor shall next offer the learning center to Franchisee before offering it to a new franchisee not operating within the Territory

(v) For avoidance of doubt, this section does not apply to any geographic area outside of the Territory as described in Exhibit 1 of this Agreement

**2 02 Further Rights & Privileges**

Subject to and upon all of the terms and conditions set forth in this Agreement, Franchisor further grants to Franchisee the following rights and privileges

(a) Marks Use of the Mark as Franchisor directs, but only within the Territory and only in connection with authorized learning center services including curriculums, software and other services, products and supplies authorized by Franchisor,

(b) System Use of the Franchisor's System, which term as herein used refers to the System as presently existing and as it may be developed, changed and improved during the term of this Agreement, in marketing and providing approved learning center services and generally in conducting and operating the Learning Center, and

(c) Software Use of the proprietary software licensed by Franchisor ("Software") and a license to permit all enrolled students in Franchisee's Learning Center to use such Software

**2 03 Term and Renewal**

(a) Term This Agreement and the appointment of Franchisee hereunder shall commence on the date this Agreement is executed and, unless previously terminated as herein provided, shall expire on the fifth ($5^{th}$) anniversary of the date on which this Agreement was executed

(b) Renewal Options The term of this Agreement and the appointment hereunder may be extended for an additional term of five years, exercisable by written notice from Franchisee to Franchisor, no less than thirty (30) and no more than one-hundred-eighty (180) days prior to the expiration of the initial term, provided that at the end of the initial term

(i) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any of Franchisee's obligations hereunder, and

(ii) Franchisee has not been in default three (3) or more times within the immediately preceding twelve (12) month period, and

(iii) All monetary obligations owned by Franchisee to Franchisor have been fully satisfied prior to the commencement of the extension term, and

(iv) At the option of Franchisor, Franchisee shall execute Franchisor's then-current form of Franchise Agreement which shall waive any initial franchise fees and provide for the same royalty and other fees required by this Agreement, and

(v) At the option of Franchisor, except to the extent limited by applicable law, Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, and its officers, directors, agents and employees, arising out of or relating to this Agreement

**ARTICLE 3 FRANCHISEE'S OBLIGATIONS & DUTIES**

**3 01 Initial Fees**

(a) Initial Franchise Fee In consideration of the grant of franchise, and of the rights and privileges relating thereto, herein above made, Franchisee shall pay to Franchisor a franchise fee payable upon the signing of this Agreement in the amount of One Thousand Dollars ($1,000) This fee shall be paid solely for the grant of franchise rights and privileges,

shall be fully earned upon execution of this Agreement, and shall be in addition to all other fees, royalties, costs and other expenditures of any kind required of Franchisee under the terms hereof, or any sums otherwise becoming due from Franchisee for any reason The franchise fee, except as provided in subparagraph (c) below, is not refundable under any circumstances

(b) Training Fee In consideration of the training and pre-opening services provided by Franchisor as specified in Section 4 01(a) and 4 02(a), Franchisee shall also pay to Franchisor no later than sixty (60) days prior to opening the Learning Center or two (2) weeks prior to attending training, whichever is earlier, the sum of Five Hundred Dollars ($500 00) per person scheduled to receive training The training fee, except as provided in subparagraph (c) below, is not refundable under any circumstances

(c) Inability to Open Learning Center In the event that Franchisee fails to open its Learning Center within 180 days of executing this Agreement, Franchisor shall have the right, in its sole discretion, to terminate this Agreement Franchisor shall not be required to refund any amounts paid by Franchisee unless Franchisor determines, in its sole discretion, that Franchisee's inability to open the Learning Center within the required time frame was due to circumstances beyond Franchisee's control

**3 02 Royalties & Registration Fees**

(a) Royalty Amount and Payment Schedule In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by Franchisor to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to Franchisor a monthly royalty equal to Thirty Six Dollars ($36 00) per Enrolled Student, per Subject Matter for which such student enrolls at the Learning Center, on or before the tenth ($10^{th}$) day of each calendar month for the preceding calendar month's enrollment

(b) Royalty Reduction If Franchisee retains a tutor who meets Franchisor's established criteria for tutoring to the high school level of a subject matter, and Franchisee enrolls students at the high school level for a total of 10 subject months ("Subject Months"), Franchisor will charge Franchisee a reduced royalty ("Reduced Royalty") of Thirty Three Dollars ($33 00) per Enrolled Student The Reduced Royalty will apply to all students in the subject matter, regardless of grade level If Franchisee loses all high school level enrolled students for a continuous period of six (6) months, Franchisee will lose the Reduced Royalty and must meet the same qualifications to reclaim it Franchisee may not enroll high school level students until Franchisor has approved Franchisee's tutor's qualifications

(c) Registration Fee In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by Franchisor to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to Franchisor a Registration Fee of Ten Dollars ($10 00) per new Enrolled Student

(d) Definitions, Illustrations As used herein the term "Enrolled Student" means every student enrolled as of the last day of the calendar month A new Enrolled Student is a student who enrolls in a particular month A student who has previously enrolled in the

Learning Center but who terminates in a prior month and later re-enrolls is counted as a new Enrolled Student As used herein, "Subject Matter" means each academic subject for which Franchisor provides Software or a curriculum for use in the Learning Center "Subject Month" means one student enrolled for one month For illustrative purposes, two hypothetical calculations are shown below

Illustration #1 – No Advanced Level Tutors

| Student | Enrollment Date | Termination Date | Enrolled Subjects | Royalty & Registration Fees |
|---|---|---|---|---|
| #1 | Continuing student | N/A | Math | $36 |
| #2 | Continuing student | N/A | Math<br>English | $36<br>$36 |
| #3 | Enrolled on 27th of month | N/A | Math<br>English | $36<br>$36<br>$10 |
| #4 | Continuing student | Terminated on 18th of month | Math<br>English | $0<br>$0 |
| Total owed on the 10th of following calendar month | | | | $185 |

Illustration #2 – Reduced Royalty Qualification

| Month | Situation | Royalty Fee |
|---|---|---|
| January | Franchisee retains high level math tutor, tutor has not yet been approved by Franchisor<br>English level tutor is K - 8 | Math $36<br>English $36 |
| February | Franchisor confirms math tutor's high level qualifications<br>Franchisee enrolls two high school level students in math | Math $36<br>English $36 |
| June | Franchisee achieves 10 Subject Months of enrollment by students at the high school level (2 students x 5 months = 10 Subject Months) | Math $33<br>English $36 |

(e) Future Programs Franchisor will establish the per student royalty fee for future programs at the time such programs are offered Franchisee is not required to offer new programs, but must pay the established royalty if Franchisee chooses to offer such programs

**3 03 Selection and Lease of Premises**

(a) Unless otherwise agreed by Franchisor, Franchisee must have identified an approved location and be prepared to sign the lease for such Premises at the time this Agreement

is signed In any event, and unless otherwise specified by Franchisor, Franchisee shall commence business operations within 180 days of the date this Agreement is signed Franchisee must put up permanent electrical signage within one month of opening the business Franchisee acknowledges and agrees that Franchisor's furnishing minimum site criteria for the Premises does not constitute an express or implied assurance, representation or warranty of any kind

(b) Franchise may not execute any lease without prior approval of its site by Franchisor, which shall not be unreasonably withheld

(c) Franchisee's Lease must contain each of the following provisions

(i) a provision granting Franchisee the right to assign the lease without penalty to Franchisor upon termination or expiration of this Agreement, and

(ii) a provision that the lessor will notify Franchisor of any breach of Franchisee's lease, and allow Franchisor a reasonable opportunity to cure the breach, and

(iii) A provision allowing Franchisor to assume Franchisee's Lease, at its option, in the event of material breach or abandonment by Franchisee, and

(iv) a provision granting Franchisor the right to exercise any right to renew the lease, if a right exists and Franchisee fails to exercise the right, and

(v) a provision that the lease may not be materially modified without Franchisor's prior written consent and that Franchisor will receive copies of all such modifications when proposed and when executed

**3 04 Advertising, Public Relations and Marketing**

Recognizing the value of advertising, public relations and marketing programs, and the importance of the standardization of these programs to promote and further the goodwill and public image of the Franchisor's System and Marks, Franchisee agrees as follows

(a) Grand Opening Advertising Franchisee shall spend a minimum of Two Thousand Dollars ($2,000) to promote the opening of its Learning Center no later than three (3) month after opening for business

