FRANCHISE DISCLOSURE DOCUMENT
(FRANCHISE PROGRAM)

PREP ACADEMY TUTORS USA, INC.
A Delaware Corporation
191 Deloraine Avenue
Toronto, Ontario, Canada M5M 2B1
888-995-7382
adrian@prepacademytutors.com
prepacademytutors.com

Prep Academy Tutors USA, Inc. offers a franchise opportunity to operate a tutoring services business offering in-home and online tutoring to students.

The total investment necessary to begin operation of a Prep Academy Tutors franchise range between $52,600 and $70,600. This includes $43,000 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Adrian Dougherty at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1 at 888-995-7382, adrian@prepacademytutors.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 "*Buying a Franchise: A Consumer's Guide*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at l-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 20, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchises. You can find their names and contact information in Item 20 or Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Prep Academy Tutors business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Prep Academy Tutors franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your Franchised Business or may harm your Franchised Business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your Franchised Business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The indemnity that forms part of the franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the Province of Ontario. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the Province of Ontario than in your own state.

2. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

PREP ACADEMY TUTORS
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

Item	**Page**
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	2
ITEM 3 LITIGATION	2
ITEM 4 BANKRUPTCY	3
ITEM 5 INITIAL FEES	3
ITEM 6 OTHER FEES	3
ITEM 7 ESTIMATED INITIAL INVESTMENT AND INITIAL FEES	6
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	9
ITEM 9 FRANCHISEE'S OBLIGATIONS	11
ITEM 10 FINANCING	12
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	13
ITEM 12 TERRITORY	17
ITEM 13 TRADEMARKS	18
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	19
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	21
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	22
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	22
ITEM 18 PUBLIC FIGURES	25
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	26
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	26
ITEM 21 FINANCIAL STATEMENTS	29
ITEM 22 CONTRACTS	29
ITEM 23 RECEIPTS	29

Exhibits:

A.	Franchise Agreement	E.	List of State Administrators/Agents for Service of Process
B.	Indemnity	F.	Franchise Compliance Certification
C.	Financial Statements	G.	State Addenda
D.	List of Licensees	H.	Receipts

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "Franchisor," "PAT," "we," "our" and "us" means Prep Academy Tutors, the franchisor. "You" or "Franchisee" or the "Master" means the person or persons who signs a PAT Franchise Agreement with us and includes your owners if you are a corporation or other business entity.

The Franchised Business

We offer qualified business entities and persons (each, a "PAT Franchisee" or "Franchisee") the right to enter into franchise agreements (each, a "Franchise Agreement") offers a franchise opportunity to operate a tutoring services business offering in-home and online tutoring to students (the "Franchised Business" or "Franchisee's Business"). The form of Franchise Agreement that we intend to enter into with you, should you and we mutually agree to enter into a franchise relationship, is attached to this disclosure document as Exhibit A.

The Franchise Agreement grants you the right to operate a Franchise under our System (defined below) and using the trade name and trademark "Prep Academy Tutors" and other trademarks we designate (the "Marks"). The System includes the standards, specifications, authorized products and services, methods, procedures and Marks we prescribe relating to the establishment, development and operation of PAT Businesses. The System also includes the methods we develop for recruiting, training and providing services to franchisees. We may modify the System at any time.

The Franchise Agreement will establish a territory within which you will serve as Franchisee. This disclosure document describes the Franchised Business.

The Franchisor

We are an incorporated company organized under the laws of Delaware. We were incorporated on March 10, 2020. Our principal business address is 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1. We conduct business under our corporate name "Prep Academy Tutors USA, Inc." and under the name "Prep Academy Tutors".

We do not directly operate a business of the type to be operated by you; however, our affiliate, PAT Canada, has conducted the business of the type being franchised in Canada since March 2010 (see heading "Parents and Affiliates", below for more information).

We began offering franchises of the type to be operated by you in May 2020. As of the date of this disclosure document, we have one operational franchise. A list of our franchisees is appended as Exhibit D to this disclosure document.

We do not engage in any other business activities and have never offered franchises in any other line of business.

Parents and Affiliates

We are a subsidiary of 2496939 Ontario Inc. ("249"). 249 is a corporation organized under the laws of Ontario, Canada. 249's principal business address is 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1. 249 does not operate any business. Its sole asset is the ownership of PAT shares.

We are affiliated with Prep Academy Tutors Inc. ("PAT Canada"). PAT Canada is a corporation organized under the laws of Ontario, Canada. PAT Canada was incorporated on December 18, 2012. PAT Canada's principal business address is 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1.

PAT Canada has conducted the business of the type being franchised since March 2010 and has offered franchises in the tutoring business in Canada since January 2013. PAT Canada has not offered franchises in any other line of business.

We have had no predecessors during the 10-year period immediately before December 31, 2022.

The Market and Competition

The Franchised Business is based on delivery of tutoring services in the customer's house. A Franchisee would compete with other private, franchised or corporately-run tutoring businesses which use either a similar in customer home tutoring system or which use other delivery models, such as tutoring over the internet. While we believe the market for the sale of tutoring services is year-round and not seasonal, there may be increased sales during the school year.

Industry-Specific Regulations

We are not aware of any industry-specific laws or regulations with which you must comply. However, you must comply with all local, state, and federal laws that apply to your Franchised Business operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. Regulations vary widely from jurisdiction to jurisdiction and you must comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Franchised Business. You should consult with an attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

ITEM 2

BUSINESS EXPERIENCE

Adrian Dougherty, President and Director

Mr. Dougherty is our President and a Director of PAT since its incorporation. Mr. Dougherty has acted as President and a Director of PAT Canada since October 2012. His office is located in Toronto, Canada.

Carly Dougherty, Secretary and Director

Ms Dougherty is our Secretary and a Director of PAT since its incorporation. In 2010, Ms. Dougherty founded the tutoring business that evolved into the Franchised Business, and has been the Secretary and Director of PAT Canada since that time. Her office is located in Toronto, Canada.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

When you sign your Franchise Agreement, you will pay us a franchise fee of $43,000. The franchise fee is due as a lump sum at the time you sign your Franchise Agreement, fully earned when paid and not refundable for any reason.

In the fiscal year prior to the date of this disclosure document, the franchise fee for all franchises sold was at the previous standard franchise fee of $33,000. We intend to impose our initial franchise fee uniformly.

You pay us or our affiliates no other fees or payments for services or goods before your Franchised Business commences operation.

ITEM 6

OTHER FEES

Name of Fee	**Amount**	**Date Due**	**Remarks**
Service Fee	8% of the Gross Sales (Section 7.02 of the Franchise Agreement)	Monthly	Notes 1 & 2
National Marketing Fund	2% of the Gross Sales (Section 8.6 of the Franchise Agreement)	Monthly	
Local Advertising and Promotion	5% of Gross Sales (Section 8.01 of the Franchise Agreement)	As determined.	See Item of this disclosure document for more information regarding local advertising and promotion.
Technology Fee	Presently $150 per month. Subject to increase based on actual technology costs (Section 7.03 of the Franchise Agreement)	Monthly	

Transfer	As a condition of the assignment, transfer, sale or other conveyance of the franchise agreement the franchisee must pay the Franchisor a transfer fee of $2,000, to help defray the Franchisor's administrative costs, plus the Franchisor reasonable legal fees (Section 12.02(e) and 12.02(h) of the Franchise Agreement)	Prior to transfer	Note 3
Renewal Fee	$2,000, to help defray the Franchisor's administrative costs, plus the Franchisor's reasonable legal fees (Section 3.03(e) of the Franchise Agreement)		Upon renewal of Franchise Agreement
Audit by Franchisor	Costs of audit (Section 7.08 of the Franchise Agreement)	Upon demand	Payable if audit reveals an understatement of at least 3% of any payments due to Franchisor.
Interest on Overdue Payments	Prime plus 5% per annum, calculated and payable weekly plus a $50 processing fee for costs associated with processing a late payment and a $25 service charge for each NSF check (Section 7.05 of the Franchise Agreement).	Upon demand	Payable on overdue amounts

Reimbursement of monies paid by Franchisor on Franchisee's Behalf	Actual costs and expenses, plus Administration Fee. See Column 4.	Upon demand	Covers payments which Franchisor makes on franchisee's behalf. Pursuant to section 13.03 of the Franchise Agreement the Franchisor can charge an additional 15% Administration Fee.
Costs and Lawyers' Fees	Actual costs and expenses. See Column 4.	Upon demand	Franchisee must reimburse Franchisor for its expenses in enforcing or terminating the Franchise Agreement.
Indemnification	Actual costs and expenses. See Column 4 and Sections 15.02 and 15.03 of the Franchise Agreement.	Upon demand	Franchisee must reimburse Franchisor and pay the Franchisor's lawyers' fees if Franchisor is held liable for claims arising subject to indemnification.
Evaluating/Inspecting Proposed Alternative Suppliers	Actual costs and expenses. See Column 4 and Note 4.	Upon demand	Franchisee must obtain Franchisor's approval for any alternative suppliers.

NOTES:

1. Under the Franchise Agreement, you agree to pay us a monthly Service Fee equal to 8% of your Franchised Business' Gross Sales. "Gross Sales" means (as defined in Section 2.01 of the Franchise Agreement):

   Subject to Section 6.03 of the Franchise Agreement, the entire amount of the actual sales price of all sales of products and services and all other receipts or receivables whatsoever from any and all business arising out of or in connection with the Franchised Business, whether such sales or other receipts be by cheque, for cash, credit, charge accounts, exchange or otherwise. There shall be no deductions allowed for uncollected or uncollectible credit amounts and no allowances shall be made for bad debts. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore. Gross Sales shall not include:

(a) the amount of any tax imposed by any federal, provincial, municipal or governmental authority directly on sales and collected from customers if such tax is added to the selling prices and actually paid by the Franchisee to such governmental authority;

(b) the amount of the refund or credit given in respect of any services or products returned or exchanged by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price thereof was included in Gross Sales; and

(c) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program.

2. A condition of the renewal of the Franchise Agreement after the initial term may include the Franchisee paying the Franchisor any increased amounts in such license/service fee.

3. No fee is imposed for transfers occurring as a result of death or incapacitation.

4. Franchisee or the proposed supplier must pay Franchisor in advance (or if Franchisor requests, reimburse Franchisor) for its reasonably anticipated costs to review the proposed supplier's application, as well as all current and future reasonable costs and expenses, to inspect and audit their facilities, equipment, and products, as well as all product testing costs paid by Franchisor to third parties in connection with same.

ITEM 7

ESTIMATED INITIAL INVESTMENT AND INITIAL FEES

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee	$43,000	Lump sum	Due upon signing of Franchise Agreement	Us
Inventory/Start-up Supplies	$2,000	As arranged	Due upon opening the franchise	Approved Suppliers
Professional/Legal Fees	$2,000 to $10,000	As arranged	Due upon execution of the franchise documents OR what each franchisee's professional advisors will allow as payment terms	Third parties (attorney; accountant)

Equipment Purchase	$1,000	As arranged	Not due to Franchisor but required upon signing of franchise agreement	Approved Suppliers
Opening Advertising	$1,000	As arranged	Not due to Franchisor but payable upon opening	Approved Suppliers
Initial Training	$0 to $5,000	As incurred	Payable by franchisee upon occurrence	Airlines, hotels, restaurants etc.
Insurance	$500	As arranged; typically annually		Insurance company
Telephone and Internet	$600	As arranged; typically monthly	As incurred	Third parties
Rent	$0	As arranged; typically monthly	As incurred	Landlord
Additional Funds – 3 Months	$2,500 to $7,500	N/A	As incurred	Third parties
Total	**$52,600 to $70,600**			

Fees paid to us are expressed and payable in U.S. Dollars. Neither we nor our affiliates finance any portion of your initial investment. These estimated ranges are based on our experience and knowledge in Canada. The estimates do not include taxes.

Unless otherwise specified, we must receive payments of all fees due from you on or before the 10th day of the month. We may require that all fees payable to us be paid by wire transfer or automatic electronic bank account withdrawal. The amounts you pay to third parties may change during the term of your Franchise Agreement. You are responsible for paying all costs of currency conversion, bank charges and wire transfer fees.

NOTES:

1. ***Franchise Fee.*** You must pay us a Franchise Fee to acquire the Franchisee's Business in the territory. The Franchise Fee is due in full when you sign the Franchise Agreement.

2. ***Inventory and Start-Up Supplies***. You must purchase promotional and business material to advertise your business, including flyers, business cards, stationary, welcome packages for students, etc.

3. ***Travel/Living Expenses for Initial Training.*** You must pay for all related expenses for you, your Manager and other personnel who attend training. These expenses include travel, lodging, meals and wages. The amount you spend will depend on how far you must travel, the number of people attending training, the method of travel and the accommodations chosen.

4. ***Professional Fees.*** We strongly recommend that you retain a franchise lawyer to advise you on this franchise offering. You may also wish to retain an accountant to help you evaluate this franchise offering. If you choose to form an entity to own the franchise, you will incur additional fees when establishing entities to own and operate the Franchisee's Business and the Company-owned Businesses. The Professional Fees you incur will range based on the number of professionals you engage and the extent of the services you have them provide.

5. ***Permits and Licenses***. This is the estimated cost of the permits and licenses that you must have in order to operate the Franchised Business, and the costs may vary greatly depending on your territory's requirements. Each state or local municipality may have its own permitting and licensing requirements, and those requirements may change from time to time. You are solely responsible for investigating and determining the licensing requirements and costs in your territory and taking all necessary actions to ensure that the Franchised Business remains in compliance with those requirements at all times. We strongly recommend that you consult with a lawyer to determine exactly what permits and licenses you will need and how much those permits and licenses will cost before you sign a Franchise Agreement.

6. ***Insurance***. During the term of the Franchise Agreement, you must maintain in force insurance coverage that is required by law and the insurance we designate. As of the Issuance Date of this Franchise Disclosure Document, we require you to maintain in force at least $2,000,000 of general liability insurance coverage.

7. ***Additional Funds***. These amounts are the minimum recommended levels to cover your operating expenses for the start-up phase of the business, which we calculate will be 3 months. However, we cannot guarantee that this amount will be sufficient. For example, additional working capital may be needed.

8. ***Rent***. The Prep Academy Tutors business model is based on the Franchised Business operating from the home of the Franchisee (or of one of its principals). In our experience, the vast majority of Franchisees operate their Prep Academy Tutors business from a home, at least initial. Accordingly, the estimated initial investment in this section does not include an estimated rent amount. Nevertheless, the Franchise Agreement does not preclude the Franchisee from procuring separate space from which to operate the Franchise Business. We cannot estimate such costs since we do not stipulate space requirements from Franchise Business that aren't operated from a home and, therefore, we recommend that you investigate such costs prior to signing the Franchise Agreement if you intend to or are considering not operating your Franchise Business from your home.

9. ***Total***. This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operation. In compiling this chart, we relied on our experience in Canada and information we derived through our own independent research. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, and your business experience and acumen and the economic conditions in your particular territory. You should review these estimates carefully with a franchise lawyer and an accountant or other business advisor before making any decision to buy a franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure a uniform image and uniform quality of products and services throughout the System and in conjunction with the System, you must maintain and comply with our quality standards.

Authorized Location of Franchised Business; Lease

You are not required to purchase or lease real estate for the operation of the Franchised Business.

Designated Sources

We may designate suppliers for your business supplies, promotional materials and any products we may authorize you to sell as part of the Franchised Business (the "Authorized Products"). Neither we nor our affiliates are presently an approved or designated supplier of any product or service, although we may become an approved or designated supplier in the future.

We may designate the specific brand and/or manufacturer of the Authorized Products, and we may designate a single source or sources from whom you must purchase any approved supplies.

Approved Supplies and Suppliers

A Franchisee only may purchase and use Authorized Products we approve in the conduct of the Franchisee's Business. Moreover, as a Franchisee, you are required to ensure that Franchisees in the Territory comply with the purchase and supply restrictions of their Unit Franchise Agreements. Neither we nor our affiliates are presently an approved or designated supplier of any products or supplies, although we may become an approved or designated supplier in the future.