(b) On-Going Advertising On an on-going basis, Franchisor does not require Franchisee to spend a minimum amount on advertising, but Franchisee acknowledges that advertising is an integral and important part of promoting its Learning Center Franchisor strongly recommends that Franchisee engage in advertising for its Learning Center

(c) Advertising Standards All advertising by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Franchisor's System or the goodwill associated with the Mark Without limiting the foregoing, Franchisee agrees that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may

from time to time designate in writing Franchisee may not place advertisements targeted in any material manner into another franchisee's territory without that franchisee's prior written consent Franchisee shall submit to Franchisor (by mail, return receipt requested), for prior written approval, samples of all advertising and promotional plans and materials that Franchisee desires to use and that have not been prepared or previously approved by Franchisor If written approval thereof is not received by Franchisee, Franchisor shall be deemed not to have given the required approval Franchisor's approval of advertising or promotional plans does not constitute permission or approval to place such advertisements into another franchisee's territory

**3 05 Late and Insufficient Payments**

(a) Late Payment Amount Any payment not sent by Franchisee by the due date or not made available for bank draw by Franchisor, as required by this Agreement, shall be deemed overdue If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, an interest amount calculated at one percent (1%) per month of the overdue amount This total is due upon receipt of the past due invoice and shall be deposited directly to Franchisor's bank account, as specified by Franchisor

(b) Insufficient Fee Penalties Any payment or draw due to Franchisor that is rejected for insufficient funds shall immediately accrue an Insufficient Fee penalty of Twenty-Five Dollars ($25 00) due immediately to Franchisor Franchisee shall also be required to immediately pay the underlying amount that is unpaid to Franchisor

(c) No Waiver Franchisee acknowledges that this Section 3 05 shall not constitute an agreement by Franchisor to accept any payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's Learning Center Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 5 02, notwithstanding the provisions of this Section

**3 06 Operation of Learning Center**

Franchisee shall follow the Franchisor's start-up timetable as delivered during the Franchisor's training program regarding the development and commencement of Learning Center operations and shall thereafter, continuously operate the Learning Center devoting Franchisee's full time, best efforts, skills, and diligence to the Learning Center, selling and providing only those learning center services, products and supplies authorized or required to be provided as part of the Franchisor's System as set forth in Franchisor's confidential Operations Manual, Policy Manual, and Start-Up Guide (herein all collectively called "Manuals"), including supplements, addenda and amendments thereto, and Franchisee shall not sell or provide other learning center services or products except those which Franchisor, in its sole and absolute discretion, shall approve as being compatible and not interfering with the Franchisor's System, Mark and Network Specifically and without limiting the foregoing, Franchisee agrees

(a) Follow Manuals and Standards Franchisee shall operate the Learning Center in all respects in accordance with all reasonable requirements of Franchisor from time to time in effect, as set forth in the Manuals and in other communications from Franchisor,

maintaining the highest business standards of quality and ethical conduct, and not otherwise so that the Learning Center shall be established and at all times operated as and constitute a business of the highest quality and professionalism With respect to the Manuals, Franchisee specifically agrees as follows

(i) Franchisee shall treat the Manuals and other manuals created and approved for use in the operation of the Learning Center, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential,

(ii) Franchisee agrees that the Manuals shall remain the sole property of Franchisor, and that Franchisor may, from time to time, revise the contents of any Manual,

(iii) Franchisee agrees to comply with each new or changed provision of any Manual(s), that no modification of any Manual will alter Franchisee's status and rights under this Agreement, and that Franchisor may update any of the Manuals (or portions thereof) manually or by electronic means via Franchisor's website or otherwise as specified by Franchisor

(iv) Franchisee agrees that the master copy of each Manual maintained by Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Manual

(v) Franchisee agrees to keep all Manuals in a secure location at the Premises

(b) Approved Services and Products, Required Services and Products Franchisee shall offer or sell only those learning center curriculums, services, products and related supplies that meet Franchisor's standards of quality and have been expressly approved by Franchisor in writing for offer or sale by Franchisee Franchisee shall refrain from any deviation from Franchisor's standards and specifications for selling services or products, and shall discontinue offering and selling any service or product that Franchisor disapproves in writing from time to time, in its sole discretion Franchisee must offer at least one (1) Afficient Academy educational program, and failure to do so shall constitute a material default However, Franchisee shall not be required to implement or offer all Afficient Academy educational programs and may not offer any program for which Franchisee has not completed training, hired an approved tutor, and otherwise fulfilled all Franchisor requirements for implementing such program

(c) Non-Disclosure Franchisee shall not at any time, either during or after the term of this Agreement, copy or duplicate, or permit the copying or duplication, nor publish, disclose or in any manner reveal, or permit the publication, disclosure or revelation in any manner, to any person or entity, except employees of Franchisee on a need to know basis (and then only after obtaining a written agreement of such employees, in a form acceptable to Franchisor, made for the benefit of and enforceable by Franchisor as well as of and by Franchisee, to be bound by this commitment of nondisclosure), any portion of the Manuals, supplements, addenda or amendments thereto, or any other information or material supplied by Franchisor to Franchisee and designated as confidential information Franchisee hereby

recognizes and agrees that these materials and information are proprietary trade secrets of Franchisor and are disclosed to Franchisee in strict confidence solely for use in the development and operation of the franchise during the term of this Agreement and on the condition that Franchisee will not use these trade secrets in any other business or capacity Franchisee acknowledges and agrees that Franchisee will not acquire any interest in the trade secrets, other than the right to utilize them in the operation of the Learning Center during the term of this franchise and that Franchisee will maintain the confidentiality of these trade secrets during and after the term of this Agreement

(d) Management of Learning Center Franchisee is not required to personally manage the Learning Center during the term of this Agreement, but Franchisee must employ a competent individual to manage the Learning Center full-time Such individual must have successfully completed the Franchisor's training program then in effect as provided for in Section 4 02(e) hereof This individual must devote to the management of the Learning Center at least the equivalent of the working time not devoted by Franchisee, and provided further, that if Franchisee is at any time, by reason of sickness, disability or other cause, rendered unable to devote full working time to the operation, Franchisee shall employ one or more substitutes, all to the end that there shall be devoted to the management of the Learning Center at all times at least the full working time of one competent individual who has successfully completed Franchisor's training program In no event shall Franchisee or any spouse of Franchisee or an owner of Franchisee conduct or operate, directly or indirectly, or be employed by or associated in any way with any business which is competitive with the operation of the Learning Center, or any portion thereof

(e) Attend and Satisfactorily Complete All Training Franchisee shall, at Franchisee's sole expense, attend and satisfactorily complete (or have employees of Franchisee attend and satisfactorily complete) all training programs as provided for in Sections 4 01 and 4 02 hereof, and shall ensure that any future managers attend and complete such training Franchisee shall provide and carry out further training for Franchisee's tutors in compliance with all requirements of the training and the Manuals

(f) Operational Efforts Franchisee shall vigorously pursue and promote sales and activities leading to growth by the Learning Center, marketing the Territory to its fullest potential, avoiding excessive customer complaints and loss of customers, as well as declining revenues, and shall cooperate with Franchisor and other franchisees in the Franchisor's Network in promoting and enhancing the Franchisor's System, Network and Mark

**3 07 Use of Commercial Symbols**

Franchisee acknowledges that Franchisee's right to use the Mark is derived solely from this Agreement and is limited to the operation of a Learning Center pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Franchisor in its Manuals from time to time during the term of this Agreement Specifically and without limiting the foregoing, Franchisee agrees

(a) This Agreement does not confer any goodwill or interests in the Mark upon Franchisee

(b) Franchisee shall use only the Mark authorized by Franchisor in its Manuals, and shall use the Mark only in the manner authorized and permitted by Franchisor As required by the Manuals, Franchisee shall obtain Franchisor's prior approval before making certain uses of the Mark, including but not limited to the designation of the particular name for Franchisee's Learning Center, and all signage

(c) Franchisee shall use the Mark only in connection with the operation of the Learning Center licensed hereunder and only within the Territory referred to in Section 2 01 of this Agreement

(d) Any and all goodwill arising from Franchisee's use of the Mark under the Franchisor's System shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license herein granted, except as expressly provided herein, no monetary amount shall be assigned to any goodwill associated with Franchisee's use of the Franchisor's System or Mark