Approval of Alternative Suppliers

If you wish to obtain Authorized Products from a supplier other than one we have previously approved or designated (and not subsequently disapproved), you must seek our approval by written notice which (i) identifies the name and address of the supplier, (ii) contains the information we request or require to be provided in the Manual (e.g. financial, operational and economic information regarding its business), and (iii) identifies the products, supplies, materials or services you seek to purchase from the proposed supplier. Upon request, we will furnish you with specifications for the Approved Products if they are not in the Manual. The proposed supplier must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate to our reasonable satisfaction (a) its ability to supply products or services meeting our specifications, (b) its reliability with respect to delivery and consistent quality of products or services, and (c) its ability to price the proposed products or services competitively. The proposed supplier must, at our request, furnish at no cost product samples, specifications and other information we may require, and allow us or our representatives to inspect the proposed Supplier's facilities and establish economic terms, delivery, service and other requirements consistent with our other distribution relationships.

We will use our good faith efforts to notify you of our decision within sixty (60) days after we receive your request for approval and all requested back-up information.

Among the other factors we may consider in deciding whether to approve a proposed supplier, we may consider the effect that the approval may have on our and our franchisees' ability to obtain the lowest

distribution costs with the quality and uniformity of product offered system-wide by our franchisees. We may also require a proposed supplier to agree in writing: (i) to provide us free samples on request of any Authorized Products it intends to supply, (ii) to faithfully comply with our specifications, and (iii) to sell any product bearing our trademarks only to our franchisees and only under a license agreement in form we provide, and (iv) to provide to us duplicate purchase invoices for our records and inspection. We reserve the right to subsequently revoke our approval upon written notice to you.

You or your proposed supplier must pay us in advance (or if we request, reimburse us) our reasonably anticipated costs to review the proposed supplier's application and all current and future reasonable costs and expenses, to inspect and audit their facilities, equipment, and products, and all product testing costs paid by us to third parties. The amount of the payment or reimbursement, as applicable, will be equal to the actual costs and expenses we incur in connection with same.

Insurance

You must purchase and maintain in full force and effect, at your expense, all of the insurance coverage described in the Manual and/or the Agreement, which currently includes $2,000,000 of general liability insurance coverage, as well as any other insurance coverage required by law. Insurance may include: comprehensive general liability insurance, including public liability, products liability, property damage, and personal injury coverage; automobile liability insurance; workers' compensation and employer's liability; fire, vandalism, theft burglary and extended coverage insurance; business interruption insurance; and umbrella policies. All insurance policies must: (1) be issued by an insurance carrier(s) we designate or if we don't designate a specific insurance carrier, by carriers that have an A.M. Best rating of A or higher; (2) name us (as well as any other affiliate we designate) as an additional insured; (3) contain the above-mentioned insurance coverage for each Franchise Business that you operate; and (4) provide that we will receive prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as required by the insurance carrier and approved by us). Your obligation to maintain insurance may not be reduced by any insurance we maintain.

We may, with prior written notice to you, increase or decrease the minimum liability protection requirements, and require different or additional kinds of insurance. You will provide us with a copy of the insurance endorsement and any other documents we request to evidence your compliance with these requirements. In addition, you will provide us annually, upon renewal or extension, and at our request a proper endorsement and such other documentation as we may request evidencing the existence of such insurance coverage and your compliance with the provisions of this paragraph. We also may request copies of all policies at any time. Failure to obtain and maintain the requisite amounts and types of insurance will result in termination of the Franchise Agreement.

Advertising

You must, at your own expense, conduct advertising campaigns in accordance with applicable state and local laws. All advertising and promotional materials, signs, decorations, paper goods, and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise. See Item 11 for further information regarding advertising programs. We may, at our option, license third-party suppliers to produce advertising and promotional items which bear the Marks, and require you to purchase these items from these suppliers.

Miscellaneous

Except as described above in this Item 8, you are not required to purchase or lease any other products or services for the operation of the Franchised Business from us or our affiliates.

We and our affiliates have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors which may or may not be reasonably related to services we or our affiliates provide to these third parties. We and our affiliates will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor. As of the issuance date of this disclosure document, we have not received any revenue from any franchisees based on any required purchases described in this Item 8.

There is no purchasing or distribution cooperative. We do not provide material benefits to you because of your use of approved suppliers. We may negotiate prices for products or services for the benefit of Franchisees generally, but not on behalf of individual Franchisees. We do not provide material benefits to you because of your use of particular products, services, or suppliers.

You can expect items purchased from designated or approved suppliers will represent approximately 10% of total purchases you will make to begin operation of the Franchised Business, and approximately 5-10% of the ongoing costs to operate the Franchised Business.

There are no suppliers in which one or more of our officers owns an interest.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease		8 and 11
b. Pre-opening purchases/leases	6.01, 6.05	5, 7, and 8
c. Site development and other pre-opening requirements	5.01, 6.05	8 and 11
d. Initial and ongoing training	5.01	11
e. Opening	6.01	11
f. Fees	3.03, 5.02, 7.01, 7.02, 7.03, 7.05, 7.08, 8.01, 8.08, 12.02, 12.03, 15.02, 15.03	5 and 6
g. Compliance with standards and policies/Operating Manuals	6.01, 7.07 10.01, 13.04	8, 11, and 14

Obligation	Section in Agreement	Disclosure Document Item
h. Trademarks and proprietary information	3.01, 5.02, 6.01, 6.07, 7.01, 8.02, 8.03, 9.01, 9.02, 9.03 12.02, 13.01, 13.04, 13.05	13 and 14
i. Restrictions on products/services offered	3.02, 6.02, 11.01, 11.02, 11.03, 11.04	8, and 16
j. Warranty and customer service requirements	6.01	16
k. Territorial development	3.02, 11.02, Schedule B to Franchise Agreement	12
l. Ongoing product/service purchases	4.01, 6.05, 8.02	8
m. Maintenance, appearance and remodeling requirements	6.01, 6.04, 7.08	8
n. Insurance	6.01, 6.05	7 and 8
o. Advertising	8.01, 8.02	6, 8, and 11
p. Indemnification	15.03	None
q. Owner's participation/ management/staffing	6.01, 12.02	15
r. Records/reports	6.01, 7.04	6
s. Inspection/audits	7.07, 7.08	6 and 11
t. Transfer	12.01, 12.02, 12.03, 12.04 12.05 12.07	17
u. Renewal	3.03, 7.02, 7.03	17
v. Post-termination obligations	7.06, 13.04	17
w. Non-competition covenants	11.01, 11.02, 11.03	17
x. Dispute resolution	Indemnity, section 22	17
y. Taxes/permits	7.04, 7.07, 7.08, 15.03	1

ITEM 10

FINANCING

We do not offer any direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Before you open the Franchisee's Business, we will:

1) Designate your Territory. (Franchise Agreement – Section 2.01 and Schedule "B"). Your Territory is the area you may provide services in. We recommend, but do not require, that you locate your primary office within your Territory, but we do not approve or assist you with selecting a site for your primary office. Most Franchised Businesses use the home of the Franchisee (or one of its principals) as the primary office.

2) Provide members of your management team with initial training relating to your Franchisee's Business and Company-owned Business at such locations we designate. You are responsible for all travel and living expenses associated with the training. (Franchise Agreement – Sections 5.01).

3) Provide you with electronic versions of the Manuals we have developed for your use as well as updates to it. (Franchise Agreement – Section 5.02).

4) Provide you with an electronic version of our sales materials. (Franchise Agreement – Section 5.02).

5) Provide you with, in our sole discretion if and as applicable, assistance with respect to equipment, signs, fixtures, opening inventory and supplies. (Franchise Agreement – Section 5.02).

6) Have the right to suggest prices, including without limitation minimum and maximum prices, for all Products and Services; provided, however, that you are under no obligation to accept such suggested prices and may sell Products and Services, at any reasonable price you choose. (Franchise Agreement – Section 6.03).

Time to Open

We estimate that the typical time between signing a Franchise Agreement and opening a Franchised Business will be between one (1) and three (3) months, assuming that you will use your home as your primary office initially. If there are unforeseen delays, it could take considerably longer for you to open your Franchised Business. Factors that may affect the length of time it takes you to open your Franchised Business include obtaining initial supplies, materials and equipment, successfully completing our training program, obtaining any required permits or certifications, and engaging enough tutors.

After you open the Franchisee's Business, we will:

1) Provide you with consultation on an ongoing basis without additional charge to you. Such ongoing consultations may consist of telephonic and e-mail consultation on issues relating to the operation of the Franchisee's Business and updates to the manuals as they become available. (Franchise Agreement – Section 5.02).

2) Continue, if we determine to do so, to engage in the pricing activities described above in this Item 11. (Franchise Agreement – Section 6.03).

Confidential Operations Manuals

As of the date of this disclosure document, we have no formal comprehensive single document that serves as the Manual; however, we provide franchisees with various materials from time to time which set forth our directions, instructions and operating procedures – all of which materials, collectively, constitute the Manuals. We may modify the Manuals from time to time, at our option. (Franchise Agreement – Section 10.01).

Advertising/Brand Fund

Franchisee Advertising

The Franchisor, at its option, may require that you spend directly annually on its own advertising and promotions not less than 5% of Gross Sales each year. All advertising undertaken by you must be approved by us, in writing and in advance. (Franchise Agreement – Section 8.01).

National Marketing Fund

Franchisor maintains and administers a national marketing fund or funds (the "National Marketing Fund") for such international, national, regional, local and other advertising and promotion programs as the Franchisor deems appropriate, in its sole discretion. Franchisor will direct all such advertising programs in its sole discretion. The Franchisor is entitled to change the type of advertising promotional campaign to be administered through the National Marketing Fund. The advertising promotional campaigns administered through the National Marketing Fund may be conducted in-house, through a national or regional agency, or a combination thereof, at our sole discretion.

Franchisee must contribute to the National Marketing Fund 2% of Gross Sales, payable monthly.

The National Marketing Fund is not audited, but a statement of the operations of the National Marketing Fund will be prepared annually and shall be made available to the franchisee upon franchisee's written request, the cost of such statement to be paid by the National Marketing Fund.

The National Marketing Fund is intended to maximize general public recognition and patronage of the Prep Academy Tutors businesses for the benefit of all outlets and franchisees in the System. We are not required to ensure that any particular franchisee, including you, benefits directly or in pro rata from expenditures from the National Marketing Fund. Specifically, we are not required to spend any amount of advertising in your Territory. (Franchise Agreement – Section 8.02).

During our fiscal year ending December 31, 2022, National Marketing Fund money was spent as follows: 0% on production, 100% on media placement, 0% on administrative expenses. However, we reserve the right to allocate the National Marketing Fund differently going forward.

Grand Opening Promotion

You must conduct a marketing launch prior to opening your Franchised Business. You will be required to spend a minimum of $1,000 on a marketing launch during the 3 months after the opening date of your Franchised Business. (Franchise Agreement – Section 8.01; 6.01).

Franchisee Advertising Cooperative

We currently do not have a local or regional advertising cooperative and we do not require you to participate in a local or regional marketing cooperative as part of your Franchised Business.

Franchisee Advertising Advisory Council

We currently do not have a franchisee advertising council that advises us on advertising policies.

Training Programs

Prior to the opening of the Franchised Business, the franchisee must attend and successfully complete to Franchisor's satisfaction, the Franchisor's initial training program at the Franchisor's primary place of business or other agreed upon meeting place. Initial training is a minimum of 1 week and includes instruction in methods, procedures, standards and techniques of the System and in the basic marketing, management and accounting systems used by the Franchisor. The Franchisor will make the initial training available to the franchisee at no cost to the franchisee, except that the franchisee is responsible for the cost of travel, accommodations and salaries of the franchisee and the franchisee's representatives during the period of training. The initial training program may be conducted, as many times a year as is necessary.

TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
1 - Follow the Prep Academy Tutors ("PAT") Ethos & Franchise Guidelines	1-2	0	Online
2 - Recruit, Hire & Onboard Qualified Tutors	2-3	1-2	Online and in-person at a location we designate
3 - Sell to & Onboard new Clients	2-3	1-2	Online and in-person at a location we designate
4 - Create & Implement a Marketing Plan	3-4		Online and in-person at a location we designate
5 - Use PAT technology & tools	4-5	2-3	Online and in-person at a location we designate
6 - Manage the Day-to-Day Operations	1-2	1-2	Online and in-person at a location we designate

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
7 - Handle Financial and Admin tasks for the business	2-3		Online and in-person at a location we designate
8. Describe all the duties of a PAT Tutor	2-3	2-3	Online and in-person at a location we designate
9. Execute on the Marketing Strategy	2-3	2-3	Online and in-person at a location we designate

The minimum training of the instructors in the field relevant to the subject taught and our operations is at least 3 years.

After the opening of your Franchised Business, we may from time to time offer you operating assistance, advice, services and training on a continuing basis that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Franchised Business. The timing of our field support and consultation services will be subject to the availability of our personnel.

We may also make available to you or your manager, at our head office or such other locations we may designate, additional or supplemental training courses or seminars of such duration as we deem reasonably necessary. Such training may be mandatory or optional at our discretion. You will be required to pay all the costs associated with attending any such training and we may charge a reasonable fee to you to attend such training.

Where request by you, we will provide specific training or assistance over and above the regular training programs, assistance and meetings. Where you request such additional training, you must pay us or our personnel a reasonable fee in connection with such training and you must also promptly reimburse us for all travel, accommodation, meal and other out-of-pocket expenses we or our personnel incur in providing such training or assistance.

Computer

We currently do not require a specific computer to be used in the Franchised Business.

As of the issuance date of this disclosure document, we do not have an approved supplier for your computer, but we reserve the right to do so in the future.

We estimate that the cost of obtaining a suitable computer to use in the operation of your Franchise Business will be between $1,200 and $1,600; however, you may use a computer you already own if you have one that is suitable. We do not anticipate that you will incur any annual costs for maintenance, updating, upgrading or support contracts for the cash registers or computer systems.

You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services. Our computer hardware and software requirements will periodically change and, if we opt to do so, we may require you to upgrade your computer hardware and software within 12 months of receiving notice from us of such required upgrade. We will advise you in writing of any required upgrades.

You will be required to use the following software application provided by us in connection with the operation of your Franchise Business:

1. Teachworks – CRM Software for running your tuition services business. Franchisor has control and full access to this software.

2. RingCentral – VOIP Softphone System. Franchisor has control and full access to this software.

3. Business Dropbox Account – For accessing relevant content for running your tuition service business. Franchisor has control and full access to this software.

4. Breezy – Applicant Tracking System for Recruiting Teachers. Franchisor has control and full access to this software.

We will have full and independent access to and control over all of your computer software, systems and applications, including all information generated and stored in your computer software, systems and applications and you may not do anything to impede such access or control.

Time to Open

We do not specify how soon after you sign your Franchise Agreement you must open the Franchise Business. We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is approximately 90 days. Factors affecting time include obtaining all required state, local and other required government certifications, permits and licenses, procuring required insurance, attendance at and satisfactory completion of our Initial Training Program, arranging for any financing, complying with local ordinances, completing delivery and installation of equipment and signs, and procuring other supplies and materials necessary for the operation of the Franchise Business.

ITEM 12

TERRITORY

We recommend, but do not require, that you locate your primary office within your Territory, but we do not approve or assist you with selecting a site for your primary office or restrict your right to relocate the site for your primary office.

Under the terms of the Franchise Agreement, we will grant you rights to operate as a Franchisee within an exclusive territory upon which we mutually agree. Your territory will be defined in the Franchise Agreement and will consists of a geographic area with a population of at least 250,000 people and an average household income greater than $80,000. When defining territories, the Franchisor also seeks to define areas that consist of a high percentage of single detached homes and a high percentage of households with school-aged children; however, the Franchisor does not guarantee that any territory will have a minimum percentage of such demographics. You are prohibiting from soliciting or accepting orders from customers outside of your territory, including through use of other channels of distribution such as the

Internet, catalog sales, telemarketing, or other direct marketing, without our prior written approval which we may withhold or condition for any or no reason. We will not locate another Franchised Business within your territory provided you are in full compliance with your Franchise Agreement. Your territorial rights are subject to your compliance with the Franchise Agreement. If you default under the Franchise Agreement, at our option we may: provide you with a 90 day cure period to come into compliance with the Franchise Agreement; terminate the Franchise Agreement and all of your rights under it, without affecting any of your Affiliate's rights to continue operation of Company-owned Businesses; reduce the size of the territory; grant others, including ourselves or our representatives, the right to sell franchises and to open and operate PAT Businesses in the territory; or send our employees or representatives, at your expense, to work with you in the territory in an effort to remedy the default(s). You only have the authority to deliver our services and products through our System and you may not use other channels of distribution or provide other services under our Marks without our express written approval.