(e) The Mark is valid and identifies Franchisor, the Franchisor's System and those licensed under the System Franchisee agrees not to directly or indirectly contest the validity or ownership of the Mark Throughout the term of this Agreement, including any extensions thereof, Franchisee shall identify himself or herself as a franchisee of Franchisor in conjunction with any use of the Mark, displaying the Mark in connection with the operation of the Learning Center as Franchisor may specify from time to time

(f) Franchisee shall not register the Mark or any part thereof as its trade name or in any domain name without Franchisor's prior written approval

(g) Franchisee agrees not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized service or product or in any other manner not expressly approved in writing by Franchisor

(h) If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor or Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, Franchisee agrees to promptly comply therewith within a reasonable time after notice by Franchisor, and Franchisor need not reimburse Franchisee for any of Franchisee's expenses or costs in complying with Franchisor's directions

(i) Franchisee shall comply with Franchisor's instructions in filing and maintaining fictitious or trade name registrations, and shall execute any documents deemed necessary by Franchisor to protect and maintain the continued validity of the Mark

(j) In the event that Franchisee is aware of any use of the Mark or colorable imitation thereof which falsely suggests or represents an association or connection with Franchisor, or other franchisees in the Network, or litigation involving the Mark is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and cooperate fully with Franchisor in connection therewith Franchisee agrees that Franchisor will have the right to control any litigation with respect to the Mark

### 3 08 System Improvements

Franchisee acknowledges and agrees that Franchisor may supplement, improve or otherwise alter the System and the methods, procedures and techniques which Franchisee is authorized and required hereunder to utilize in the operation of the Learning Center, including addition to or elimination from the System of services or products or other activities constituting elements thereof Franchisee acknowledges and agrees that Franchisor shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the learning center services and products offered there under, that this control and discretion is in the best interests of the System, and that Franchisee will comply with all Franchisor's requirements concerning the System and Network improvements thereto, including the payment of any fees or costs associated therewith Franchisee expressly acknowledges that these may include, but are not limited to, computer hardware and software systems, educational tools, decor, toys or incentives, training and new course curricula Franchisee shall seek, in its operation of the Learning Center to develop and conceive such supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise Franchisor thereof Franchisor shall have the right, but not the obligation, to make use of all supplements, improvements and alterations so conceived or developed by Franchisee, including the right to disseminate the same to all franchisees for their use

### 3 09 Uniform Network

Franchisee understands and acknowledges that this franchise and the business carried on therewith will benefit from being an integral part of a network of similar learning center franchises in a variety of locations, utilizing the Franchisor's System in a uniform manner, providing uniform curriculums, programs, services, products and supplies with personnel and tutors of uniform skill and training, hence capable of mutual complementation and interrelation, particularly in the types and quality of learning center services, products and supplies offered Accordingly, Franchisee agrees, specifically and without limiting any other obligations of Franchisee expressed in this Agreement, that the interests of the Franchisor's System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further the Franchisor's System and Network to the fullest extent possible Therefore, Franchisee agrees to adhere to Franchisor's standards, specifications and requirements concerning the Mark, the Franchisor's System and Network as specified by Franchisor from time to time in its Manuals including, without limitation, the offering of any new services or products, the elimination of any previously specified services or products, and the operation of the Learning Center as an integral part of the Franchisor's Network, cooperating and complementing other Afficient Academy learning center franchises thereof

### 3 10 Responsibility for Costs and Expenses

Franchisee will be solely responsible for and shall pay, promptly when due, all costs, expenses, obligations and indebtedness of or in any way rising out of or in connection with the Learning Center and the establishment and operation thereof, including all taxes, assessments and other levies, charges and impositions of any kind of any governmental or regulatory body, federal, state or local, in so far as it relates to the business operations within the granted territory of the Franchisee only

### 3 11 Compliance with Law, Good Learning Center Practices

Franchisee shall, in the establishment and operation of the Learning Center, comply, at Franchisee's sole expense, with all applicable statutes, ordinances, regulations, orders and other enactment's or requirements of all governmental or regulatory bodies including obtaining any licenses, permits or other entitlement required by any law or laws Franchisee must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with Franchisee's clients, suppliers, and Franchisor

### 3 12 Indemnification

Franchisee shall indemnify Franchisor and its officers, directors and employees and hold them harmless from and against any liability or responsibility for any matter for which Franchisee is responsible under this Section 3 12 or otherwise under this Agreement, and from and against any loss, liability, claims, demands, damages, charges, costs or expenses of any kind whatsoever, including attorney's fees, arising directly or indirectly out of or in connection with any such liability or responsibility, or otherwise out of or in connection with the establishment and operation by Franchisee of the Learning Center, including but not limited to any such matters arising directly or indirectly out of or in connection with any injury to or death of persons or damage to or loss of property

### 3 13 Insurance

Without limiting its obligations under Section 3 12, Franchisee shall procure and maintain in effect throughout the term of this Agreement insurance coverage in the amounts and types of insurance specified by Franchisor in its Manuals or otherwise in writing The insurance shall be issued by companies licensed to do business in the state where Franchisee is located and Franchisee shall supply Franchisor with certificates of insurance currently in force reflecting the required insurance coverage All certificates of insurance shall be renewed annually and Franchisee shall furnish Franchisor with a certificate indicating renewal at least 30 days prior to expiration of each certificate In the event Franchisee fails to furnish these certificates, Franchisor may (but shall not be obligated to) obtain such insurance and Franchisee shall reimburse Franchisor for the cost thereof upon demand Franchisee understands and acknowledges that Franchisor may, in its sole discretion, raise, lower or change the amounts and types of insurance required and Franchisee agrees to follow Franchisor's directions in this regard as detailed from time to time in Franchisor's Manuals or otherwise in writing

### 3 14 Encumbrances

During the term of this Agreement, except with the prior written consent of Franchisor, Franchisee shall not mortgage, pledge or otherwise assign as security, this Franchise Agreement, the Learning Center or any part thereof

### 3 15 Record Keeping, Inspections, Audits, Reports, Surveys

(a) Record keeping Franchisee shall throughout the term hereof, maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Learning Center, and supporting data, all in accordance with generally accepted accounting principles and

utilizing accounting records, software and computer systems approved or specified by Franchisor in the Manuals and updated on a regular basis also as specified in the Manuals In addition Franchisee shall also maintain an up to date list of customer and staff records

(b) Inspection, Audit Franchisor shall have the right at any time during normal business hours, and without prior notice to Franchisee, to have the books, records, data and financial statements of Franchisee's Learning Center inspected and, at Franchisor's option, audited Franchisee shall supply its business tax returns to Franchisor annually Any audit shall be done by a certified public accountant of Franchisor's choice, and shall be at Franchisor's sole cost and expense, except if any audit discloses an understatement of Gross Sales by two percent (2%) or more, then the entire cost of the audit, including without limitation the charges for any certified public accountant, its employees and the travel, room, board and compensation of Franchisor's employees connected with the audit, shall become immediately due and payable upon receipt of invoice

(c) Reports Unless otherwise required by Franchisor, Franchisee shall submit to Franchisor, in such form, detail and manner as Franchisor may require, complete and accurate reports throughout the term of this Agreement as detailed in the Manuals These reports shall include a monthly profit and loss statement, and specified categories of its expenses including but not limited to its expenses for rent, labor, insurance, janitorial services, broadband service and computer equipment, due on or before the 15th day of each calendar month, for the preceding calendar month

(d) Surveys and Studies The continuing development, improvement and success of the Franchisor's Network and System requires meaningful, timely and accurate information concerning all functions and aspects of the business In order that the Franchisor's System can be fully evaluated and improved and benefit all franchisees thereof, Franchisee agrees to prepare and forward to Franchisor, at times specified and on forms supplied by Franchisor, information that Franchisor may require for its use in preparing studies and surveys relating to the Learning Center, the System and the Network, containing information specified by Franchisor

### 3 16 Right of Entry

Franchisee shall permit Franchisor and its agents the right to enter the premises of the Learning Center at all times during regular business hours, without prior notice to Franchisee, for the purpose of determining compliance with this Agreement and Manuals, as well as for interviewing Franchisee's clients and personnel and conducting on-site market surveys or studies Franchisee shall cooperate with Franchisor's agents during these visits, and upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take all necessary steps to promptly correct any deficiency detected by Franchisor's agents

## ARTICLE 4 FRANCHISOR'S OBLIGATIONS

### 4 01 Pre-Opening Services

Franchisor shall assist Franchisee and perform initial services as follows

(a) Initial Training Program Franchisor shall provide Franchisee and additional trainees specified by Franchisee, with a training program in connection with the management and operation of the Learning Center The training program will be conducted at locations designated by Franchisor and will be up to ten (10) business days in duration All segments of the training course shall be attended and successfully completed by Franchisee and Franchisee's trainee(s) Franchisee shall be responsible for paying all travel, living and other expenses incurred by Franchisee and its trainee(s) in attending Franchisor's training program