We and our affiliates retain certain rights as described below in this Item. Therefore, you will not receive an exclusive territory. You may face competition from other PAT Businesses franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Other than as described above, the continuation of your territorial exclusivity is not dependent on achieving certain sales volumes, market penetration or any other contingency. The circumstances described above are the only circumstances in which we may alter your territorial rights.

We and our affiliates reserve the right to establish PAT Businesses anywhere outside your territory. You acknowledge our right and that of our affiliates to promote the System over the internet without any territorial restrictions, including within the territory, using our Marks. We and our affiliates reserve the right to offer services identified by brands we control through channels of distribution other than through PAT Businesses to locations and customers anywhere, including those residing in your territory. We and our affiliates presently do not sell the same or similar services and goods through other distribution channels and have no plans to sell franchises under different trademarks. We do not pay any compensation for soliciting or accepting orders from inside your territory. You must refrain from actively seeking clients and franchisees from outside your territory.

You have no options, rights of first refusal or similar rights to acquire additional franchises at any location, although you may apply for the right to operate additional PAT Businesses under separate franchise agreements.

ITEM 13

TRADEMARKS

We grant you the right to use certain Marks under the Franchise Agreement. You must follow our rules when you use these Marks. We have registered the following marks with the U.S. Patent and Trademark Office (the "USPTO") on its Principal Register:

Mark	Registration Number	Registration Date	Principal Register: Yes/No
	6521682	October 12, 2021	Yes

We intend to timely file with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the trademarks noted above.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Marks, and there is no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks. There is no agreement in effect which significantly limits our rights to use or license the Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks and to defend you against any third-party claim, suit or demand arising out of your use of the Marks. If there is any litigation regarding your use of the Marks, you must sign any and all documents and do the acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action and you must pay for your own costs in doing these acts.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Mark or for you to use one or more additional or substitute trade or service marks, you agree to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification of the Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We claim copyrights in the Manuals, our marketing materials, and similar items. We have not registered these copyrights with the United States Registrar of Copyrights, but we are not required to do so to protect them. You may use these items only as we specify while operating your Franchised Business and you must stop using them when the Franchise Agreement terminates or expires, and if we direct you to do so. Our right to use or license copyrighted items is not materially limited by any agreement. We are not aware of any infringing use of our copyrights that could materially affect you.

You shall fully and promptly disclose to us any and all ideas, concepts, products, process, methods, techniques, improvements, and additions relating to the development and/or operation of a Franchised Business, or any advertising or promotional ideas related to your Franchised Business that you, your

Principals, agents or employees conceive or develop during the term of the Franchise Agreement. You, your Principals, agents, and employees all agree that such improvements are our property and must sign all documents necessary to evidence the assignment of these improvements to us without any additional compensation. We have the perpetual right to use and authorize others to use such improvements without any obligation to pay you royalties or other fees. You may not introduce improvements, additions, or modifications to the System without our prior approval.

Confidential Operations Manuals

You must operate your Franchised Business according to all mandatory standards, methods, policies and procedures specified in the Manuals. As of the date of this disclosure document, we have no formal Manuals; however, all of our directions, instructions and operating procedures constitute part of the Manuals. You must treat the Manuals, any other information which we lend you and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce these materials, in any manner, or otherwise give them to any unauthorized person. The Manuals will remain our sole property and must be kept in a secure place at your Franchised Business. We may require that access to electronic versions of the Manuals be password restricted.

We may revise the contents of the Manuals, and you must comply with each new or changed mandatory standard at your own expense. You must make sure that the Manuals are kept current at all times. If there is any dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our corporate office will be controlling.

Confidential Information

You must not, during the term of your Agreement or 10 years after the term of your Agreement, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business, which may be communicated to you or which you may learn because of your operation of your Franchised Business. You may divulge confidential information only to those of your employees who must have access to it to operate your Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of your Agreement.

Examples of confidential information include: (1) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating a PAT Business; (2) marketing and marketing programs for PAT Businesses; (3) knowledge of specifications for and suppliers of, and methods of ordering, certain materials, equipment and supplies; (4) knowledge of the operating results and financial performance of a PAT Business other than your Franchised Business; (5) terms of the Franchise Agreement; (6) the Manuals; (7) graphic designs and related intellectual property; and (8) customer data. The confidential information constitutes our trade secret.

You must have your owners, Manager and any personnel having access to any of our confidential information sign agreements requiring that they will maintain the confidentiality of information they receive during their employment by you. The agreements must be in a form satisfactory to us, and must identify us as a third-party beneficiary of the covenants with the independent right to enforce them. They must also prohibit your staff from having any direct or indirect ownership in a business that competes with the System or with any PAT Business. Our current form of this confidentiality agreement is attached to the Franchise Agreement.

You must promptly notify us of any suspected unauthorized use of the copyrighted materials, any challenge to the validity of the copyrighted materials, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the copyrighted materials. We have the sole right to direct and control any administrative proceeding or litigation involving the copyrighted materials, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the copyrighted materials and to defend you against any third-party claim, suit or demand arising out of your use of the copyrighted materials. If there is any litigation regarding your use of the copyrighted materials, you must sign any and all documents and do the acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. We may require that you pay for your own costs in doing these acts.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any copyrighted materials or for you and the Franchised Business to use one or more additional or substitute copyrighted materials, you agree to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification of the copyrighted materials. We nor our affiliates are required to defend you or any of your representatives or affiliates against your use of the copyrighted materials.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

The Franchisee (or if the Franchisee is a corporation, one of the Franchisee's principals as approved by the Franchisor) will be required to devote full time and attention to the Franchised Business. The Franchisee, or a principal of the Franchisee, shall not be required to devote his or her full time and attention if a fully trained manager, approved by the Franchisor in writing, is devoting his or her full time and attention to the operation of the Franchised Business. The manager is not required to possess any designated amount of equity in the Franchised Business. In addition, during school holidays and the months of July and August, the franchisee (or its approved fully trained manager) shall not be required to devote his or her full time and attention to the Franchised Business.

We have the right to approve all of your succeeding managers, if any. Each subsequent manager must attend and successfully complete our training programs to our satisfaction. The manager and other key employees will be required to sign an agreement not to compete while employed by you and for 2 years after their employment ends. They must also agree not to reveal confidential information obtained while employed by you.

If you are a business entity, you shall not operate or participate in any other business that offers, or grants franchises or licenses to operate, tutoring services to children during the Franchise Agreement term and 2 years after termination. Meanwhile, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Our "Indemnity" is part of the Franchise Agreement. If we do not require one of your owners to sign the full Indemnity, that owner still must comply with all non-monetary obligations, including the covenant not to compete, as if he or she were the franchisee.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must not use or permit the use of the Franchised Business for any other purpose or activity at any time without first obtaining our written consent. You must operate the Franchised Business in strict conformity with the methods, standards, and specifications we may require in the Manuals or otherwise in writing. You must stop selling and offering for sale any products or services which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized products and services and there are no limits on our right to make changes.

The System may be supplemented, improved or modified by us. You must comply with all of our requirements in that regard, including offering and selling new or different products or services as specified by us.

You must offer and sell the services and products that we approve, and no others. No sale of any product or service except those services or products approved by us may be solicited, accepted, or made by or from your Franchised Business.

You are not restricted as to the customers whom you may solicit or service but may not solicit or accept orders from customers outside of your territory without our prior written approval, which we may withhold or condition for any or no reason.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Term of the Franchise	3.01	10 years
b. Renewal or extension of the term	3.03	Upon expiration of the Franchise Agreement, the Franchisee has the opportunity to renew its franchise rights granted thereunder for multiple successive renewal terms, each equal to a period of 10 years, subject to the terms and conditions set forth in Section 3.03 of the Franchise Agreement. Subject to compliance with Section 3.03, there is no limit to the number of franchise renewal terms the Franchisee will have the opportunity to obtain.
c. Requirements for you to renew or extend	3.03	If the Franchisee has substantially complied with all the provisions of the Franchise Agreement, the Franchisee signs the Franchisor's then-current form of Franchise Agreement which may contain terms

Provision	Section in Franchise Agreement	Summary
		and conditions (including financial terms) that are substantially and materially different from the terms of the Franchise's original contract. The franchisee must pay all monies owed. Payment of a $2,000 renewal fee. Franchisee must give not less than 6 and not more than 12 months notice of his intention to renew.
d. Termination by you		None.
e. Termination by us without cause		None.
f. Termination by us with cause	13.01	Breach of Franchise Agreement and other grounds.
g. "Cause" defined - defaults which can be cured	13.01	• Failure to pay suppliers • Default of obligations under the Franchise Agreement for which an automatic right of termination is not specified
h. "Cause" defined - defaults which cannot be cured	13.01, 13.02	Defaults subject to automatic termination by the parties include: • Insolvency of the Franchisee • Seizure of the Franchisee's assets • Willful misstatement of facts • Failure to pay monies due to franchisor • Understatement of revenues • Receipt of 2 notices of default in any 12 month period • Failure to complete training
i. Your obligations on termination/non-renewal	13.04	All rights granted to you shall terminate. You shall immediately cease operation of the Franchisee's Business. You shall deliver the confidential information to us. You shall immediately and permanently cease to use any aspect of the System and all the Marks. You shall immediately deliver to us complete records of the Franchisee's Business. You shall cooperate fully with us and our representatives in providing such oral or written answers to questions relating to the Franchisee's Business as we may request. You shall not use any copy, reproduction, counterfeit or colorable imitation of the Marks, or of any portion of the

Provision	Section in Franchise Agreement	Summary
		Marks, in the conduct of promotion of any business. You shall pay to us our lost future profits which result from the termination of the Franchise Agreement.
j. Transfer by us	12.01	No restriction on our right to transfer.
k. "Transfer" by you - definition	12.02	Any actual or purported assignment, sale, transfer or other arrangement having the purpose or effect of shifting ownership or control in the Franchise Agreement, or any interest in or right under the Franchise Agreement, you, or all or substantially all of the assets of the Franchisee's Business.
l. Our approval of transfer by you	12.02	We must approve all transfers.
m. Conditions for our approval of transfer	12.02	Conditions include: • payment of all monetary obligations owed to us, • no existing default • compliance with Franchise Agreement, • qualification of transferee, • execution of new Franchise Agreement, • execution of guaranty by transferee's principals, and • execution of a release • payment of a $2,000 transfer fee • payment of franchisor's legal costs • transferee successfully completes training
n. Our right of first refusal to acquire your business	12.04	We may purchase the Franchisee's Business on the same terms and conditions as a proposed assignment within 45 days of our receipt of notice from you.
o. Our option to purchase your business	12.04, 12.05, 13.05	Upon transfer, expiration or termination of the Franchise Agreement, we may, within 30 days, buy your Franchisee's Business on the same terms and conditions that were offered by the proposed transferee to you.
p. Franchisee's death or disability	12.05	The Franchisee's Business must be managed by an approved manager, or transferred to an approved transferee. Franchisor may itself manage the

Provision	Section in Franchise Agreement	Summary
		Franchised Business.
q. Non-competition covenants during the term of the franchise	11.01	You may not directly or indirectly be engaged, concerned or interested in a competitive business. You may not attempt to divert any clients to other businesses that compete with us. You may not divert any franchisee to any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	11.02	For 2 years after the transfer, expiration or termination of the Franchise Agreement, you may not own, manage, be employed by, advise, assist, invest in, make loans to, or have any interest in any competitive business within 50 miles of any existing PAT location.
s. Modification of the agreement		No specified means of amendment.
t. Integration/merger clause	2.06	The Franchise Agreement and related agreements is the entire agreement between the parties. Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation		No provision
v. Choice of forum		No provision (subject to applicable state law)
w. Choice of law	2.07	The laws of the State of New York (subject to applicable state law)

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise Disclosure Document. Financial performance information that differs from that included in this 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 financial performance representations. 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 Adrian Dougherty; in person at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1; by phone at 888-995-7382; and by email at adrian@prepacademytutors.com; the Federal Trade Commission; and the appropriate state regulatory authorities.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
(Franchised Business)
For years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	1	+1
	2021	1	2	+1
	2022	2	3	+1
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	**2020**	0	1	+1
	2021	1	2	+1
	2022	2	3	+1

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
(Franchised Business)
For years 2020 to 2022

State	Year	Number of Transfers
Total	**2020**	0
	2021	0
	2022	0

Table 3
Status of Franchised Outlets
(Franchised Business)
For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Connecticut	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Colorado	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New York	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	**2020**	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3

Table 4
Status of Company-Owned Outlets
(Franchised Business)
For years 2020 to 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	**2020**	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table 5
(Franchised Business)
Projected Openings as of December 31, 2022 for 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet (Franchised Businesses) In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Oklahoma	0	1	0
Total	0	1	0

* The tables above reflect the number of Franchised Businesses in the United States as the date of this disclosure document

Exhibit D to this Disclosure Document contains a list of our current franchisees and a list of franchisees who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our most recently completed fiscal year or who has not communicated with us within ten (10) weeks of the Issuance Date of this Disclosure Document.

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

No franchisees have signed confidentiality clauses during the last three fiscal years that would restrict their ability to speak openly about their experiences with the System.

There are no trademark-specific franchisee organizations associated with the franchise system.

ITEM 21

FINANCIAL STATEMENTS

Exhibit C contains our audited financial statements as of December 31, 2020, December 31, 2021 and December 31, 2022.

ITEM 22

CONTRACTS

The following contracts are attached to this disclosure document:

Franchise Agreement (Exhibit A) (and attachments)

Indemnity (Exhibit B)

State Addenda (Exhibit G)

ITEM 23

RECEIPTS

The last 2 pages of this disclosure document (Exhibit H) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

EXHIBIT A

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

B E T W E E N:

PREP ACADEMY TUTORS USA, INC.

- and -

•

TABLES OF CONTENTS

ARTICLE ONE RECITALS 2
1.01 Recitals Correct 2

ARTICLE TWO INTERPRETATION 2
2.01 Definitions 2
2.02 Schedule 5
2.03 Gender and Number 5
2.04 Currency 5
2.05 Article and Section Headings 5
2.06 Entire Agreement 5
2.07 Applicable Law 5
2.08 Time of the Essence 5
2.09 Severability of Provisions 6
2.10 Non Waiver 6

ARTICLE THREE SCOPE OF LICENSE 6
3.01 Grant and Term 6
3.02 Conducting Business Within the Territory 6
3.03 Renewal 7

ARTICLE FOUR GROUP PURCHASING/REBATED 7
4.01 Group Purchasing/Rebates 7

ARTICLE FIVE THE FRANCHISOR'S OBLIGATIONS 8
5.01 Training Program 8
5.02 Operating Assistance 8

ARTICLE SIX THE FRANCHISEE'S OBLIGATIONS 9
6.01 Operation of the System 9
6.02 Authorized Products and Services 12
6.03 Suggested Prices 13
6.04 Capital 13
6.05 Insurance 14
6.06 Central Referral System 14
6.07 Modification of System 15
6.08 Computer Software, Systems and Applications 15

ARTICLE SEVEN FEES AND REPORTING 15
7.01 Franchise Fee 15
7.02 Service Fee 15
7.03 Technology Fee 16
7.04 Periodic Statements 16
7.05 Overdue Amounts 16
7.06 Records 17
7.07 Inspection 17

7.08 Audit 17
7.09 Enquiry by the Franchisor 18

ARTICLE EIGHT ADVERTISING 18
8.01 Local Advertising 18
8.02 National Marketing Fund 19
8.03 Discount Programs 19
8.04 Media Appearances 20

ARTICLE NINE MARKS 20
9.01 Use of Marks 20
9.02 Change in Trademark Laws 22
9.03 New Trademarks 22

ARTICLE TEN OPERATING MANUAL AND SYSTEM 22
10.01 Manual 22
10.02 Confidentiality 22

ARTICLE ELEVEN RESTRICTIVE COVENANTS 23
11.01 Non-competition during Agreement 23
11.02 Non-competition following Termination, Expiration or Transfer 23
11.03 Interference with Employment Relations 23
11.04 Amendment of Restrictive Covenants 24

ARTICLE TWELVE TRANSFER 24
12.01 Transfer by the Franchisor 24
12.02 Transfer by Franchisee 24
12.03 Change of Corporate Control 26
12.04 Option to Purchase 26
12.05 Death or Incapacitation 27
12.06 Change in Manager 28
12.07 Transferee Located by Franchisor 28

ARTICLE THIRTEEN TERMINATION AND EXPIRATION 28
13.01 Termination 28
13.02 Unsuccessful Training 30
13.03 Other Relief 30
13.04 Franchisee's Obligations on Termination or Expiration 30
13.05 Franchisor's Option to Purchase 31

ARTICLE FOURTEEN RELATIONSHIP AND INDEMNIFICATION 32
14.01 Independent Parties 32
14.02 Liability of Franchisee 32

ARTICLE FIFTEEN 32

INDEMNIFICATION 32
15.01 Non-Liability 32

15.02 Franchisee Indemnity 32
15.03 Indemnity for Tax 33

ARTICLE SIXTEEN GENERAL 33
16.01 Counterparts 33
16.02 Force Majeure 33
16.03 Successors and Assigns 33
16.04 Survival 33
16.05 Notice 33
16.06 Right of Off-Set 34
16.07 Not Withhold Payment 34
16.08 Rights of the Franchisor are Cumulative 34
16.09 Franchisee Investigation 34
16.10 Franchisee Review of Agreement 35
16.11 Further Assurances 35

THIS AGREEMENT made as of the day of , 20 .