(b) Confidential Operating Manuals Franchisor shall loan to Franchisee, promptly following the successful completion of Franchisee's training program, one complete copy of Franchisor's Manuals

(c) Initial Forms Franchisor will provide Franchisee with copies of reporting and other operating forms as detailed by Franchisor in its Manuals

(d) Site Criteria Franchisor will provide Franchisee with information about Franchisor's minimum site criteria for Franchisee's use and completion as part of the site evaluation process set forth in Section 3 03 above, containing site characteristics, proximity factors, lease provisions and list of recommended realtors for Franchisee's use

(e) Start-Up Guide Franchisor will provide Franchisee with a prioritized list of activities and steps to take to get Franchisee's Learning Center ready to open

### 4 02 Support for Learning Center Operations

Franchisor shall supply to Franchisee, in support and assistance of Franchisee's operations, the following

(a) Consultation Franchisor will make available, at its corporate office, personnel for consultation, in person or by written or telephone communication during normal business hours, concerning questions arising in the day-to-day operation of Franchisee's Learning Center, and will provide specific assistance and support remotely during the first two weeks of Franchisee's operation

(b) Franchisee Conventions Franchisor may but is not required to sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest to all franchisees In all cases it will be the Franchisee's responsibility to pay all travel, living and other expenses incurred by Franchisee or Franchisee's employee(s) while attending these seminars Franchisor also has authority to charge fees to Franchisees for attendance of such seminars and conventions Franchisee's attendance is not mandatory, but is strongly encouraged

(c) Updating Franchisor will disseminate periodic supplements and amendments to its confidential Operations Manual and Policy Manual, as well as other information of general interest to all Franchisees

(d) Software During the term of this Agreement, Franchisor will supply Franchisee with licenses to use the Afficient software in the Learning Center pursuant to the requirements in the Manuals for each subject matter in which Franchisee has received training and has hired a knowledgeable tutor Franchisor has authority to refuse to license an Afficient software module to Franchisee if Franchisee does not have the training or an acceptable tutor on staff

(e) Website Franchisor will maintain a website that will list Franchisee's Learning Center location and contact information

(f) Additional Consulting At Franchisee's request, Franchisor will provide additional support or on-site consulting services in accordance with Franchisor's then-current Consulting Fee Schedule that sets forth acceptable consulting assignments, the skill set required and hourly rate(s) An advance retainer may be required to commence the assignment, with payments for the retainer and other billings due on receipt of invoice

### 4 03 Protection of Mark

Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity of the Mark Franchisor will use, and permit Franchisee and other franchisees to use, the Mark only in accordance with the Franchisor's System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Mark

## ARTICLE 5 TERMINATION

### 5 01 Termination by Franchisee, Liquidated Damages

(a) Franchisee May Terminate Upon Uncured Franchisor Default Franchisee shall have the right, at its option, to terminate this Agreement by giving written notice to Franchisor by registered or certified mail, addressed as provided in Section 7 06, in the event Franchisor defaults in the performance of any agreement on its part to be performed hereunder and the default is not remedied within 30 days after written notice from Franchisee to Franchisor of the default setting forth the nature thereof Franchisee's termination of this Agreement for any other reason or without notice will be deemed a termination without cause

(b) Liquidated Damages If Franchisee terminates this Agreement without cause, Franchisee shall pay to the Franchisor within ten (10) days of the termination, as liquidated damages for the premature termination of this Agreement and not as a penalty, an amount equal to six times (6 times) the average monthly royalty and registration fees payable to the Franchisor over the last twelve (12) months of the Franchised Learning Center's active operations or the entire period the Franchisee's Learning Center has been open for business, whichever is the shorter period If Franchisor establishes that Franchisee deliberately reduced its royalties prior to termination without cause, the liquidated damages shall be calculated based on Franchisee's average normal operations over a twelve (12) month period

**5 02 Immediate Termination by Franchisor**

Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure the default, effective upon receipt of notice by Franchisee, addressed as provided in Section 7 06, upon the occurrence of any of the following events, which Franchisee acknowledges are detrimental to, and reflect unfavorably upon, the operation and reputation of the Franchisor's System, the Mark, the Network, and goodwill thereof

(a) Abandonment If operations of the Learning Center cease for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Learning Center, unless and only to the extent that full operation of the Learning Center is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control,

(b) Insolvency, Assignments If Franchisee becomes insolvent or is adjudicated a bankrupt, or any action is taken by Franchisee, or by others against Franchisee, under any insolvency, bankruptcy or reorganization act, and not fully dismissed within thirty (30) days after the institution thereof,

(c) Unsatisfied Judgments, Levy, Foreclosure If any judgment is obtained against Franchisee which remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed), or if execution is levied against Franchisee's Learning Center or any of the property used in the Learning Center and is not discharged within five (5) days, or if the real or personal property of Franchisee's Learning Center shall be sold after levy thereupon by any sheriff, marshal or constable,

(d) Criminal Behavior If Franchisee engages in any dishonest, criminal or unethical behavior or conduct in connection with Franchisee's Learning Center or in such dishonest, criminal or unethical behavior or conduct outside of the Franchised Learning Center but that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Franchisor System, Mark, Network, goodwill or reputation thereof, regardless of whether Franchisee or any of its owners are ultimately charged or convicted of any such crime,

(e) Misuse of Mark, Unauthorized Disclosure If Franchisee fails to comply with the covenants contained in Sections 3 07 or Franchisee knowingly discloses to any unauthorized person the contents of any part of Franchisor's Manuals or any other trade secrets or confidential information provided to Franchisee by Franchisor and designated as such,

(f) Misrepresentation to Franchisor If Franchisor discovers at any time that Franchisee materially misrepresented any information in applying for the grant of the franchise, Franchisor shall have the right, but not the obligation, to immediately terminate Franchisee, and

(g) Intentional Fraud in Monetary Payments or Reporting If Franchisor discovers that Franchisee has willfully underpaid Franchisor Royalty or Registration Fees owed to Franchisor, or has materially, incorrectly reported financial matters or enrollment figures to Franchisor on more than one occasion

### 5 03 Termination After Notice by Franchisor

If Franchisee defaults in the performance of any agreement made herein, and the default is not remedied to Franchisor's satisfaction within thirty (30) days after written notice thereof from Franchisor to Franchisee, or Franchisee, after curing a default engages in the same default on 2 other occasions within a six (6) month period whether or not these defaults have been corrected after notice, Franchisor shall have the immediate right to terminate Franchisee

### 5 04 Rights and Duties on Termination

In the event of any termination of this Agreement, whether by reason of action by Franchisee or Franchisor as above provided, or as elsewhere provided in this Agreement, or by the expiration of the term hereof, the parties shall have the following rights and duties

(a) Cease Operation of Learning Center under System and Mark All rights and privileges herein granted to Franchisee shall immediately terminate and revert to Franchisor, with all rights and goodwill of the Learning Center pertaining thereto, and Franchisee shall surrender all such rights and privileges, shall cease operation of the Learning Center using the Franchisor's System and Mark in all connections, including any colorable imitation thereof or in any manner or for any purpose, or utilize for any purpose any trade name, service mark, trademark, logo or other insignia which is likely to cause confusion, mistake or deception or that falsely suggests or indicates a connection or association with Franchisor Franchisee shall take all action required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark, and to remove existing signage bearing any Mark

(b) Pay Creditors, Return Manuals, Cease Use of Website Franchisee shall immediately pay all creditors of the Learning Center, including all sums then owing by Franchisee to Franchisor and shall immediately return without delay all Manuals and all other material described therein (or in any notice from Franchisor) as property of Franchisor, and all forms, advertising matter, and all other materials received by Franchisee from Franchisor and in the possession of Franchisee Franchisee shall also cease use of any Afficient Academy domain name, URL or home page address and shall not establish any Website using any similar or confusing domain name, URL or home page address