BETWEEN:

PREP ACADEMY TUTORS USA, INC.,
a corporation incorporated under
the laws of the State of Delaware
(hereinafter called the "Franchisor")

and

•
a corporation incorporated under
the laws of State of _____
(hereinafter called the "Franchisee")

and

•
of the City of _____ in the State of _____
(hereinafter called the "Indemnifier")

WHEREAS:

A. The Franchisor carries on a tutoring business;

B. The Franchisor has acquired unique experience, special skills, methods, techniques, systems, programs and know-how with respect to the provision of tutoring services and has developed and perfected a unique and successful format and system for the establishment, operation and merchandising of tutoring related services under the business name of PREP ACADEMY TUTORS which system includes, but is not limited to, accounting and bookkeeping methods, reporting methods, advertising and promotional techniques, personal training, confidential manual of operating procedures containing specially conceived and designed methods for the operation of a tutoring business;

C. The Franchisor has the exclusive right to use or is the owner of certain Marks used with such a business, including currently, without limitation, the Mark or Marks listed on Schedule "A" attached hereto;

D. By reason of a uniform business format or system and high standards of quality and service, the Franchisor has established an excellent business reputation, created a substantial demand for its product and services and built up valuable goodwill;

E. The Franchisor has made a substantial investment in developing and perfecting the System, and in advertising, promoting and publicizing the Marks, both of which are recognized as representing the highest standards of service;

F. The Franchisee wishes to acquire the right to operate a PREP ACADEMY TUTORS franchise and recognizes the importance to the Franchisor, to its other franchisees (both present and future) and to the public of maintaining the integrity, standards, qualities and attributes of services associated with the name "PREP ACADEMY TUTORS" and has accordingly expressed its willingness to adhere to certain uniform standards, procedures and policies to maintain such integrity, standards, qualities and attributes;

G. The Indemnifier is, and except to the extent changes may be permitted by the Franchisor, shall continue to be throughout the Term and any renewal or extensions of this Agreement, the sole shareholder, director and manager operating the Franchisee.

In connection therewith, in order to induce the Franchisor to enter into this Agreement, the Indemnifier has agreed to execute the Franchisor's standard form of indemnity agreement as set out on Schedule "C" attached hereto;

NOW THEREFORE in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties covenant and agree each with the other as follows:

ARTICLE ONE
RECITALS

1.01 Recitals Correct

The parties hereby acknowledge and declare that the foregoing recitals are true and correct in substance and in fact.

ARTICLE TWO
INTERPRETATION

2.01 Definitions

Wherever used in this Agreement unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings:

"Affiliate" shall have the meaning ascribed to it in the *New York Consolidated Laws, Business Corporation Law - BSC § 912*;

"Agreement" means this agreement entitled " Franchise Agreement", the schedules attached hereto and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto", "hereunder" and other similar expressions mean and refer to this Agreement and not to any particular article or section;

"Business Day" means a day, other than a Saturday or a Sunday, on which the chartered banks in the Territory are open for business;

"Franchise Fee" has the meaning ascribed in Section **7.01** hereof.

"Franchised Business" means the Prep Academy Tutors Outlet to be operated by the Franchisee pursuant to this Agreement;

"Gross Sales" means, subject to Section 6.03 hereof, the entire amount of the actual sales price of all sales of products and services and all other receipts or receivables whatsoever from any and all business arising out of or in connection with the Franchised Business, whether such sales or other receipts be by check, for cash, credit, charge accounts, exchange or otherwise. There shall be no deductions allowed for uncollected or uncollectible credit amounts and no allowances shall be made for bad debts. Each charge or sale upon instalment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore. Gross Sales shall not include:

(a) the amount of any tax imposed by any federal, state, local or governmental authority directly on sales and collected from customers if such tax is added to the selling prices and actually paid by the Franchisee to such governmental authority;

(b) the amount of the refund or credit given in respect of any products returned or exchanged by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given or in respect of any services for which a refund or credit is given, provided that the selling price thereof was included in Gross Sales; and

(c) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program.

"Incapacitated" and "Incapacity" means, in the reasonable opinion of the Franchisor, the inability by reason of physical or mental illness or disability of the Franchisee to operate the Franchised Business in the ordinary course for a period of 30 days or more in any consecutive 90 day period;

"Manual" means collectively any operations or procedural manual or manuals and all books, pamphlets, memoranda, bulletins, directives, instructions and other materials prepared by or on behalf of the Franchisor, as such materials may be amended by the Franchisor from time to time, setting out the standards, methods, procedures, techniques and specifications of the System;

"Marks" means the trade names, Marks, designs, graphics, logos and other commercial symbols as the Franchisor may designate from time to time to be used in connection with the Franchised Business, including currently, without limitation, the Marks listed in Schedule "A" hereto;

"National Marketing Fund" has the meaning ascribed in Section 8.02 hereof;

"Notice" has the meaning ascribed in Section **16.05** hereof;

"Offer' has the meaning ascribed in Section **12.04** hereof;

"Parties" means the Franchisor and the Franchisee when referred to collectively;

"Party" means either of them;

"Prep Academy Tutors Outlet" means a single business specializing in the provision of the Products and Services, carried on in accordance with the System and utilizing the Marks in association therewith;

"Prime Bank Rate" means the prime commercial lending rate of interest (expressed as an annual rate) which RBC Bank or any other American bank designated by the Franchisor establishes as the reference rate of interest for the purpose of determining the rate of interest that it will charge to its customers for loans in United States funds, as the same is in effect from time to time;

"Products" means all products designated by the Franchisor for use in the Franchised Business;

"Renewal Fee" has the meaning ascribed in Section **3.03(e)** hereof;

"Services" means tutoring services provided to customers and all other services designated by the Franchisor for use in the Franchised Business;

"Service Fee" has the meaning ascribed in Section **7.02** hereof;

"System" means the uniform standards, advertising, promotional material, methods, procedures, techniques and specifications developed by the Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by the Franchisor from time to time, in its sole discretion, for the operation of a Franchised Business;

"Technology Fee" has the meaning ascribed in Section 7.03 hereof;

"Term" means the initial term of this Agreement as provided in Section **3.01** hereof; and any renewal thereof;

"Territory" means the geographical area shown and described on Schedule "B" attached or geographical area encompassing the postal codes listed on Schedule "B" attached; and

"Transfer" has the meaning ascribed in Section **12.02** hereof.

2.02 Schedule

The following Schedules are annexed hereto and form part of this Agreement:

State Addenda to the Franchise Agreement

Schedule “A” - Marks

Schedule “B” - Territory

Schedule “C” – Indemnity

2.03 Gender and Number

In this Agreement, words importing the singular include the plural and vice versa, and words importing gender include all genders.

2.04 Currency

All references to money amounts herein, unless otherwise specified, shall be to United States currency.

2.05 Article and Section Headings

The insertion of headings and the division of this Agreement into Articles and Sections are for convenience of reference only and shall not affect the interpretation hereof.

2.06 Entire Agreement

This Agreement, any amendments hereto, any documents incorporated by reference herein, and the Schedule hereto, constitute the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions with respect to the subject matter hereof whether oral or written. Except as provided herein, there are no conditions, representations, warranties, undertaking, promises, inducements or agreements whether direct, indirect, collateral, express or implied made by the Franchisor to the Franchisee. No supplement, modification, amendment or waiver of this Agreement shall be binding unless executed in writing by both parties. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

2.07 Applicable Law

This Agreement shall be construed in accordance with the laws of the State of New York.

2.08 Time of the Essence

Time is of the essence hereof.

2.09 Severability of Provisions

The invalidity or unenforceability of any provision of this Agreement or any covenant herein contained shall not affect the validity or enforceability of any other provision or covenant hereof or herein contained and any such invalid or unenforceable provision or covenant shall be deemed to be severable.

2.10 Non Waiver

The failure of the Franchisor to exercise any right, power or option given hereunder, or to insist upon the strict compliance with the terms and conditions hereof by the Franchisee shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach thereof or default hereunder, nor a waiver by the Franchisor of its right at any time thereafter to require strict compliance with all tents and conditions hereof.

ARTICLE THREE
SCOPE OF LICENSE

3.01 Grant and Term

Subject to the provisions of this Agreement, the Franchisor hereby grants to the Franchisee the right to operate a Franchised Business within and only within the Territory and subject to Article Nine hereto, to use the Marks in association therewith, for a term equal to ten years commencing on _____.

3.02 Conducting Business Within the Territory

The Franchisee shall not sell or offer any Products or Services except within the Territory. For clarity the Franchisee may only sell or offer Products or Services to customers requiring tutoring services who reside within the Territory. The tutoring services may be provided where necessary, so long as the customer resides in the Territory. The Franchisee is prohibited from soliciting or accepting orders from customers outside of the Territory, including through use of other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing, without the Franchisor's prior written approval which the Franchisor may withhold or condition for any or no reason. Franchisor will not, so long as this Agreement is in force and effect and Franchisee is not in default under any of the terms under this Agreement, establish, franchise or licence another to establish any other Prep Academy Tutors Outlet within the Territory, meaning a Prep Academy Tutors Outlet which provides tutoring services to customers who reside within the Territory. Notwithstanding the foregoing, nothing herein shall prevent the Franchisor from operating, or granting to someone else a franchise to operate, a Prep Academy Tutors Outlet outside the Territory which provides tutoring services to customers who reside outside the Territory.

3.03 Renewal

This Agreement may be renewed indefinitely by the Franchisee for additional renewal terms of ten years, provided that each of the following terms and conditions have been met prior to each such renewal:

(a) the Franchisee shall have substantially complied with all the provisions of this Agreement (including, without limitation, making all payments in full when due), any other agreement between the Franchisee and the Franchisor and any other agreement between the Franchisee and any third party relating to the Franchised Business or the operation thereof during the Term of this Agreement;

(b) all monetary obligations of the Franchisee to the Franchisor shall have been satisfied in full prior to such renewal;

(c) prior to the commencement of such renewal Term, if requested by the Franchisor, the Franchisee shall have executed the Franchisor's the-current form of franchise agreement and all other agreements, instruments and documents then customarily used by the Franchisor in the granting of Prep Academy Tutors franchises which agreements may contain substantially and materially different terms and conditions (including financial terms) than those set forth herein (but excluding any requirement to pay an additional franchise fee similar to that provided for in Section **7.01** hereof);

(d) the Franchisee shall have given to the Franchisor at least six months and not more than 12 months Notice prior to the expiry of the current Term of its intention to renew this Agreement; and

(e) the Franchisee shall have paid to the Franchisor a renewal fee (the "Renewal Fee) equal to $2,000, to help defray the Franchisor's administrative costs, together with reasonable legal costs of the Franchisor in granting such a renewal.

ARTICLE FOUR
GROUP PURCHASING/REBATED

4.01 Group Purchasing/Rebates

The Franchisee shall have the right to participate, on the same basis as other franchisees of the Franchisor, in group purchasing programs for products, supplies and services which the Franchisor may from time to time use, develop, sponsor or provide. The Franchisor may, from time to time, receive rebates, discounts or other allowances in respect of such group purchasing programs, which rebates, discounts or allowances the Franchisor shall be entitled to retain for its own use and credit without accounting to the Franchisee in respect thereof.

ARTICLE FIVE
THE FRANCHISOR'S OBLIGATIONS

5.01 Training Program

The Franchisor shall make available an initial training program of up to one week consisting of training and instructions in the management and operation of a Prep Academy Tutors Outlet and in the standards, methods, procedures and specifications of the System, which program the Franchisee and any manager of the Franchised Business approved by the Franchisor shall have successfully completed to the satisfaction of the Franchisor. The initial training program shall be held at the Franchisor's main place of business or at such other location as may be specified by the Franchisor. The Franchisee shall bear all transportation and accommodation costs and living expenses of the Franchisee and his manager (if any) relating to the initial training program. The undersigned hereby acknowledges and undertakes, in accordance with the provisions of this Section, to punctually attend and successfully complete to Franchisor's satisfaction, and remain at all training sessions scheduled by the Franchisor during the initial training program. In the event that there is a failure to attend or successfully complete to Franchisor's satisfaction to completion of any such initial training sessions, the Franchisor reserves the right to charge all the reasonable administrative expenses incurred by it in scheduling such training session or sessions and the Franchisee hereby agrees to forthwith reimburse the Franchisor for any such expenses. Failure to pay any such expenses shall constitute a default under the provisions of the Agreement.

5.02 Operating Assistance

During the Term, the Franchisor shall make available to the Franchisee such operating assistance, advice, services and training on a continuing basis as the Franchisor considers appropriate and, in particular, the Franchisor:

(a) shall lend the Franchisee a copy of the Manual;

(b) shall maintain supervision over the Franchisee as often as the Franchisor deems reasonably necessary to assist the Franchisee in complying with the System and in operating and promoting the Franchised Business;

(c) shall provide periodic advice as often as the Franchisor shall deem reasonably appropriate with respect to:

(i) hiring, training and firing of employees or contractors;

(ii) the implementation of promotional, advertising and marketing programs;

(iii) the maintenance and upgrading of records, bookkeeping and control forms;

(iv) the establishment and maintenance of administration, bookkeeping, accounting and general operating procedures; and

(v) equipment, signage, fixtures, opening inventory and supplies;

(d) shall, where requested by the Franchisee, provide specific training assistance over and above the regular training programs and meetings provided for herein; provided that where such additional training is requested, the Franchisee shall pay to the Franchisor a reasonable fee to be determined by the Franchisor in respect of the assistance provided by the Franchisor or its personnel and shall promptly reimburse the Franchisor upon request for all travel, accommodation, meal and other out-of-pocket expenses of the Franchisor and its personnel relating thereto;

(e) may make available to the Franchisee or a manager of the Franchised Business, at the Franchisor's head office or such other location as may be designated by the Franchisor, additional or supplemental training course or seminars of such duration as the Franchisor may, in its sole discretion, deem reasonably necessary.