(c) Asset Purchase Options On Termination Unless termination results solely from the proper exercise by Franchisee of Franchisee's election as provided in Section 6 01 hereof, Franchisor shall have the following options, exercisable by written notice to Franchisee (indicating which option(s) Franchisor intends to exercise) at any time within 30 days from the date of termination hereof to (i) require Franchisee assign to Franchisor the leasehold interest of the Premises in consideration of Franchisor's assumption of the leasing obligations thereunder, and (ii) to purchase from Franchisee all equipment, furnishings, fixtures and other physical assets owned by Franchisee and used in the operation of the Learning Center for the same price paid by Franchisee less depreciation taken (i e book value) as of the date of Franchisor's written notice The purchase price for all of the above assets shall not include any payment for goodwill or other intangibles

(d) Transfer Phone Numbers and Social Media Presence Franchisee shall relinquish and take all steps necessary and hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to transfer to Franchisor all right, title and interest in all or any of Franchisee's telephone numbers, fax numbers, cellular phone numbers, social media pages, user accounts and fan pages including the listing, and advertising privileges concurrent therewith, relating in any way to the Learning Center

(e) Transfer Customer Information Franchisee shall relinquish and immediately turn over to Franchisor contact information for every parent, guardian or other adult responsible for enrolling any child in Franchisee's Learning Center since the inception of this Agreement

(f) Franchisor's Rights Following Termination Following termination of this Agreement, unless termination results from the proper exercise by Franchisee of Franchisee's option as provided in Section 6 01 hereof, Franchisor shall be entitled, either to operate the Learning Center itself, with the use of all assets, including goodwill, reverting and transferred to it on termination as above provided, or to grant the franchise herein granted, and to sell all such properties and assets, to others upon terms and conditions as Franchisor shall determine, and to retain all proceeds of the transaction, in either event, without obligation to Franchisee of any kind

(g) Rights Not Exclusive The foregoing rights of Franchisor upon termination by reason of breach or default hereunder shall not be exclusive, but shall be in addition to and not in lieu of any other rights available to Franchisor under the terms hereof or at law or in equity Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish any debt, obligation, or liability of Franchisee which may have accrued hereunder, including without limitation any debt, obligation, or liability which was the cause of termination All covenants and agreements of Franchisee that by their terms or by reasonable implication are to be performed, in whole or in part, after the termination of this Agreement, shall survive termination

(h) Activities Following Termination Franchisee acknowledges that the elements comprising the Franchisor's System are unique, proprietary and distinctive and have been developed by Franchisor as the result of great expenditures of time, effort and money, that Franchisee has regular and continuing access to valuable trade secret and confidential information, and that Franchisee recognizes its obligation to keep this trade secret and confidential information in confidence pursuant to the provisions of this Agreement Franchisee therefore agrees as follows

(i) Nondisclosure If, prior to its expiration, this Agreement is terminated by Franchisor in accordance with the provisions of this Agreement or by Franchisee without cause, or this Agreement expires pursuant to the terms hereof and is not renewed, Franchisee shall not thereafter use or disclose to any person or entity any trade secrets, know-how, improvements, marketing plans, formulas, processes or other elements constituting proprietary and confidential aspects of the Franchisor's System

(ii) Competition Franchisee acknowledges that in addition to the license of the Marks hereunder, Franchisor has also licensed a large body of commercially valuable information including, but not limited to, operations, marketing, advertising and related materials and that the value of this information derives not only from the time, effort and money which went into its compilation but from the usage of same by all franchisees in the Franchisor's Network to develop System goodwill Franchisee further acknowledges that this information is not generally known in the industry and is beyond Franchisee's present skills and experience (or if Franchisee had prior related experience, it was not experience or knowledge remotely comparable to Franchisor's experience and knowledge) and that to develop this information would be expensive, time-consuming and difficult Franchisee finally acknowledges that gaining access to Franchisor's marketing techniques, operational procedures, business practices and management methods used in Franchisee's Learning Center is a primary reason for entering into this Agreement Franchisee therefore agrees that, unless this Agreement is properly terminated pursuant to Section 5 01(a) hereof, in order to foster System loyalty, promote inter-brand competition and protect the ability of Franchisor to sell new franchise rights within the area, Franchisee will not, for a period of twelve (12) months, commencing on the effective date of termination, or the date on which Franchisee ceases the business conducted pursuant to this Agreement, whichever is later, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any business competitive with that theretofore constituting the operations of a Learning Center or any portion thereof, within fifty (50) miles of Franchisee's Territory (except ownership of securities that are traded on a stock exchange or on the over-the-counter market representing five percent (5%) or less of the equity or voting power of the issuer thereof) It is understood and agreed by Franchisee that the purpose of this covenant is not to deprive Franchisee of means of livelihood and will not do so, because Franchisee earned a livelihood before entering into this Agreement and has the skills to do so in the future, but is rather to protect the goodwill and interests of Franchisor, the Franchisor's System and Network of Afficient Academy franchises The provisions of this Section 5 03 apply to all Franchisee owners and their spouses

(i) Irreparable Injury Franchisee acknowledges that Franchisee's violation of any of the terms of this Section 5 03 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting or compelling Franchisee to abide by the terms of this Section 5 03

## ARTICLE 6 TRANSFER AND ASSIGNMENT

### 6 01 Prior Offering and Consent, Conditions For Approval

Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has granted this franchise in reliance upon the individual character, skill, aptitude, attitude, business ability and financial capacity of Franchisee Therefore, except as hereinafter provided at Section 6 04, neither this Agreement or the Learning Center, or any part or all of the ownership of Franchisee therein (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests), may be voluntarily, involuntarily, directly or indirectly assigned, sold, issued or otherwise transferred by Franchisee or its owner(s) until this Agreement and the Learning Center have first been offered to Franchisor as provided in Section 6 03, and, if Franchisor does not

accept this offer, without the prior written consent of Franchisor which shall not be unreasonably withheld, provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment

(a) The proposed transferee meets Franchisor's uniform standards of qualification then applicable with respect to all applicants for a Afficient Academy Learning Center including, but not limited to financial strength, business experience, profile fit and other relevant business considerations, and

(b) As of the effective date of the transfer, all obligations of Franchisee under all written contracts and agreements between Franchisee and Franchisor are fully satisfied, and

(c) A transfer fee in an amount equal to Franchisor's most recent pre-opening services fee, corresponding to Section 3 01(b) above, is paid to Franchisor at least 30 days prior to the effective date of the transfer to cover Franchisor's costs in evaluating and training the proposed transferee, as well as effecting the transfer, and

(d) The transferee shall have signed and agreed to be bound by the form of franchise agreement (and other ancillary agreements, if any) as are then used by Franchisor in the grant of franchises which shall (i) waive the initial franchise fee, (ii) provide for a term equal to the remaining term hereof, and (iii) provide for the same royalty fee and other fees required in this Agreement, and

(e) The proposed transferee attends and completes all segments of the training program to Franchisor's satisfaction, and

(f) Except to the extent limited by applicable law, Franchisee and its owner(s) have executed a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, directors, officers, employees and agents, and

(g) Franchisor approves the material terms and conditions of the assignment, which approval shall not be unreasonably withheld, including particularly a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Learning Center by the proposed transferee in compliance with the terms and conditions of the franchise agreement, and

(h) In the event that Franchisee is transferring less than all of the Afficient Academy Businesses it owns in a single Territory, Franchisee provides to Franchisor for Franchisor's approval a proposed division of its Territory, acceptable to the proposed transferee, such that in the event of assignment the proposed transferee shall receive a portion of the Territory in which to operate the transferred Learning Center

**6 02 Death or Disability**

In the event of the death or disability of Franchisee or of a principal owner of Franchisee, or if Franchisee is a corporation or partnership, or the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed one hundred twenty (120) days from the date

of death or disability, to a third party approved by Franchisor The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee from supervising management and operation of the franchise for thirty or more consecutive days This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in Section 6 01 and the following

(a) Management by Franchisor If, after death or disability, Franchisee's Learning Center is not being managed and operated by a competent and trained manager, Franchisor is authorized, but is not obligated, to immediately assume management of the Learning Center until an approved and trained transferee can assume operations Revenues from operation of the Learning Center during the period of management by Franchisor shall be used by Franchisor to meet any and all expenses of Franchisee's Learning Center including, without limitation, the weekly compensation, travel and living expenses of any of Franchisor's employees or designees Operation of Franchisee's Learning Center during any period of management by Franchisor pursuant to this subparagraph (a) shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize its best efforts and shall not be liable for any debts, obligations or losses incurred by the Learning Center during any period in which it is managed by Franchisor

**6 03 Right of First Refusal**

In the event Franchisee desires to make any sale, assignment or other transfer referred to in Section 6 01, Franchisee shall first obtain a bona fide, executed written offer from responsible and fully disclosed purchaser(s) and submit an exact copy of this offer to Franchisor Franchisor shall have the right, exercisable by written notice delivered to Franchisee, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by Franchisor of the exact copy of Franchisee's offer If Franchisor does not exercise its right of first refusal, Franchisee may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 6 01 In the event the sale, assignment or other transfer is not completed within sixty (60) days after delivery of the offer to Franchisor or there is a material change in the terms of the sale, assignment or other transfer, Franchisor shall again have a right of first refusal herein provided

(a) Transfer of Major Interest In the event Franchisee desires to make any sale, assignment or other transfer of more than 50% of the capital stock or of the partnership interest of a corporation, partnership or other entity organized and wholly owned by Franchisee to which this Agreement has been assigned pursuant to Section 6 04, then Franchisor shall also have the option to purchase not only the interest being transferred but also the remaining interest so that Franchisor shall have a right of first refusal to purchase 100% of the ownership interest The value of this 100% interest shall be determined on a basis proportionate to the price of the interest initially offered For example, if a 60% interest is being sold by Franchisee for $1,000,000 then the value of the 100% interest would be $1,666,666

### 6 04 Assignment to Franchisee Entity

It is understood that Franchisee may assign and delegate this Agreement and Franchisee's rights and obligations hereunder to a corporation, partnership or limited liability company organized by Franchisee for that purpose in which Franchisee owns and controls a majority of the equity and voting power of all issued and outstanding stock or of the general partnership or ownership interest, and without complying with Sections 6 01 and 6 03, provided that

(a) All shareholders (or partnership partners or owners) are identified to and approved by Franchisor, and

(b) The articles of incorporation, articles of partnership, partnership agreement, bylaws or other organizational documents of the corporation, partnership or limited liability company recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 6 01 and 6 03 of this Agreement, and in the case of a corporation all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 6 01 and 6 03 in a form satisfactory to counsel for Franchisor, and

(c) Each shareholder, officer, director, owner or partner of Franchisee shall execute an agreement provided by Franchisor undertaking to be bound jointly and severally by the provisions of this Agreement, and

(d) Franchisee shall furnish to Franchisor at any time upon request, in form as Franchisor may require, a list of all shareholders, directors, officers, owners or partners of Franchisee reflecting their respective interests in and positions with Franchisee, and

(e) The corporation, partnership or limited liability company shall at no time engage, directly or indirectly, in any similar business activity other than those directly related to the operation of Franchisee's Learning Center, pursuant to all terms and conditions of this Agreement, and

(f) Franchisor shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the corporation, partnership or limited liability company shall have all of said rights and obligations, and the term "Franchisee" as used herein shall refer to the corporation or partnership

Each reference to a corporation in this Section 6 04 shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto Each reference to the organizational documents, shareholders, directors and officers of a corporation shall be deemed to refer to the functional equivalents of such organizational documents, shareholders, directors and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto

### 6 05 Consent Does Not Constitute Waiver

Franchisor's consent to an assignment or transfer of any interest subject to the restrictions of this Article shall not constitute a waiver of any claims it may have against the transferring party, nor

shall it be deemed a waiver of Franchisor right to demand exact compliance with any of the terms or conditions hereof by transferee

### 6 06 Transfer or Assignment By Franchisor

This Agreement is fully assignable by Franchisor in whole or in part and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor herein

## ARTICLE 7 ADDITIONAL LIMITATIONS AND PROVISIONS

### 7 01 Independent Status

This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between Franchisor and Franchisee or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee Franchisee is and shall be solely an independent contractor and shall at no time act or represent itself to be acting in any other capacity Without limiting the foregoing, Franchisee shall not incur any obligation or indebtedness on behalf of Franchisor, shall only contract or otherwise incur any obligation or indebtedness only in Franchisee's own name, which, if Franchisee is a corporation or partnership, shall at no time include Franchisor's name or Mark or any part thereof, or be so similar thereto so as to be in any way misleading, and Franchisee shall otherwise comply with the provisions of Section 4 07 hereof

### 7 02 Whole Agreement, Amendments, Construction

This Agreement contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto This Agreement shall be effective only when executed by a duly authorized officer of Franchisor Subject to Franchisor's right to modify its Manuals as provided herein, no amendment or addition to this Agreement shall be effective unless in writing, executed by a duly authorized officer of Franchisor and by Franchisee Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of the sections or paragraphs This Agreement shall be executed in multiple copies, each of which shall be deemed an original

### 7 03 No Representations or Warranties

Franchisee specifically recognizes and acknowledges that the success of the business venture contemplated by this Agreement depends largely upon the abilities of Franchisee as an independent businessperson, as well as other factors, such as market and economic conditions beyond the control of Franchisor and Franchisee Franchisee acknowledges entering into this Agreement only after making a thorough, independent investigation of Franchisor's operations and program and the competitive market thereof, and not upon any representation, whether as to profits which Franchisee might expect to realize or otherwise Franchisee acknowledges that there has been no representation or warranty not expressly stated in this Agreement made by

Franchisor or any representative thereof or any other person on its behalf, regarding the potential success of Franchisee's business, or otherwise

**7 04 Severability, Additional Assurances**

Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid, illegal or unenforceable provision If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply Each party agrees to execute and deliver to the other any further documents that may be reasonably required to fully effectuate the provisions hereof Although printed provisions of this Agreement were prepared by Franchisor, this Agreement shall not be construed either for or against Franchisor or Franchisee, but shall be construed in accord with the general tenor of the language to reach a fair and equitable result

**7 05 Remedies**

It is recognized that performance by Franchisee of Franchisee's obligations hereunder is of unique value, and that non-performance or breach thereof would result in irreparable damage to Franchisor Accordingly Franchisee agrees that in the event of any nonperformance or breach, Franchisor shall have the right to secure injunctive or other equitable relief, without bond, but upon due notice, to prevent same, and Franchisee consents to the granting of this relief, in addition, and without prejudice, to any other remedies available to Franchisor at law Subject to this right on the part of Franchisor, and without prejudice thereto, and subject to any applicable provision of law to the contrary, it is agreed that any controversy or dispute arising out of or in connection with this Agreement and activities hereunder, including any termination or purported termination hereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules, as then in effect, of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any state or federal court having jurisdiction It is the intent of the parties that no claim arbitrated hereunder shall be arbitrated on a class wide basis In the event that this Agreement is terminated by Franchisor on account of a claimed default hereunder by Franchisee, and without waiving any of Franchisor's rights under Section 7 09 below, any objection or claim by Franchisee arising there from shall be deemed waived and released unless Franchisee shall deliver to Franchisor written demand for arbitration within twenty (20) days following the effective date of the termination, provided, however, that this waiver and release of claims shall not apply with respect to any claim arising under applicable state law The failure of either party to object to, or exercise any remedy on account of, any failure or performance hereunder by the other party shall not constitute a waiver of any other failure of performance of the same or different nature

**7 06 Notices**

All notices required or permitted hereunder shall be in writing, shall be deemed given when received, and shall be personally delivered to or sent by overnight courier or by email (provided the sender has confirmation of receipt) addressed as follows

| | |
|---|---|
| To Franchisor | Afficient Academy of America, Inc<br>1054 S De Anza Blvd , Suite 201<br>San Jose, California 95129<br>Attn Vice President of Operations<br>Email franchise@afficienta com |
| To Franchisee | _____<br>_____<br>_____<br>_____ |

Either party may change the address for notices by written notice to the other in accordance with the foregoing

**7 07 Successors and Assigns, Governing Law, Jurisdiction**

Subject to the above provisions concerning assignments and transfers by Franchisee, this Agreement shall inure to the benefit of and be binding upon the successors, assigns and legal representatives of the parties hereto

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sections 1051 et seq ) or other applicable state law, this Agreement shall be construed in accordance with, and governed by, the laws of the State where Franchisor's principal business address is then located If a claim is asserted in any legal proceeding, or in arbitration, Franchisee agrees all actions must be commenced in the state, and in the state or federal court of general jurisdiction (or arbitration site) closest to where Franchisor's principal business address is then located, and Franchisee irrevocably submits to the jurisdiction of those courts and waives any objection Franchisee might have to either jurisdiction or venue in those courts