ARTICLE SIX
THE FRANCHISEE'S OBLIGATIONS

6.01 Operation of the System

In order to maintain the high quality and uniform standards, methods, procedures. techniques and specifications associated with the System and the Marks, and to promote and protect the goodwill associated therewith, the Franchisee shall, at his sole expense (unless otherwise indicated), except where otherwise first agreed to in writing by the Franchisor:

(a) operate the Franchised Business continuously as a Prep Academy Tutors Outlet in accordance with the System and this Agreement and for no other purpose and in such operation of the Franchised Business maximize Gross Sales;

(b) comply at all times with all federal, state and local laws, regulations, by-laws, orders, rulings, ordinances and permits having application to the operation of the Franchised Business including, without limitation, all applicable governmental regulations relating to workers compensation, unemployment insurance, Canada Pension Plan, and withholding and payment of federal and state income taxes and sales taxes;

(c) obtain and maintain in force all required licenses, permits, permissions, approvals and certificates relating to the operation of the Franchised Business;

(d) ensure that the Franchised Business is at all times under the direct operation of the Franchisee or a manager of the Franchisee approved in writing by the Franchisor who has successfully completed the initial training program referred to in **Section 5.01** hereof;

(e) except as provided below, devote his or her full time and attention to the Franchised Business in order to ensure the proper, efficient and effective operation thereof and to continuously exert his or her best efforts to promote and enhance the Franchised Business and to participate in all promotional programs and campaigns developed by the Franchisor. Notwithstanding the foregoing, the Franchisee shall not be required to devote his or her full time and attention to the direct operation of the Franchised Business if a fully trained manager, approved by the Franchisor in writing, is devoting his or her full time and attention to the direct operation of the Franchised Business. In addition, it is acknowledged and agreed that during school holidays and the months of July and August, the Franchisee (or such approved fully trained manager) shall not be required to devote his or her full time and attention to the Franchised Business;

(f) maintain at all times a suitable organization and a sufficient number of trained personnel to service all customers of the Franchised Business, to operate the Franchised Business efficiently and to properly promote the Franchised Business;

(g) comply with all mandatory standards, methods, procedures and specifications from time to time prescribed by the Franchisor in the Manual or otherwise in writing relating to the System and to the operation of the Franchised Business, including without limitation, standards and specifications prescribed by the Franchisor with respect to:

(i) the conduct and appearance of the employees or contractors employed by the Franchisee;

(ii) business hours;

(iii) the standardized sales accounting and reporting terms;

(iv) the display of signs and posters;

(v) the Products and Services to be offered or made available to customers; and

(vi) the manner in which the Products and Services are to be presented or made available to customers;

(h) obtain such equipment and apparatus, such as a computer, as the Franchisor may from time to time reasonably specify in writing;

(i) if required by the Franchisor, attend and successfully complete to Franchisor's satisfaction or cause a manager of the Franchised Business approved in writing by the Franchisor to attend and successfully complete to Franchisor's satisfaction, at such locations as the Franchisor may specify and participate at any additional or supplemental training courses or seminars which may be conducted by or on behalf of the Franchisor

from time to time. The Franchisor shall have the right to charge the Franchisee a reasonable fee for such additional or supplemental training courses and the Franchisee shall also be responsible to pay all travel, accommodation, meal and other expenses of the Franchisee and its employees in respect of attending and completing such courses or seminars;

(j) attend at all regular meetings of franchisees called by the Franchisor and at all special meetings which the Franchisor in its sole discretion deems necessary;

(k) at all times maintain such arrangements with, and only with, such credit card issuers or sponsors, check verification services, electronic funds transfer systems and financial institutions offering retail financing as the Franchisor may designate from time to time in the Manual or otherwise, to enable the Franchisee to accept customers' credit cards, checks and other methods of payment for Products supplied or for Services rendered in connection with the operation of the Franchised Business. The Franchisee shall not, without the prior written approval of the Franchisor, enter into any such arrangement other than with those parties designated by the Franchisor as aforesaid;

(l) promptly pay when due all taxes, expenses and surcharges of any kind levied or assessed by any and all governmental bodies or agencies, whether local, state or federal, by reason of or in connection with the Franchisee's operation of the Franchised Business;

(m) use such accounting, record keeping and reporting systems and related computer systems as may be designated or approved by the Franchisor from time to time;

(n) carry on the Franchised Business and conduct himself or herself in a manner which reflects favourably upon the Franchisor, the System and the Marks and not to act or operate the Franchised Business in a manner that might depreciate the goodwill associated with any of them;

(o) ensure that at all times prompt, courteous and efficient service is accorded to its customers. The Franchisee shall in all dealings with its customers, suppliers and the public adhere to high standards of honesty, integrity, fair dealings and ethical conduct;

(p) for the Franchisee's tutors providing the Services, employ, or retain as contractors, only instructors who are fully qualified to tutor the subject and the grade level required by the relevant customer. The Franchisor retains the right, at its sole discretion, to impose professional teaching qualification requirements; and

(q) not be entitled to establish its own website with respect to the Franchised Business.

6.02 Authorized Products and Services

The Franchisee acknowledges that it is in the interest of the Franchisee, the Franchisor and all other franchisees of the Franchisor that the uniform standards, methods, procedures, techniques and specifications of the System be strictly adhered to by the Franchisee. Accordingly, the Franchisee shall offer all such Services and Products as are from time to time authorized in writing by the Franchisor and only such Services and Products. The Franchisee agrees that the Franchisor may from time to time add to or delete from the authorized Services and Products upon notice to the Franchisee.

The Franchisor shall determine the manner in which all Services shall be performed and may specify the method and the format in which, any Products shall be offered for sale. The Franchisee also agrees to purchase or lease as directed by the Franchisor, all Products, equipment, signs, supplies and other items required from time to time for the Franchised Business from the Franchisor or from sources or suppliers approved or designated in writing by the Franchisor (which sources or suppliers may include Affiliates of the Franchisor).

The following process applies to requests for the Franchisor's approval of alternative suppliers of Products, equipment, signs, supplies and other items required for which the Franchisor has approved or designated suppliers:

(a) If the Franchisee wishes to obtain Products, equipment, signs, supplies and other items required from a supplier other than the Franchisor has previously approved or designated (and not subsequently disapproved), the Franchisee must seek the Franchisor's approval by written notice which (i) identifies the name and address of the supplier, (ii) contains the information the Franchisor requests or requires to be provided in the Manual (e.g. financial, operational and economic information regarding its business), and (iii) identifies the products, supplies, materials or services you seek to purchase from the proposed supplier.

(b) Upon request, the Franchisor will make availability the specifications for the Products, equipment, signs, supplies and other items required if they are not in the Manual.

(c) The proposed supplier must comply with the Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure, and must demonstrate to the Franchisor's reasonable satisfaction (a) its ability to supply products or services meeting the Franchisor's specifications, (b) its reliability with respect to delivery and consistent quality of products or services, and (c) its ability to price the proposed products or services competitively.

(d) The proposed supplier must, at the Franchisor's request, furnish at no cost product samples, specifications and other information the Franchisor may require, and allow the Franchisor or its representatives to inspect the proposed Supplier's facilities and establish economic

terms, delivery, service and other requirements consistent with the Franchisor's other distribution relationships.

(e) The Franchisor will use good faith efforts to notify you of its decision within sixty (60) days after the Franchisor receives a request for approval and all requested back-up information.

(f) Among the other factors the Franchisor may consider in deciding whether to approve a proposed supplier, the Franchisor may consider the effect that the approval may have on it and its franchisees' ability to obtain the lowest distribution costs with the quality and uniformity of product offered system-wide by franchisees.

(g) The Franchisor may also require a proposed supplier to agree in writing: (i) to provide free samples on request of any Products, equipment, signs, supplies and other items required it intends to supply, (ii) to faithfully comply with any applicable specifications, and (iii) to sell any product bearing the Franchisor's trademarks only to its franchisees and only under a license agreement in form provide by the Franchisor, and (iv) to provide to duplicate purchase invoices for the Franchisor's records and inspection.

(h) The Franchisor reserves the right to subsequently revoke any approval of an alternative supplier upon written notice.

(i) The Franchisee or the proposed supplier must pay the Franchisor in advance (or if requested, reimburse) the Franchisor's reasonably anticipated costs to review the proposed supplier's application and all current and future reasonable costs and expenses, to inspect and audit their facilities, equipment, and products, and all product testing costs paid to third parties in connection therewith.

6.03 Suggested Prices

Wherever reasonably possible, the Franchisee shall sell or dispose of all Products and Services at such prices, including without limitation the minimum and maximum prices, as the Franchisor may reasonably suggest from time to time; provided it is hereby agreed that notwithstanding the foregoing, the Franchisee is under no obligation to accept such suggested prices and the Franchisee may sell the Products and the Services, at any reasonable price it chooses, having regard to its concern to develop and continually increase sales and to make a profit. If the Franchisee does not sell or dispose of the Products and Services at the prices suggested by the Franchisor, the Franchisee will not suffer in any way in its business relations with the Franchisor or any other person over whom the Franchisor has otherwise influence or control.

6.04 Capital

At all times during the Term, the Franchisee shall maintain and employ in connection with the Franchised Business such minimum working capital as may be

reasonably required by the Franchisor from time to time to enable the Franchisee to properly and fully carry out and perform all of the Franchisee's duties, obligations and responsibilities hereunder, which minimum working capital shall not be less than $5,000. The Franchisee acknowledges that working capital may be necessary for a variety of reasons including payments to employees or contractors providing the tutoring services under the supervision of the Franchisee before collection of fees from customers.

6.05 Insurance

The Franchisee shall arrange for policies of blanket or master insurance in such amounts as are required by the Franchisor from time to time which may include all risk insurance for all property of the Franchised Business with coverage on a replacement cost basis, product liability, business interruption, employee honesty and liability and comprehensive general liability insurance for and in respect of the Franchised Business and life and disability insurance with respect to the Franchisee. The Franchisor currently requires the Franchisee to purchase and maintain a minimum of $2,000,000 of general liability insurance coverage. The Franchisee shall arrange directly, with the insurance broker or brokers designated by the Franchisor, for placement of the Franchised Business under such blanket or master policy and shall, at the Franchisor's option, either pay the premiums for such insurance coverage of the Franchised Business directly to the broker or insurance company or reimburse the Franchisor for the Franchisee's share (as reasonably determined by the Franchisor) of all premiums and other expenses incurred in connection with the obtaining of or arranging for such blanket or master insurance.

The Franchisee is also free to place, at its own cost, any additional insurance beyond what is offered by the blanket or master policy.

If the Franchisee fails to take out or to keep in force any insurance referred to in this Section 6.05 and should the Franchisee fail not to rectify such failure within 48 hours after written notice is given to the Franchisee by the Franchisor, the Franchisor has the right, without assuming any obligation in connection therewith, to affect such insurance at the sole cost of the Franchisee and all outlays by the Franchisor shall be immediately paid by the Franchisee to the Franchisor on the first day of the next month following such payment by the Franchisor without prejudice to any other rights or remedies of the Franchisor under this Agreement.

6.06 Central Referral System

The Franchisor has established a website and a phone system with an associated 1-800 telephone number for routing calls and inquires regarding tutoring services under the System to appropriate franchisees according to their territories. The Franchisee is required to have its own office phone or cell phone where calls can be routed via the Franchisor's virtual PBX system to the Franchisee. In addition, the Franchisor will provide a web-based e-mail service for the Franchisee and the Franchisee shall be required to have a suitable computer to access such service. As part of such systems, the Franchisor shall utilize a Customer Relationship Management system or supplier to manage the operation of such systems and

customer referrals. For such services, the Franchisee shall be required to pay the Technology Fee as described in Section 7.03.

Notwithstanding the foregoing, the Franchisor, at its sole discretion, shall be entitled to alter such a customer referral system or replace it with an entirely different form of system or technology.

6.07 Modification of System

Franchisee recognizes and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Marks, including the adoption and use of new or modified service marks, trademarks or copy-righted materials, new products, new techniques or new services and the Franchisee will accept and use for the purpose of this Agreement any such changes in the System that may reasonably be required.

6.08 Computer Software, Systems and Applications

Franchisee recognizes and agrees that Franchisor will have full and independent access to and control over all of Franchisee's computer software, systems and applications, including all information generated and stored in Franchisee's computer software, systems and applications and that Franchisee may not do anything to impede such access or control.

ARTICLE SEVEN
FEES AND REPORTING

7.01 Franchise Fee

In consideration of the right and license granted herein, the Franchisee shall, upon execution of this Agreement, pay to the Franchisor by way of cash or certified check an initial franchise fee (the "Franchise Fee") in the amount of $43,000 which is to compensate the Franchisor for the use of the Marks and the System and to defray the expenses of the Franchisor incurred in the sale of franchises and in making available to the Franchisee consultation, training and assistance. The Franchisee hereby acknowledges that the Franchise Fee shall be fully earned and non-refundable, in whole or in part, upon execution of this Agreement. The Franchise Fee shall be payable immediately upon execution of this Agreement.

7.02 Service Fee

The Franchisee shall pay to the Franchisor during each year of the Term and any renewal thereof a continuing service fee (the "Service Fee") equal to 8% of the Gross Sales of the Franchised Business.

The Franchisee shall submit to the Franchisor monthly, on a form approved by the Franchisor, a correct statement of monthly Gross Sales. Each monthly Gross Sales report shall be accompanied with the Service Fee payment made by pre-authorized debit computed in accordance with this Agreement. Such monthly Gross Sales

statement and the accompanying Service Fee payment shall be delivered on or before the 10th day of the following month.

A monthly report period is defined as a calendar month. Annual Gross Sales are total sales in a calendar year.

7.03 Technology Fee

The Franchisee shall pay to the Franchisor during each year of the Term and any renewal thereof a continuing technology fee (the "Technology Fee") for the services described in Section 6.06 of this Agreement to pay for the Franchisor's out-of-pocket costs with respect to the provision of such services. The Technology Fee shall initially be $150 per month, payable by pre-authorized debit on or before the 10th day of the following month at the time that the monthly Gross Sales report is due. Such Technology Fee may be increased by the Franchisor, acting reasonably, based on increases in the actual costs of the services provided pursuant to Section 6.06 of this Agreement.

7.04 Periodic Statements

The Franchisee shall use the Franchisor's approved accounting, record keeping and reporting system as it exists from time to time, and shall retain all, print-outs, invoices, payroll report, check stubs, sales tax records and returns and, in particular, the Franchisee shall submit to the Franchisor, if required by the Franchisor:

(a) within ten days of the end of each calendar month, a complete and accurate statement of the Gross Sales for the preceding calendar month and the profit/loss of the Franchised Business for the preceding month, both in the manner prescribed by the Franchisor,

(b) upon the request of the Franchisor, copies of all federal and state income and sales tax returns submitted by the Franchisee for any period;

(c) within 90 days of the end of each calendar year, annual audited statements, and upon request of the Franchisor, financial statements, prepared by an independent chartered accountant in the manner prescribed by the Franchisor, detailing the performance of the Franchised Business including the Gross Sales and profits or losses for that preceding year; and

(d) upon the request of the Franchisor, any other financial reports relating to the operation of the Franchised Business as the Franchisor may reasonably require front time to time.

7.05 Overdue Amounts

Any amounts owed to the Franchisor by the Franchisee pursuant to this Agreement or otherwise shall bear interest from the due date until paid in full at a rate of interest equal to the Prime Bank Rate plus five percent per year, calculated and payable weekly, not in advance, both before and after default, with interest on overdue interest at the same rate. Such rate shall be determined on each interest payment

date and shall be applicable to all amounts owing at such date from the Franchisee to the Franchisor. In addition, if the Service Fee is not paid by the Franchisee to the Franchisor at the time set out in Section 7.02 then the Franchisee shall pay to the Franchisor an administration fee of $50 representing all costs associated with the Franchisor making special provisions to process this late payment. In addition to the foregoing, the Franchisee shall pay and the Franchisor shall be entitled to add to the Fees payable hereunder the sum of $25 for each of the Franchisee's checks which, for any reason, are returned or not honoured by the Franchisee's bank, which amount shall be payable by the Franchisee as compensation for the expenses incurred by the Franchisor in connection with such dishonoured or returned check and not as a penalty. The acceptance by the Franchisor of any interest payment shall not be construed as a waiver by the Franchisor of its rights in respect of the default giving rise to such interest payment and shall be without prejudice to the Franchisor's right to terminate this Agreement as a result of such default in accordance with the provisions of this Agreement.

7.06 Records

The Franchisee shall keep accurate and up to date books of account and records including, without limitation, accurate records and accounts reporting all Gross Sales, all in accordance with the accounting, record keeping and reporting system prescribed by the Franchisor. The Franchisee shall keep and preserve the said records and accounts for a period of six years during as well as following the termination of this Agreement.

7.07 Inspection

The Franchisor or its authorized agents and representatives shall have the right during business hours, but without prior notice to the Franchisee, to inspect all records, books of account, tax returns and other documents and materials in the possession or under the control of the Franchisee relating to the Franchised Business or the Franchisee or the subject matter and terms of this Agreement, including, without limitation, all records of the Franchisee required to be maintained pursuant to applicable law, to ascertain that the Franchisee is operating the Franchised Business in accordance with the System, the terms of this Agreement and the Manual. The Franchisor or its authorized agents and representatives shall be allowed to make extracts from or copies of any such records, books of account, tax returns, documents and materials.

In the event that the Franchisor gives Notice to the Franchisee of any deficiency detected during such inspection, the Franchisee shall diligently correct such deficiency within 15 days of receipt of such Notice.

7.08 Audit

The Franchisor or its authorized agents and representatives shall have the right, without prior notice of any kind to the Franchisee, to audit, the records, books of account, tax returns and other documents and materials in the possession or under the control of the Franchisee relating to the Franchised Business or the Franchisee

or the subject matter and terms to this Agreement, including, without limitation, all records of the Franchisee required to be maintained pursuant to applicable law. In the event any such audit discloses an understatement of Gross Sales, the Franchisee shall pay the Franchisor, within 15 days after receipt of Notice from the Franchisor, all applicable fees which would have been payable under this Agreement had the understatement not occurred together with interest thereon as provided in Section **7.05** hereof for overdue amounts, calculated from the date when such fees should have been paid to the actual date of payment. In the event that the understatement shall be three percent or more of the Gross Sales for any period, the Franchisee shall reimburse the Franchisor for the cost of such audit.

7.09 Enquiry by the Franchisor

By his or her execution hereof, the Franchisee authorizes the Franchisor or its authorized agents and representatives to make reasonable enquiries of the Franchisee's bankers, accountants and trade creditors as to their dealings with the Franchisee in relation to the Franchised Business and the subject matter and terms of this Agreement, to discuss the affairs, finances and accounts of the Franchised Business and the subject matter and terms of this Agreement with the Franchisee's bankers (and by his execution hereof the Franchisee authorizes and directs such bankers, accountants and trade creditors to discuss with the Franchisor or its authorized agents and representatives the affairs, finances and accounts of the Franchised Business) and to obtain information and copies of invoices relating to sales or other dealings between all such parties and the Franchisee in any way referable to the Franchised Business or the subject matter and terms of this Agreement If requested, the Franchisee agrees to execute and deliver such directions and other documents as the Franchisor may require in order to authorize such bankers, suppliers or other creditors to release or disclose any such information and documents to the Franchisor.

ARTICLE EIGHT
ADVERTISING

8.01 Local Advertising

The Franchisee shall not engage in any local advertising without the prior written approval of the Franchisor to such advertising and the Franchisee shall in the manner directed by the Franchisor submit samples of all such advertising including, without limitation, storyboards, layouts and galley proofs in respect thereof; together with a description of the media in which such advertising will be displayed, to the Franchisor for such prior approval, which approval may be unreasonably withheld. For clarity, all advertising undertaken by the Franchisee shall be subject to the prior written approval of the Franchisor.

The Franchisor, at its option, may require that the Franchisee spend directly annually on its own advertising and promotions not less than an amount equal to five percentage of Gross Sales each year.

8.02 National Marketing Fund

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, the Franchisee agrees that the Franchisor shall be entitled to maintain and administer a national marketing fund or funds (the "National Marketing Fund") for such international, national, regional, local and other advertising and promotion programs as the Franchisor may deem necessary or appropriate, in its sole discretion. The Franchisor shall direct all such advertising programs in its sole discretion with respect to the creative concepts, materials, endorsements and material used therein and the placement and allocation thereof. The Franchisor shall be entitled to change the type of advertising and promotional campaign to be administered through the National Marketing Fund.

The Franchisee shall contribute to the National Marketing Fund an amount equal to 2% of Gross Sales (plus any applicable taxes). Any amounts payable hereunder the National Marketing Fund shall be paid together with, but in addition, to the monthly Service Fees.

The National Marketing Fund may be used and expended for media costs, commissions, market research costs, creative and production costs, including, without limitation, the costs of Google AdWords campaigns, creating promotions and artwork, printing costs and other costs relating to advertising and promotional programs undertaken by the Franchisor. The National Marketing Fund shall be accounted for separately from the other funds of the Franchisor and shall not be used to defray any of the Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as the Franchisor may incur in activities reasonably related to the administration or direction of the National Marketing Fund and its advertising and promotional programs. A statement of the operations of the National Marketing Fund shall be prepared annually and shall be made available to the Franchisee upon Franchisee's written request, the cost of such statement to be paid by the National Marketing Fund.

The Franchisee acknowledges and agrees that the National Marketing Fund is intended to maximize general public recognition and patronage of the Prep Academy Tutors businesses for the benefit of all outlets and Franchisees in the System and that the Franchisor undertakes no obligation in administering the National Marketing Fund to ensure that any particular franchisee, including the Franchisee, benefits directly or pro rata from the placement or conduct of such advertising and promotion. The Franchisee further acknowledges and agrees that the Franchisor has no fiduciary duty with respect to the collection or expenditures related to the National Marketing Fund, and the National Marketing Fund will not be held in trust or escrow.

8.03 Discount Programs

The Franchisor may, from time to time, develop, establish and market special discount or free coupon programs designed to stimulate sales of the Products and Services, and the Franchisee shall participate in such programs. The Franchisor

shall notify the Franchisee of the creation of each such program and shall advise the Franchisee with respect to all or the elements thereof. The Franchisee shall in all respects adhere to all elements of such programs. All amounts paid or costs incurred by the Franchisee as required in connection with his participation in such programs, including without limitation, the amount of any discounts granted or free Products or Services given out by the Franchisee, shall be borne by the Franchisee. The Franchisor shall establish all such discount or coupon programs in its sole discretion, and shall not be required to consult or confer with the Franchisee or any other franchisee of the Franchisor with respect to any aspect thereof including, without limitation, the nature, content or amount of any discount or coupon established pursuant to any such program. The Franchisee shall not establish or market any special discount or free coupon program apart from the programs established by the Franchisor, without the Franchisor's prior written approval, which approval may be unreasonably withheld.

8.04 Media Appearances

The Franchisee shall not make any television or radio appearance, or make any statement to any public media in connection with the Franchised Business, any Prep Academy Tutor Outlet, or the Franchisor, its agents, principals, directors, officers and employees or its Affiliates unless the Franchisee obtains the prior written approval of the Franchisor which approval may be unreasonably withheld. A breach of any obligation of the Franchisee under this section shall constitute cause entitling the Franchisor to terminate this Agreement immediately and without notice.

ARTICLE NINE
MARKS

9.01 Use of Marks

The Franchisee agrees and acknowledges that the right granted herein to the Franchisee to use the Marks applies only to their use in connection with the Franchised Business and not otherwise, and the Franchisee further agrees:

(a) that the Franchisor is the exclusive owner and/or exclusive licensee for Canada of the Marks and the owner of the System and all goodwill associated therewith, and any unauthorized use of the Marks or the System is and shall be deemed an infringement of the rights of the Franchisor;

(b) that, except as expressly provided in this Agreement or in any registered user agreement entered into by the Franchisee and the Franchisor, the Franchisee acquires no right, title or interest in the System or the Marks, and any and all goodwill associated with the Marks and the System enures exclusively to the benefit of the Franchisor;

(c) during the term of this Agreement and any renewal thereof and after termination or expiration thereof for whatever reason, not to dispute or contest for any reason whatsoever, directly or indirectly, the validity,

ownership or enforceability of any of the Marks, or directly or indirectly attempt to dilute the value of the goodwill attached to the Marks or the System, or counsel, procure or assist anyone else to do any of the foregoing;

(d) to notify the Franchisor promptly of any attempt by any person other than the Franchisor or its Affiliates or franchisees to use the Marks, or any variation or imitation thereof and to notify the Franchisor immediately of any action involving the Marks that is threatened or instituted by any person against the Franchisee and to allow the Franchisor to undertake or cause the defence of any such action. In the event that the Franchisor undertakes or causes the defence of any such action, the Franchisee shall fully cooperate with the Franchisor and/or the owner of the Marks and shall execute such documents and do such acts and things as, in the opinion of the Franchisor, may be necessary. Should any action involving the Marks be threatened or instituted by any person against the Franchisee and such action is not due to the fault or negligence of the Franchisee, the Franchisor agrees to defend such action and to hold the Franchisee harmless from and indemnify the Franchisee for any and all claims thereunder;

(e) not to use any of the Marks as part of the Franchisee's corporate, partnership or other legal name or any name style or business name, or as part of the corporate; partnership or other legal name of any corporation, partnership or other entity in which the Franchisee has a direct or indirect interest, nor to hold out or otherwise employ the Marks or any of them or any portion of the Franchisor's corporate name, name style, or business name to perform any activity, or to incur any obligation or indebtedness, in such manner as could reasonably result in making the Franchisor or its Affiliates liable to third parties therefore;

(f) to operate and advertise the Franchised Business only under the Marks and under no other name and use the Marks only with accompanying words *or* symbols approved in writing by the Franchisor,

(g) to use or display the Marks on all signs, forms, stationery, invoices, Products and other materials only in the manner and form prescribed by the Franchisor and as provided for in this Agreement or in any other agreements entered into pursuant to this Agreement;

(h) to observe such reasonable requirements with respect to copyright and Mark notices, trade name registrations and other forms of marking as the Franchisor may direct from time to time; and

(i) that in the event of an assignment by the Franchisee under Section 12.03 hereof, the Franchisee shall ensure that the corporate name of the assignee corporation does not at any time contain any of the Marks or any part thereof.

9.02 Change in Trademark Laws

In the event that the *Section 8(a) of the Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 431* is amended so as to render inapplicable or insufficient any of the provisions of Section **9.01** hereof the Franchisee agrees to promptly execute such documents and to do such acts and things as, in the opinion of the Franchisor, may be necessary to effect the intent and purpose of the provisions of Section **9.01**, hereof from time to time.

9.03 New Trademarks

In the event that it becomes advisable at any time in the sole discretion of the Franchisor for the Franchisee to modify or discontinue use of any of the Marks or use one or more additional or substitute names or marks, the Franchisee agrees to do so at the Franchisee's expense.

ARTICLE TEN
OPERATING MANUAL AND SYSTEM

10.01 Manual

The Franchisor shall lend to the Franchisee during the term of this Agreement a copy of the Manual containing mandatory and suggested standards, methods, procedures and specifications applicable to the System and information relative to other obligations of the Franchisee hereunder and to the operation of the Franchised Business. The Manual shall at all times remain the exclusive property of the Franchisor and shall be returned to the Franchisor promptly upon termination or expiration of this Agreement for any reason whatsoever and the Franchisee shall not at any time copy, duplicate, record or otherwise reproduce or transcribe the Manual or any part thereof without the Franchisor's prior written consent. The Franchisor shall have the right to add to, modify, withdraw or otherwise revise the provisions of the Manual from time to time, provided that no such revision shall alter unreasonably the Franchisee's rights under this Agreement. The provisions of the Manual (as revised from time to time) and the mandatory standards, methods, procedures and specifications applicable to the System and such revisions made thereto from time to time by the Franchisor shall constitute provisions of this Agreement as if fully set forth herein.

10.02 Confidentiality

The Franchisee acknowledges that certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, and the entire contents of the Manual, is derived from information disclosed to the Franchisee by the Franchisor and that all such information is of a proprietary and confidential nature and is a trade secret of the Franchisor. The Franchisee shall maintain the absolute confidentiality of all such information during the term of this Agreement and any renewal thereof and at all times after the termination or expiration thereof for any reason and shall not disclose any such information for any reason whatsoever, except to the Franchisee's employees but only to the extent necessary for the operation of the Franchised

Business in accordance with this Agreement. The Franchisee further agrees not to use any such information, or knowingly permit such information to be used, directly or indirectly by any means, in any business other than the Franchised Business or in any other manner or obtain any benefit therefrom not specifically approved in writing by the Franchisor. The Franchisee shall require its employees or contractors to whom such information is disclosed to comply with the provisions of this Section 10.02 and, upon request by the Franchisor, the Franchisee shall require such employees or contractors to execute confidentiality agreements in a form acceptable to the Franchisor.

ARTICLE ELEVEN
RESTRICTIVE COVENANTS

11.01 Non-competition during Agreement

During the term of this Agreement and any renewal period thereof, each of the Franchisee and the Indemnifier shall not individually nor in conjunction with any person, firm, partnership, corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant or guarantor or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in connection with the establishment or operation of any business which offers tutoring. Notwithstanding the foregoing, this provision shall not prohibit the Franchisee or the Indemnifier from being employed as a teacher by a public or private school.

11.02 Non-competition following Termination, Expiration or Transfer

In the event of expiration or termination of this Agreement for any reason whatsoever, or in the event this Agreement is transferred pursuant to Section 12.02 or 12.03 hereof each of the Franchisee and the Indemnifier shall not, except as contemplated pursuant to Section 12.03, without the prior written consent of the Franchisor, which consent may be unreasonably withheld, at any time during the period of two years from the date of such expiration, termination or transfer, either individually or in conjunction with any person, firm, partnership or corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant, guarantor or in any other manner whatsoever, directly or indirectly, carry on, be engaged in or be concerned with or interested in, financially or otherwise, or advise in connection with the establishment or operation of any business located or operating within the Territory and a 50 mile radius of the Territory or a 50 mile radius of any Prep Academy Tutors Outlet franchise territory, or such other name as the Franchisor may operate at the time, operating as of the date of such expiration, termination or transfer, which consists primarily of the operation of a tutoring business.

11.03 Interference with Employment Relations

During the term of this Agreement and any renewal thereof and for a period of two years after the termination or expiration of this Agreement for any reason, the Franchisee shall not, directly or indirectly, employ, seek to employ, solicit for

employment or accept the services of any person who is, at the time of such solicitation, employed by, or retained as a contractor of, the Franchisor or its Affiliates or any other franchisee of the Franchisor, nor shall the Franchisee, directly or indirectly, induce or attempt to induce any such person to leave his or her employment or relationship with the Franchisor, its Affiliates or any other franchisee.

11.04 Amendment of Restrictive Covenants

The Franchisee acknowledges that the provisions of this Article Eleven have been inserted for the sole benefit of the Franchisor and that the Franchisor shall have the right, from time to time during the term of this Agreement, in its sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article Eleven or any portion thereof without the Franchisee's consent effective upon the Franchisor giving Notice thereof to the Franchisee.

ARTICLE TWELVE
TRANSFER

12.01 Transfer by the Franchisor

The Franchisor shall have the right to transfer any or all of its rights and obligations under this Agreement to any individual, firm, association, bank, lending institution, corporation or other third party as it may in its sole discretion deem appropriate. In the event of any such transfer, the Franchisor shall be released from any further liability under this Agreement for the obligations transferred.

12.02 Transfer by Franchisee

The Franchisee acknowledges that the granting of the rights hereunder is based upon the Franchisor's investigation of the Franchisee's qualifications and that such rights are personal to the Franchisee. Except as hereinafter provided, the Franchisee shall not sell, divide, encumber, assign, pledge, hypothecate, mortgage, charge, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by the transfer of any shares if the Franchisee is a corporation in which event the provisions of Section 12.03 shall be applicable or by any other means, or otherwise dispose of the rights granted hereunder, or any part thereof, or any rights or privileges incidental thereto, or the Franchised Business or any interest therein, or the Franchisee's rights or interest in this Agreement (hereinafter collectively referred to as a "Transfer"), to any individual, firm, partnership, bank, lending institution, corporation or other third party without the prior written consent of the Franchisor, which consent may be unreasonably withheld. Any actual, attempted or purported Transfer occurring without the Franchisor's prior written consent shall be a default of this Agreement and such Transfer shall be null and void. In no event will the Franchisor be willing to provide its consent to any Transfer, unless:

(a) the proposed transferee is acceptable to the Franchisor based upon standards for new franchisees used by the Franchisor at such time;

(b) there shall be no existing default in the performance or observance of any of the Franchisee's obligations under this Agreement, any licence agreement with respect to the Marks or any other agreement with the Franchisor or any third party relating to the Franchised Business;

(c) the Franchisee shall have settled all outstanding accounts with the Franchisor and all other trade creditors of the Franchised Business;

(d) the Franchisee shall have delivered to the Franchisor a complete release of the Franchisor and its shareholders, directors and officers from all obligations of and all claims against any, such persons arising under or in connection with or relating to this Agreement, in a form satisfactory to the Franchisor;

(e) except in the case of a transfer pursuant to Sections 12.03 or 12.05 hereof or a transfer to the Franchisor pursuant to Section 12.04 hereof,

(i) an application for transfer upon such form as may be designated by the Franchisor shall have been completed, duly executed by the proposed transferee and submitted to the Franchisor;

(ii) an application fee equal to $2,000 to defray the Franchisor's administrative costs with respect to such transfer, a designated portion of which fee (not to be less than $1,000) the Franchisor shall be entitled to retain, whether or not it consents to the transfer, to cover its expenses in reviewing the application;

(iii) the proposed transferee shall have been interviewed by the Franchisor at such location as the Franchisor may specify;

(iv) at the time that the application for the Franchisor's consent is submitted, the Franchisee shall also submit a deposit of $1,000. If the transfer is not finalized within 60 days of such application, due to no fault of the Franchisor, the $1,000 shall be forfeited to the Franchisor for its costs and expenses in reviewing the application and any negotiations and communication with any parties relating to the transfer. If the transfer is completed the $1,000.00 shall be credited towards the transfer costs referred to in 12.02 (e) (ii) and l2.02 (h) of this Agreement;

(f) the proposed transferee and any manager of the Franchised Business, prior to such Transfer, shall have successfully completed the Franchisor's initial training program and shall pay the Franchisor its reasonable costs of administering such program. The proposed transferee shall bear all transportation and accommodation costs and living expenses of the transferee and any such manager in connection with such initial training program;

(g) the proposed transferee shall assume all the rights and the obligations of the Franchisee hereunder and, if required by the Franchisor, shall execute

the Franchisor's then current form of Agreement having a term equal to the then unexpired balance of the Term hereunder, on the then prevailing terms, conditions and fees (but without obligation to pay a Franchise Fee similar to that provided for in Section 7.01 hereof), which terms, conditions and fees may be substantially different from those contained herein;

(h) the Franchisee pays the Franchisor all of the Franchisor's reasonable legal costs for administering such Transfer;

(i) the Franchisee shall not be released from any of its obligations under this Agreement.