**7 08 Limitation of Claims**

Except for claims arising from Franchisee's nonpayment or underpayment of amounts due Franchisor, and subject to Section 7 05 hereof, any and all claims arising out of or relating to this Agreement will be barred as a claim, counterclaim, defense or set off unless a proceeding is commenced within one (1) year from the occurrence of the facts giving rise to such claims or ninety (90) days from either the actual discovery of the facts giving rise to such claims or from the date on which the party asserting the claim knew or should have, in the exercise of reasonable diligence, discovered such facts

**7 09 Waiver of Punitive Damages**

Franchisor and Franchisee (and its owners and guarantors, if applicable) hereby waive to the fullest extent permitted by law, any right to or clam for any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained

### 7 10 Acknowledgment of Understanding, Opportunity to Consult

Franchisee acknowledges reading and understanding this Agreement, including all attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with an attorney or other advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement

In Witness Whereof, the parties hereto have executed this Agreement as of this _____ day of _____, 20____

| | |
|---|---|
| Afficient Academy of America, Inc | Afficient Academy Franchisee |
| ("Franchisor)" | ("Franchisee") |
| By _____ | By _____ |
| Title _____ | Print Name _____ |

Exhibit 1 to Afficient Academy Franchise Agreement

The Designated Territory referred to in subparagraph (b) of Section 2 01 is

# EXHIBIT C

**(Intentionally Blank)**

# EXHIBIT D

# AGENTS FOR SERVICE OF PROCESS

## AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Business Oversight<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013–2344<br>(213) 576–7500<br>Toll free (866) 275-2677 | **MICHIGAN**<br>Dept of Commerce, Corp'ns & Securities Bureau<br>670 Law Building<br>525 West Ottawa<br>Lansing, Michigan 48913<br>(517) 373–7117 |
| **HAWAII**<br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **MINNESOTA**<br>Commissioner of Commerce<br>85 7th Place East, Suite 500<br>St Paul, Minnesota 55101<br>(612) 296–4026 |
| **ILLINOIS**<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782–4465 | **NEW YORK**<br>New York State Department of State<br>Division of Corporations<br>Second Floor<br>41 State Street<br>Albany, New York 12231 |
| **INDIANA**<br>Indiana Secretary of State<br>201 State House<br>Indianapolis, Indiana 46204<br>(317) 232–6681 | **NORTH DAKOTA**<br>North Dakota Securities Commissioner<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor<br>Bismarck, North Dakota 58505-0510 |
| **MARYLAND**<br>Maryland Securities Commissioner<br>200 St Paul Place<br>Baltimore, Maryland 21202–2020<br>(410) 576–6360 | **RHODE ISLAND**<br>Director of Department of Business Regulation<br>John O Pastore Center<br>Bldg 69, First Floor<br>1511 Pontiac Avenue,<br>Cranston, RI 02920<br>(401) 277–3048 |

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| **SOUTH DAKOTA**<br>Director of Division of Securities<br>445 E Capitol Avenue<br>Pierre, South Dakota 57501–2017<br>(605) 773–4013 | **WASHINGTON**<br>Director of Department of Financial Institutions<br>General Administration Building<br>Securities Division – 3rd Floor West<br>150 Israel Road S W<br>Tumwater, Washington 98501<br>(360) 902–8760 |
| **VIRGINIA**<br>Clerk of the State Corporation Commission<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371–9733 | **WISCONSIN**<br>Commissioner of Securities<br>345 West Washington Avenue, Fourth Floor<br>Madison, Wisconsin 53703<br>(608) 261–9555 |

# EXHIBIT E

# STATE ADMINISTRATORS

## STATE ADMINISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Business Oversight<br>Department of Business Oversight<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013–2344<br>(213) 876–7500<br>Toll free (866) 275-2677 | **MICHIGAN**<br>Consumer Protection Div , Franchise Section<br>Attn Kathryn A Barron<br>670 G Mennen Williams Building<br>Lansing, Michigan 48913<br>(517) 373–7117 |
| **HAWAII**<br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **MINNESOTA**<br>Commissioner of Commerce<br>Department of Commerce<br>85 7th Place East, Suite 500<br>St Paul, Minnesota 55101<br>(651) 296–4026 |
| **ILLINOIS**<br>Robert Tingler, Esq<br>Chief, Franchise Division<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782–4465 | **NEW YORK**<br>Bureau of Investor Protection and Securities<br>New York State Department of Law<br>120 Broadway, 23rd Floor<br>New York, New York 10271<br>(212) 416–8211 |
| **INDIANA**<br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E–111<br>Indianapolis, Indiana 46204<br>(317) 232–6681 | **NORTH DAKOTA**<br>North Dakota Securities Department<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor, Dept 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |

| | |
|---|---|
| **MARYLAND**<br>Office of the Attorney General<br>Securities Division<br>200 St Paul Place<br>Baltimore, Maryland 21202–2020<br>(410) 576–6360 | **RHODE ISLAND**<br>Securities Division<br>Department of Business Regulation<br>John O Pastore Center<br>Bldg 69, First Floor<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>(401) 277–3048 |
| **SOUTH DAKOTA**<br>Director of Division of Securities<br>445 E Capitol Avenue<br>Pierre, South Dakota 57501–2017<br>(605) 773–4013 | **WASHINGTON**<br>Department of Financial Institutions<br>General Administration Building<br>Securities Division – 3rd Floor West<br>150 Israel Road S W<br>Tumwater, Washington 98501<br>(360) 902–8760 |
| **VIRGINIA**<br>Director, Securities and Retail Franchising Div<br>State Corporation Commission<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371–9051 | **WISCONSIN**<br>Office of the Commissioner of Securities<br>345 West Washington Avenue, Fourth Floor<br>Madison, Wisconsin 53703<br>(608) 261–9555 |

# EXHIBIT F

# SAMPLE FORM OF GENERAL RELEASE

## SAMPLE FORM OF GENERAL RELEASE

This General Release (this "Release") is made by _____ [NAME OF FRANCHISEE] ("Franchisee") in favor of Afficient Academy of America, Inc ("Franchisor") and certain related parties as set forth below effective as of _____, 2____ (the "Effective Date")

Franchisor is the franchisor of Afficient Academy Learning Centers ("Afficient Academy")

Franchisor and Franchisee entered into a Franchise Agreement dated _____,_____ (the "Franchise Agreement") for the operation of an Afficient Academy located at _____ (the "Franchised Business")

Franchisee is seeking to renew the franchise or is seeking Franchisor's consent to sell, transfer and convey the rights under the Franchise Agreement to _____ [NAME OF PURCHASER] ("Purchaser") as provided in the Franchise Agreement A release of all claims against Franchisor and related parties by Franchisee is one of the conditions that must be satisfied in order to renew or transfer the franchise under the Franchise Agreement ***[OR The current term of the Franchise Agreement has not expired, and Franchisee wishes to enter into a new franchise agreement with Franchisor for the Franchised Business that would replace the Franchise Agreement and provide Franchisee with a new ten (10) year franchise term and a further right to renew Franchisor is willing to enter into a new franchise agreement with Franchisee in consideration of Franchisee entering into this Release ]***

Therefore, in consideration of these premises, and for other good and valuable consideration, receipt of which is hereby acknowledged, Franchisee agrees as follows

1 **Release by Franchisee** Franchisee for Franchisee and Franchisee's respective predecessors, shareholders, officers, directors, members, partners, owners, successors, assigns, affiliates, family members, heirs, executors, administrators and personal representatives and anyone claiming through or under them (collectively the "Franchisee Parties"), hereby releases, acquits and forever discharges Franchisor and its predecessors, successors, assigns, parent company, subsidiaries, affiliates, officers, directors, stockholders, employees, attorneys, accountants and other representatives (collectively the "Franchisor Parties") of and from any and all claims, demands, debts, disputes, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, whether arising under the Franchise Agreement, or under common law, equitable principles, statute (including but not limited to the California Franchise Investment Law), regulation or otherwise, whether fixed or contingent, which the Franchisee Parties or any of them have against the Franchisor Parties by reason of any matter, event or cause whatsoever occurring at any time before, through and including the Effective Date of this Release stated above

2 **Waiver of Civil Code Section 1542** Franchisee for Franchisee and the Franchisee Parties hereby expressly waives any rights or benefits available under the provisions of Section 1542 of the California Civil Code or any similar law of any state that provides for

the survival of claims notwithstanding a general release Civil Code Section 1542 provides as follows

> A general release does not extend to claims that the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by Franchisee must have materially affected Franchisee's settlement with the debtor