12.03 Change of Corporate Control

If the Franchisee is a corporation, it is acknowledged and agreed that the transfer of the majority of the issued shares in the capital stock or any transfer, issuance or division of any shares of such corporation or of an affiliated corporation of the corporation sufficient to transfer control to other than the present shareholders of the corporation shall be deemed for all purposes of this Article 12 to be a Transfer and, accordingly, a breach of this Article 12 unless the prior written consent of the Franchisor is first obtained, and it is agreed that the parties hereto shall have all of the same rights and obligations in respect thereof as were applicable to a Transfer. The Franchisor shall have access at all times to the corporate books and records of the Franchisee, which the Franchisee agrees will be located at such places in Canada of which the Franchisor shall at all times be kept notified by the Franchisee in writing, and the Franchisee shall make the same available to the Franchisor and its representatives upon request, for inspection at all times in order to ascertain whether or not there has at any time during the term of this Agreement been a transfer, issuing or division of shares sufficient to constitute a change in control of the Franchisee corporation as aforesaid.

12.04 Option to Purchase

Without in any way limiting the Franchisor's right to reject a proposed Transfer pursuant to Section 12.02, if at any time during the Term, the Franchisee obtains a bona fide offer (the "Offer") from a third party with which it deals at arm's length to acquire the whole of his or her interest in the Franchised Business which the Franchisee wishes to accept, the Franchisee shall promptly give Notice thereof to the Franchisor together with a true copy of the Offer. Upon receipt of such Notice and Offer, the Franchisor shall have the option of purchasing the interest in the Franchised Business forming the subject matter of such Offer upon the same terms and conditions as these set out in the Offer except that:

(a) there shall be deducted from the purchase price the amount of any commission or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such interest in the Franchised Business; and

(b) the Franchisor shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing.

The Franchisor may exercise its Option at any time within 20 days after receipt of the Notice and Offer by giving Notice to that effect to the Franchisee. If the Franchisor declines to exercise such option and if such Transfer is otherwise approved by the Franchisor, the Franchisee shall be entitled to complete the Transfer to such third party purchaser in accordance with the Offer subject to the provisions of Section 12.02 hereof. If the Franchisor exercises its option, the Franchisor shall have 45 days within which to complete the execution of all documents necessary to effect the Transfer. If the Franchisor fails to execute the required documents within the said 45 day period, the Franchisee shall be entitled to complete the Transfer to such third party purchaser in accordance with the Offer subject to the provisions of Section 12.02 hereof provided that in no event shall any such Transfer involve less than the whole of the Franchisee's right, interest and obligations pursuant to this Agreement or otherwise in respect of the Franchised Business.

12.05 Death or Incapacitation

If the Franchisee, or the controlling shareholder of a corporate Franchisee, dies or becomes Incapacitated so that he or she or a qualified manager appointed or employed by the Franchisee and approved by the Franchisor is not able to devote full time and attention to the operation of the Franchised Business, then the rights granted hereunder may be transferred to the heirs or personal representatives of the Franchisee, or the controlling shareholder of a corporate Franchisee, if the Franchisor's prior written consent is obtained. In no event will the Franchisor be willing to provide its consent to such transfer unless the conditions set out in Section 12.02 (save and except in paragraph (e) thereof) hereof are satisfied. In the event that the conditions set out in paragraphs (a) and (f) of Section 12.02 hereof are not satisfied, the Franchisor may, at its option, purchase the Franchised Business pursuant to the provisions of Section 13.05 hereof as if this Agreement had expired or been terminated. In the event that any other condition set forth in Section 12.02 hereof is not satisfied (save and except in paragraph (e) thereof), the Franchisor shall have the right in its sole discretion to terminate this Agreement by Notice, in the case of death, to the estate of the Franchisee and, in the case of Incapacity of the Franchisee, to the Franchisee.

Without in any way limiting its rights under this Section 12.05, in order to prevent any interruption of the Franchised Business and to protect the goodwill associated with the System, if the Franchisee, or the controlling shareholder of a corporate Franchisee, dies or becomes Incapacitated so that he or a qualified manager appointed or employed by the Franchisee or his heirs or personal representatives and approved by the Franchisor is not able to devote full time and attention to the operation of the Franchised Business, the Franchisor or a manager appointed by it may at its option operate the Franchised Business for so long as the Franchisor deems necessary in the circumstances. All revenues received from the operation of the Franchised Business during such period of operation by the Franchisor shall be

kept in a separate account by the Franchisor and the expenses of the Franchised Business including, without limitation, reasonable compensation and expenses of the Franchisor and its agents and employees in operating the Franchised Business, shall be charged to such account.

12.06 Change in Manager

Should the Franchisee appoint a manager to devote his or her full time to the Franchised Business, or should an existing manager who devotes his or her full time to the Franchised Business on behalf of the Franchisee be changed or replaced, then the new individual who devotes his or her full time to the Franchised Business shall be required to successfully complete the Franchisor's initial training program and shall pay the Franchisor its reasonable costs of administering such program.

12.07 Transferee Located by Franchisor

In the event that the Franchisee requests the Franchisor to locate a purchaser for the Franchisee's interests in the Franchised Business, the Franchisor shall have the right but not the obligation to seek prospective purchasers for such interests. The specific terms of such purchase shall be determined by the Franchisee and such prospective purchaser. However, any such purchase shall be subject to the provisions of Section 12.02 hereof. In the event that the Franchisee transfers its interest in the Franchised Business to a transferee located by the Franchisor pursuant to this Section 12.07, the Franchisee shall pay to the Franchisor coincident with the transfer an administrative charge equal to one-third of the gross selling price for such transfer. The transfer shall not become effective unless such amount is paid in full to the Franchisor.

ARTICLE THIRTEEN
TERMINATION AND EXPIRATION

13.01 Termination

The Franchisee shall be deemed to be in default under this Agreement, and the Franchisor may, at its option, terminate this Agreement and all rights granted herein effective immediately, without notice or prior opportunity to cure the default, omission or breach if the Franchisee:

(a) makes a general assignment for the benefit of creditors or a proposal or arrangement under the Bankruptcy and Insolvency Act (which shall for the purposes hereof be deemed to include any successor legislation), or a petition is filed against the Franchisee under the Bankruptcy and Insolvency Act, or if the Franchisee shall be declared or adjudicated bankrupt, or if there is any threatened bankruptcy, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, or any other officer with similar powers shall be appointed of or for the Franchisee or the Franchised Business, whether appointed privately or by court order or if the Franchisee shall commit an act of bankruptcy or shall propose a compromise or arrangement or institute proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment

or proceedings or admits in writing inability to pay debts generally as they become due;

(b) shall at any time have any of the goods and chattels of the Franchised Business seized or taken in execution or in attachment by or for a creditor of the Franchisee, or a writ of execution shall issue against the goods and chattels of the Franchised Business or if the Franchisee shall without the prior written consent of the Franchisor give any security interest in any of such goods or chattels or sell any of such goods or chattels except in the normal course of business, such that the operation of the Franchised Business or any security interest which the Franchisor may have in respect thereof is by such foregoing event materially impaired;

(c) wilfully or fraudulently misrepresents any fact, condition or report required to be made by this Agreement;

(d) fails to pay when due any monies owed to the Franchisor or to any of its Affiliates, including, without limitation, Service Fee contribution, or fails to submit when due, any report required by the Franchisor whether pursuant to this Agreement or otherwise. Notwithstanding, the Franchisee may cure failures after 5 days' written notice, and only once within any 12 month period;

(e) fails to pay, within a period of 30 days from the due date, any monies owed to suppliers (including Affiliates of the Franchisor);

(f) for a reason other than demonstrable clerical error (the proof of which shall be the Franchisee's obligation), understates the Gross Sales for any period by more than three percent, or by reason of such clerical error, understates the Gross Sales for any period by more than three percent on more than two occasions in any 12 month period;

(g) ceases to carry on the Franchised Business in the ordinary course for any period of five consecutive days without the prior written consent of the Franchisor, provided that this shall not be considered a default if such cessation is temporary and occurs during school holidays or the months of July and August;

(h) is in default of any of his or her obligations, other than by a default otherwise referred to in this Section 13.01 or in Section 13.02 hereof, under this Agreement, in any licence agreement with respect to the Marks or in any other agreement entered into or made with the Franchisor or any of its Affiliates, including agreements relating to other Prep Academy Tutors Outlets, and fails to cure such default and satisfy the Franchisor that such default has been cured within 15 days of receiving Notice from the Franchisor to cure the same; or

(i) has received from the Franchisor during any consecutive 12 month period two or more Notices relating to a default under this Section 13.01

(whether such Notices relate to the same or different defaults and whether or not such defaults have been remedied by the Franchisee).

13.02 Unsuccessful Training

The Franchisee recognizes that in order to protect the reputation and goodwill of the System, the Franchisee and any manager of the Franchised Business must successfully complete the Franchisors initial training program referred to in Section 5.01 hereof to the satisfaction the Franchisor. In the event that the Franchisor determines at any time that the Franchisee or any manager of the Franchised Business has failed to demonstrate the qualities and abilities which the Franchisor deems necessary for the successful operation of the Franchised Business (after giving the Franchisee the right to designate replacement managers) or if the Franchisee or any manager of the Franchisee fails to complete the initial training program of the Franchisor, the Franchisor shall have the right to terminate this Agreement upon 15 days Notice to the Franchisee. In the event of such termination, the Franchisor shall return the Franchise Fee to the Franchisee less the Franchisor's reasonable costs including, without limitation, administrative, supervisory, accounting, training and legal costs but without interest or other deduction.

13.03 Other Relief

In addition to the termination rights of the Franchisor, upon a default of the Franchisee as described in Section 13.01, the Franchisor, at its sole option, may without any liability to Franchisee and without constituting a termination of this Franchise Agreement, remedy or repair any such default of the Franchisee and, in so doing, make any payments due or claimed to be due to any third parties, and in such case, the Franchisee shall pay to Franchisor forthwith upon demand all amounts paid by Franchisor to third parties in respect of such default and all reasonable costs of Franchisor in remedying or attempting to remedy any such default plus 15% percent of the amount of such costs for Franchisor's administration and supervision.

Any termination under Section 13.01 hereof shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which the Franchisor may otherwise be entitled against the Franchisee. All monies paid by the Franchisee to the Franchisor under this Agreement or otherwise shall be retained by the Franchisor as consideration for the rights and benefits previously conferred on the Franchisee hereunder and as unliquidated damages. The foregoing remedy shall not exclude any of the remedies which the Franchisor may have at law or in equity by reason of the default, breach or non-observance by the Franchisee of any provision hereof.

13.04 Franchisee's Obligations on Termination or Expiration

Upon the termination or expiration of this Agreement for any reason whatsoever, the Franchisee shall forthwith cease to be a franchisee of the Franchisor and shall forthwith:

(a) pay to the Franchisor and any of its Affiliates all amounts and charges as have or will thereafter become due hereunder or under any other agreement between the Franchisee and the Franchisor or such Affiliates and are then unpaid;

(b) return to the Franchisor all copies of the Manual;

(c) notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings of the Franchised Business and, at the Franchisor's option, assign any telephone numbers of the Franchised Business to the Franchisor;

(d) cease to operate the Franchised Business under the System or otherwise, and thereafter not, directly or indirectly, represent to the public that such Franchised Business is operated in association with the System, or hold himself out as a present or former franchisee of the Franchisor or its Affiliates;

(e) cease to use, directly or indirectly, in advertising or in any other manner whatever the Marks, any name or mark similar to the Marks, any other identifying characteristics or indicia of operation of the System, and any confidential standards, methods, procedures and specifications associated with the System, or any of them;

(f) discontinue using for any purpose, and, subject to Section 13.05 hereof, turn over to the Franchisor, any and all signs, advertising materials, inventory, invoices, supplies, forms or other products or materials which display the Marks or any distinctive feature or device associated with the System; and

(g) at the request of the Franchisor, take all such action as may be necessary to cancel any trade or business name registration which contains any part of the Marks under any federal or state laws or regulations and furnish the Franchisor with evidence satisfactory to it of compliance with its obligation hereunder within 30 days after termination of this Agreement.

13.05 Franchisor's Option to Purchase

Upon a termination or expiration of this Agreement, the Franchisor shall have the option to purchase from the Franchisee the Franchised Business, including all or any portion of the signs, advertising materials, inventory invoices, supplies, forms and other assets held by the Franchisee in connection with the Franchised Business, such option to be exercised by Notice delivered to the Franchisee within 30 days of the date of the termination or expiration of this Agreement. The purchase price payable to the Franchisee for the Franchised Business and any such assets shall be the fair market value of such assets as determined by the Franchisors auditors or accountants (but not allowing for any amount for goodwill). Any purchase and sale completed by the Franchisor pursuant to this Section 13.05 shall be completed in accordance with applicable bulk sales legislation.

ARTICLE FOURTEEN
RELATIONSHIP AND INDEMNIFICATION

14.01 Independent Parties

The Franchisee is and will at all times remain an independent contractor and is not and shall not represent himself to be the agent, joint venturer, partner or employee of the Franchisor or its Affiliates, or to be related to the Franchisor other than as its independent franchisee. No representations will be made or acts taken by the Franchisee which could establish any apparent relationship of agency, joint venture, partnership or employment, and shall not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by the Franchisee to any other person nor with respect to any other action of' the Franchisee. The Franchisee shall not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in the name or on the credit of the Franchisor. No acts of assistance given by the Franchisor to the Franchisee shall be construed so as to alter this relationship.

14.02 Liability of Franchisee

If two or more individuals execute this Agreement as Franchisee, the liability of each such individual hereunder shall be joint and several and each of them shall be personally bound by all the provisions and terms hereof.

ARTICLE FIFTEEN
INDEMNIFICATION

15.01 Non-Liability

The Franchisor shall not be obligated or liable for any injury or death of any person or damage to any property caused by the action, failure to act, negligence or wilful conduct of the Franchisee or those for whom the Franchisee is in law responsible, nor for any liability of the Franchisee which may not be subject to or covered by insurance arranged pursuant to Section 6.05 hereof.

15.02 Franchisee Indemnity

The Franchisee hereby agrees to indemnify and undertakes to defend the Franchisor and its Affiliates, and their respective shareholders, directors, officers, employees and agents and hold them harmless from all fines, suits, proceedings, losses, claims, demands or actions of any nature or kind whatsoever, directly or indirectly arising out of, or in any manner whatsoever associated or connected with the Franchisee's operation of the Franchised Business (or the Franchisor's operation thereof pursuant to Section 12.05) and against any and all damages, costs, losses, fines, expenses and fees (including, without limitation, reasonable legal expenses) incurred by or on behalf of any of them in the investigation or defence of any and all such fines, guilt, proceedings, losses, claims, demands or actions.

15.03 Indemnity for Tax

The Franchisee hereby indemnifies and holds the Franchisor and its Affiliates and their respective shareholders, directors, officers, employees and agents harmless from and against the payment of any and all taxes (and all fines, penalties and interest charges relating thereto) that the Franchisee may be required by applicable law to pay.

ARTICLE SIXTEEN
GENERAL

16.01 Counterparts

This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original.

16.02 Force Majeure

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control, including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or Acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party whose performance is affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay. Notwithstanding the foregoing the financial weakness of a party shall not be considered a matter beyond the control of such party such as to permit a delay of any such payment.

16.03 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the Franchisor, the Franchisee and their respective heirs, legal representatives, successors and permitted assigns.

16.04 Survival

All obligations of the Franchisor and the Franchisee which expressly or by their nature survive termination, expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination, expiration or Transfer and until they are satisfied or by their nature expire.