Franchisee understands this statutory language, and notwithstanding this or any similar statute or law, Franchisee freely elects to specifically waive these rights and hereby does release the Franchisor Parties from all claims whether known or unknown at the time of this Release Franchisee understands that if the facts relied upon in making this Release are discovered hereafter to be other than or different from the facts now believed to be true, or if additional facts are discovered, Franchisee expressly accepts the risk of such possible different or additional facts and agrees that this Release shall remain effective notwithstanding any such discoveries Franchisee is not deciding to make this Release or waiver predicated on any factual representations of Franchisor concerning the nature of any claims released, past or future events or any other matters

3 **Representations** Franchisee represents, warrants, agrees and acknowledges

a That Franchisee had the opportunity to consult with legal counsel in making this Release and that Franchisee has read and fully understands the terms of this Release and that this Release was entered into freely and voluntarily,

b That the validity of this Release is an essential condition to and in consideration of Franchisor's consent to the transfer or renewal of the franchise ***[OR Franchisor's offer of a new franchise agreement and franchise term prior to expiration of the Franchise Agreement]***,

c That in addition to this Release, there are other conditions that must be satisfied in order to have the franchise transfer or renewal approved by Franchisor as required in the Franchise Agreement and that Franchisee understands and agrees to these conditions, and

d That Franchisee is the sole owner of all of the claims released hereby and has not heretofore assigned any interest in the franchise, the Franchise Agreement, or any of the claims released hereby

4 Entire Agreement This Release contains the entire agreement by Franchisee with respect to the release required for [the applicable transaction] All prior discussions, negotiations, and representations concerning this matter are superseded by this Release

5 Governing Law This Release will be governed by the laws of California

6 Exception to Release Notwithstanding any of the provisions of this Release, if Franchisee is entering into a new franchise agreement concurrently with this Release, this

Release is not meant to waive compliance with any provisions of the California Franchise Investment Law that might apply to the acquisition of the new franchise agreement

**Name(s) of Franchisee Above**

| **FRANCHISEE** | **FRANCHISEE** |
|---|---|
| _____ | _____ |
| (Name of Entity) | (Name of Entity) |
| By _____ | By _____ |
| (Signature) | (Signature) |
| _____ | _____ |
| Title | Title |
| _____ | _____ |
| Date | Date |

# EXHIBIT G

# SPOUSAL CONSENT

## SPOUSAL CONSENT AND WAIVER

The undersigned _____ ("Spouse") hereby represents that he/she is a _____ [state] resident and is the spouse of _____ ("Franchise Owner") Spouse acknowledges and understands that, contemporaneously herewith, Franchise Owner, or a corporation, partnership or limited liability company in which Franchise Owner is a principal owner (the "Franchisee"), will be entering into a Franchise Agreement with _____, LLC ("Franchisor") to acquire an Afficient Academy Learning Center franchise and operate a Afficient Academy Learning Center Spouse hereby consents to this transaction and waives any right, now or in the future, to assert a community property or quasi community property interest in the franchise, the Franchise Agreement, the Afficient Academy Learning Center or in the Franchisee Spouse understands that in the absence of this Spousal Consent and Waiver, Franchisor, as a condition of granting the Afficient Academy Learning Center to Franchise Owner, would have required Spouse to personally enter into the Franchise Agreement or to execute a personal guaranty of all of Franchisee's obligations under the Franchise Agreement Spouse represents and agrees that the waiver of this condition by Franchisor is sufficient consideration for this Spousal Consent and Waiver Spouse understands that if Spouse did not wish to provide this Spousal Consent and Waiver, Spouse could have agreed to personally execute the Franchise Agreement or the personal guaranty Spouse hereby represents and acknowledges that Spouse knowingly and deliberately elected not to do so and to instead provide this Spousal Consent and Waiver If notwithstanding this Spousal Consent and Waiver, Spouse claims or is awarded in a legal action a community property interest, quasi community property interest or other ownership interest in the franchise, the Franchise Agreement, the Afficient Academy Learning Center or in Franchisee, other than by way of a transfer approved in writing by Franchisor as provided in the Franchise Agreement, Spouse hereby agrees, without further action or execution of further instruments, to be personally bound by all of the terms of the Franchise Agreement and to be liable for the performance of all obligations thereunder

**Spouse**

_____ Dated _____

# EXHIBIT H

# OWNER'S GUARANTY

# AND

# ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

## OWNER'S GUARANTY

## AND

## ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution by Afficient Academy of America, Inc ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and _____ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including _____ _____ ("Guarantors") hereby personally and unconditionally (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel Each Guarantor hereby expressly waives

(1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings,

(2) notice of demand for payment of any indebtedness or non performance of any obligations hereby guaranteed,

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed,

(4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability,

(5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor, and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled

Each Guarantor consents and agrees that

(1) his or her direct and immediate liability under this guaranty shall be joint and several,

(2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually,

(3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person,

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be irrevocable during the term of the Agreement, and

(5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed

GUARANTOR(S)

Name _____

Signature _____

Date _____

Name _____

Signature _____

Date _____

# EXHIBIT I

# ELECTRONIC DEBIT AUTHORIZATION

**Electronic Debit Authorization**

**(Authorization Agreement For Pre-Authorized Payments Via Ach Debit Originations)**

FRANCHISEE NAME _____ FEIN _____

FRANCHISEE ("I" or "We") hereby authorizes _____ ("COMPANY"), to initiate debit entries to my (our) checking account indicated below in the depository named below, hereinafter called DEPOSITORY, to debit the same to such account

DEPOSITORY NAME ____CITY & STATE _____

ABA/TRANSIT NO _____ACCOUNT NO _____

This authorization is to remain in full force and effect until the underlying obligations per the Franchise Agreement between FRANCHISEE and COMPANY have been satisfied in full or released in writing by COMPANY

This authorization further confirms my agreement that that this authorization shall apply to any and all Depositories and Bank Accounts with which I/we open during the term of the Franchise Agreement and any renewals Without limiting the generality of the foregoing, I/we understand that if I/we close any bank account, I/we are obligated to immediately, (i) notify COMPANY thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to COMPANY all documents necessary for COMPANY to begin and continue making withdrawals from such depository/bank account by ACH debiting or other electronic means I/we specifically agree and declare that this Authorization shall be the only written authorization needed form me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future

NAME _____

Signature _____ Dated _____

Or for business entity franchisee

Signature _____ Dated _____

As Its _____

Federal Tax ID # or SS# _____

# EXHIBIT J

## LIST OF ACTIVE FRANCHISEES

**(None)**

# EXHIBIT K

## LIST OF FORMER FRANCHISEES

**(None)**

**EXHIBIT L**

**RECEIPTS**

## ITEM 23
## RECEIPT

## (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English Read this disclosure document and all agreements carefully

If Afficient Academy of America, Inc offers you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except

If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of

1 Ten business days before signing of a binding agreement, or

2 Ten business days before payment to us, or

3 Fourteen calendar days before signing a binding agreement or making a payment to us

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of

1 The first personal meeting to discuss our franchise, or

2 Ten business days before signing of a binding agreement, or

3 Ten business days before payment to us, or

4 Fourteen calendar days before signing a binding agreement or making a payment to us

If Afficient Academy of America, Inc does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and your state agency

The name, principal address and telephone number of each franchise seller offering the franchise is Jiayuan Fang, 1054 S De Anza Blvd, Suite 201, San Jose, CA 95129 (408) 642-1012

Our agents for service of process are listed in Exhibit D

| State | Issuance Date | Effective |
|---|---|---|
| FTC | March 22, 2018 | March 22, 2018 |
| California | March 22, 2018 | Pending |

This Disclosure Document includes the following exhibits

| | |
|---|---|
| Exhibit A | Financial Statements |
| Exhibit B | Franchise Agreement |
| Exhibit C | None |
| Exhibit D | Agents for Service of Process |
| Exhibit E | State Administrators |
| Exhibit F | Sample General Release |
| Exhibit G | Spousal Consent |
| Exhibit H | Owner's Guaranty and Assumption of Franchisee's Obligations |
| Exhibit I | Electronic Debit Authorization |
| Exhibit J | List of Active Franchisees |
| Exhibit K | List of Former Franchisees |
| Exhibit L | Receipts |

Date _____ Signature _____ Printed Name _____

Date _____ Signature _____ Printed Name _____

**KEEP THIS COPY FOR YOUR RECORDS**

## ITEM 23
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Date _____ Signature _____ Printed Name _____

Date _____ Signature _____ Printed Name _____