16.05 Notice

All written notices, consents and approvals (a “Notice”) permitted or required to be given hereunder shall be deemed to be sufficiently and duly given if set forth in writing and delivered personally or in the case of a Notice to the Franchisee, if left with an adult person working at the Franchised Business, or, in the case of either party if sent in a prepaid registered letter deposited in a post office in Canada or

transmitted by fax or other form of electronic communication tested prior to transmission, if to the Franchisor addressed as follows:

Prep Academy Tutors Inc.
191 Deloraine Avenue
Toronto, Ontario, Canada M5M 2B1
Attention: Adrian Dougherty
E-mail: adrian@prepacademytutors.com

and if to the Franchisee addressed to:

Any Notice so given or made shall be deemed to have been given or made and received on the date of delivery or on the third (3rd) business day following the day of mailing of the same or on the day of transmission by fax or other form of electronic communication, as the case may be. Any party from time to time by Notice in writing given pursuant to the terms hereof may change its address for the purpose of this Agreement In the event of actual or threatened disruption of postal service a Notice shall be delivered personally or sent by fax or other form of electronic communication.

16.06 Right of Off-Set

Notwithstanding any other provision of this Agreement, upon the failure of the Franchisee to pay the Franchisor as and when due any sums of money, the Franchisor may, at its election, deduct any and all such sums remaining unpaid from any monies or credit held by the Franchisor for the account of the Franchisee.

16.07 Not Withhold Payment

The Franchisee agrees that the Franchisee will not on the grounds of the alleged non-performance or non-observance by the Franchisor of any of its obligations hereunder withhold payment of any amounts due to the Franchisor or any of its Affiliates.

16.08 Rights of the Franchisor are Cumulative

The rights of the Franchisor hereunder are, cumulative and no exercise or enforcement by the Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor of any other right or remedy hereunder or which the Franchisor is otherwise entitled by law to enforce.

16.09 Franchisee Investigation

The Franchisee acknowledges that he or she has conducted an independent investigation of the Franchised Business and the Franchisor and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the business ability of the Franchisee. The Franchisor expressly disclaims the making of and the Franchisee acknowledges

that he or she has not received any warranty, representation or guarantee, express, collateral or implied, as to the potential volume, profits or success of the Franchised Business.

16.10 Franchisee Review of Agreement

The Franchisee acknowledges that he or she has received, has had ample time to read, and has read this Agreement. The Franchisee further acknowledges that he or she has had an adequate opportunity to be advised by advisors of his or her own choosing regarding all pertinent aspects of the Franchised Business and the Franchisor and has been advised to obtain independent legal advice.

16.11 Further Assurances

The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

The balance of this page has been left intentionally blank

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of the date first written above to take effect as of that date.

PREP ACADEMY TUTORS USA, INC.

By: _____
Adrian Dougherty,
President

By: _____
Carly Dougherty
Secretary

By: _____
Name:
Title:

SIGNED, SEALED AND DELIVERED
In the presence of:

FRANCHISEE: _____

_____
Witness

_____
Name:
Indemnifier

STATE ADDENDA TO FRANCHISE AGREEMENT

California – Franchise Agreement Amendment
to Prep Academy Tutors USA, Inc. Franchise Agreement

In recognition of the of the Title 10 of the California Code of Regulations, the parties to the attached Prep Academy Tutors USA, Inc. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. Based upon Franchisor's financial condition, the California Department of Financial Protection and Innovation, Securities Regulation Division requires that all fees be deferred until after the franchisor has completed all of its initial preopening obligations to franchisee and the franchisee is open for business.

3. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. Sections 16.09 and 16.10 of the Franchise Agreement are void and unenforceable.

Franchisor:
Prep Academy Tutors USA, Inc

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

ILLINOIS – Franchise Agreement Amendment
to Prep Academy Tutors USA, Inc. Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705/1 to 705/45, and Ill. Admin. Code tit. 15, §200.100 et seq., the parties to the attached Prep Academy Tutors USA, Inc. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Section 7.1 of the Franchise Agreement is modified by the addition of the following language: "The payment of all initial franchise fees owed to Franchisor by Franchisee will be deferred until such time as all initial obligations of Franchisor to Franchisee have been fulfilled and Franchisee has started doing business."

2. Illinois law governs the agreements between the parties to this franchise. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision contained in this Agreement that purports to bind Franchisee to waive compliance with the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

4. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act (815 ILCS 705/1 to 705/45) are met independently without reference to this amendment.

5. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Sections 16.09 and 16.10 of the Franchise Agreement are void and unenforceable.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Illinois amendment to the Prep Academy Tutors USA, Inc. Franchise Agreement, on the same date as such agreement was executed.

Franchisor:	**Franchisee:**
Prep Academy Tutors USA, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)

MARYLAND – Franchise Agreement Amendment
to Prep Academy Tutors USA, Inc. Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Prep Academy Tutors USA, Inc. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement.

2. Article 12.02 Transfer by Franchisee, is modified to add the following sentence: The general release required as a condition of transfer shall not apply to any claim arising under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.

4. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Sections 16.09 and 16.10 of the Franchise Agreement are void and unenforceable.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Maryland amendment to the Prep Academy Tutors USA, Inc. Franchise Agreement on the same date that the Franchise Agreement was executed.

Franchisor:	**Franchisee:**
Prep Academy Tutors USA, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)

VIRGINIA – Franchise Agreement Amendment
to Prep Academy Tutors USA, Inc. Franchise Agreement

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by the franchisee to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.

2. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Sections 16.09 and 16.10 of the Franchise Agreement are void and unenforceable.

Franchisor:
Prep Academy Tutors USA, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

Schedule "A"

MARKS

TRADE-MARK	REGISTRATION NUMBER	REGISTRATION DATE	TRADE-MARK OWNER
	6521682	October 21, 2021	Prep Academy Tutors USA, Inc.

Schedule “B”

TERRITORY

Schedule "C"

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT dated the _____ day of_____, 20___.

B E T W E E N:

(hereinafter called "Indemnifier")

OF THE FIRST PART

- and –

PREP ACADEMY TUTORS USA, INC.

(hereinafter called "Franchisor")

OF THE SECOND PART

WHEREAS:

A. _____ ("Franchisee") and Franchisor have entered into franchise agreement dated the _ day of _____ 20____ ("Franchise Agreement") respecting operation of a Prep Academy Tutors USA, Inc. franchise business; and

B. To induce Franchisor to enter into the Franchise Agreement with Franchisee, Indemnifier has agreed to enter into this agreement with Franchisor;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by Indemnifier, Indemnifier makes the following indemnity and agreement ("Indemnity") with Franchisor:

1. Indemnifier hereby agrees with Franchisor that it will: (i) make the due and punctual payment of all amounts, including all fees, loan repayments, monies, charges and other amounts of any kind whatsoever payable under the Franchise Agreement by Franchisee whether to Franchisor or otherwise and whether or not the Franchise Agreement has been surrendered, disclaimed, repudiated or terminated; (ii) effect prompt and complete performance of all obligations contained in the Franchise Agreement on the part of Franchisee to be kept, observed and performed; and (iii) indemnify and save Franchisor harmless from any losses, costs or damages arising out of any failure by Franchisee to pay all fees, loan

repayments, monies, charges or other amounts due under the Franchise Agreement or resulting from any failure by Franchisee to observe or perform any of the obligations contained in the Franchise Agreement.

2. This Indemnity is absolute and unconditional and the obligations of Indemnifier shall not be released, discharged, mitigated, impaired, or affected by: (i) any extension of time, indulgences or modifications which Franchisor extends to or makes with Franchisee in respect of the performance of any of the obligations of Franchisee under the Franchise Agreement; (ii) any waiver by or failure of Franchisor to enforce any of the terms, covenants and conditions contained in the Franchise Agreement; (iii) any assignment of the Franchise Agreement by Franchisee or by any trustee, receiver or liquidator; (iv) any consent which Franchisor gives to any such assignment; (v) any amendment to the Franchise Agreement or any waiver by Franchisee of any of its rights under the Franchise Agreement; (vi) the expiration of the term or any Disclaimer (as defined in Section 5 below) of the Franchise Agreement; (vii) any renewal or extension of the Franchise Agreement pursuant to any option of Franchisee or otherwise, Indemnifier hereby agreeing that its obligations under this Indemnity shall extend throughout the term of the Franchise Agreement, as renewed or extended; (viii) any loss of or in respect of any security received by Franchisor from Franchisee or any other person, firm or corporation, whether or not occasioned or contributed to by or through the act, omission, default or neglect of Franchisor; or (ix) any act or omission of Franchisor or any other person whereby Indemnifier would or might otherwise be released or have its obligations hereunder discharged, mitigated, impaired or affected in any way whatsoever; nothing but payment and satisfaction in full of all amounts under the Franchise Agreement and the due performance and observance of all terms, covenants and conditions on the part of Franchisee to be paid and performed pursuant to the Franchise Agreement shall release Indemnifier of its obligations hereunder.

3. Indemnifier hereby expressly waives notice of the acceptance of this Indemnity and all notice of non-performance, non-payment or non-observance on the part of Franchisee of the terms, covenants and conditions contained in the Franchise Agreement.

4. In the event of a default by Franchisee under the Franchise Agreement, Indemnifier waives any right to require Franchisor to: (i) proceed against Franchisee or any other indemnifier or pursue any rights or remedies against Franchisee or any other indemnifier with respect to the Franchise Agreement; (ii) proceed against or exhaust any security held by Franchisor from Franchisee or any other person, or (iii) pursue any other remedy whatsoever in Franchisor's power. Franchisor has the right to enforce this Indemnity regardless of the acceptance of additional security from Franchisee and regardless of any release or discharge of Franchisee by Franchisor or by others or by operation of any law.

5. Without limiting the generality of the foregoing, the liability of Indemnifier under this Indemnity shall continue in full force and effect and shall not be or be deemed

to have been waived, released, discharged, impaired or affected by reason of the release or discharge of Franchisee in any receivership, bankruptcy, insolvency, winding-up or other creditors' proceedings, including, without limitation, any proceedings under the *11 U.S. Code Title 11—BANKRUPTCY* or otherwise, or the surrender (whether or not accepted by Franchisor), disclaimer, repudiation or termination of the Franchise Agreement in any such proceedings or otherwise (collectively hereinafter called "Disclaimer") and shall continue with respect to the periods prior thereto and thereafter, for and with respect to the whole term of the Franchise Agreement as if there had been no Disclaimer of the Franchise Agreement. Further, if there is a Disclaimer of the Franchise Agreement, Indemnifier shall pay to Franchisor all amounts due under the Franchise Agreement, including loan repayments under the Franchise Agreement, and all such amounts that would have been payable under the Franchise Agreement for the period to what would have been the date of expiry of the Franchise Agreement but for such Disclaimer.

6. No action or proceeding brought or instituted under this Indemnity and no recovery in pursuance thereof shall be a bar or defence to any further action or proceeding which may be brought under this Indemnity by reason of any further default hereunder or in the performance and observance of the terms, covenants and conditions contained in the Franchise Agreement.

7. No modification of this Indemnity shall be effective unless the same is in writing and is executed by both Indemnifier and Franchisor.

8. Indemnifier shall, without limiting the generality of the foregoing, be bound by this Indemnity in the same manner as though Indemnifier were Franchisee named in the Franchise Agreement. Notwithstanding the foregoing, or any performance in whole or in part by Indemnifier of its obligations hereunder or of Franchisee under the Franchise Agreement, Indemnifier shall not have any entitlement to conduct the franchised business or otherwise enjoy any of the benefits to which Franchisee is entitled under the Franchise Agreement, and Indemnifier shall not be entitled to be subrogated to any rights of Franchisor whatsoever.

9. If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) execute this Indemnity as Indemnifier, the liability of each such individual, corporation, partnership or other business association hereunder is joint and several. In like manner, if Indemnifier named in this Indemnity is a partnership or other business association, the members of which are by virtue of statutory or general law subject to personal liability, the liability of each such member is joint and several.

10. All of the terms, covenants and conditions of this Indemnity extend to and are binding upon Indemnifier, his or its heirs, executors, administrators, successors and assigns, as the case may be, and enure to the benefit of and may be enforced by Franchisor. The obligations of Indemnifier shall not be affected by the death or incapacity of Indemnifier.

11. This Indemnity constitutes the complete agreement between Indemnifier and Franchisor and none of the parties hereto shall be bound by any representations or agreements made by any person which would in any way reduce or impair the obligations of Indemnifier other than any which are expressly set out herein.

12. The obligations of Indemnifier hereunder shall be assignable by Franchisor and an assignment of the Franchise Agreement by the Franchisor shall constitute an assignment of the obligations of Indemnifier unless the said obligations of Indemnifier are specifically excepted from such assignment of the Franchise Agreement.

13. In the event of the termination of the Franchise Agreement for any reason whatever or in the event of Disclaimer of the Franchise Agreement, then, at the option of Franchisor, Indemnifier shall enter into a written franchise agreement relating to the franchised business between Franchisor as franchisor and Indemnifier as franchisee for a term commencing at the date of such Disclaimer and expiring on the date on which the Franchise Agreement would have expired if it had run its full term without default by Franchisee and without such Disclaimer. Such franchise agreement shall contain the same terms and conditions as are contained in the Franchise Agreement which would apply to and be in force for that portion of the term of the Franchise Agreement which by the original terms of the Franchise Agreement would have remained unexpired at the date of such Disclaimer.

14. All debts, obligations and liabilities of Franchisee to Indemnifier, present and future, are hereby assigned to Franchisor and postponed to all of the obligations of Franchisee to Franchisor. All money, property and other benefits received by Indemnifier from Franchisee shall be received in trust for Franchisor and, forthwith upon receipt, Indemnifier shall pay the same to Franchisor on account of any outstanding obligations of Franchisee to Franchisor.

15. Indemnifier shall be bound by any account settled between Franchisor and Franchisee.

16. In the event that the Franchise Agreement is terminated, surrendered, disclaimed or repudiated, the provisions of this Indemnity shall remain in full force and effect in accordance with its terms to the same extent as if this Indemnity had been a separate agreement entered into between Franchisor and Indemnifier for due consideration and under seal.

17. Notwithstanding any amendments of the Franchise Agreement, Indemnifier shall continue to be bound by all of its obligations pursuant hereto to the extent of what would have been its obligations pursuant hereto had such amendments not been made.

18. Indemnifier acknowledges receiving a copy of the Franchise Agreement.

19. This Indemnity shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

20. Indemnifier acknowledges the suggestion of Franchisor that, before executing this Indemnity, Indemnifier should obtain independent legal advice.

21. Indemnifier shall not permit any steps to be taken, the result of which may adversely affect the net worth of Indemnifier. Without limiting the generality of the foregoing, Indemnifier shall not permit: (i) the transfer of the issued shares in the capital stock or transfer, issuance or division of any shares of the corporation or of any affiliate of the corporation sufficient to transfer control to others than the then present shareholders of the corporation or a merger, amalgamation, consolidation or other corporate restructuring or reorganization; (ii) a transfer or encumbrance of any of its assets; (iii) the granting of any financial assistance to any other party, or (iv) any other occurrence which adversely affects the net worth of the Indemnifier (collectively called "Depletion of Assets") without the prior written consent of Franchisor, which consent may not be unreasonably withheld; provided however that it shall be reasonable for Franchisor to withhold consent where there are reasonable grounds for believing that the Depletion of Assets may adversely affect the capabilities of the Indemnifier to fulfill its obligations under the Indemnity Agreement if the Franchisee defaults under the Franchise Agreement.

22. This Agreement shall be govAerned by and interpreted in accordance with the laws of the Province of Ontario. The parties agree that the Courts of Ontario shall have jurisdiction to determine any matters arising hereunder, except to the extent, if any, expressly provided to the contrary herein, and the parties hereby attorn to the jurisdiction of the Courts of Ontario.

_____

_____

Name:

PREP ACADEMY TUTORS USA, INC.

Per: _____

Name:
Title:

I have authority to bind the Corporation.

EXHIBIT B

INDEMNITY

EXHIBIT C

FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

Financial Statements

Prep Academy Tutors USA, Inc.

December 31, 2022 and 2021
(Expressed in United States Dollar)

Prep Academy Tutors USA, Inc.

December 31, 2022 and 2021
(Expressed in United States Dollar)

Table of contents

Independent Auditor's Report……..…….……..…....1 - 2

Balance Sheets..……..…..……...…….……..……...……..3

Statements of Operations.…….……..……..…….…..... 4

Statements of Changes in Shareholder's Equity…..……..…….....…. 5

Statements of Cash Flows…….…….....…. 6

Notes to Financial Statements…….…..…....….7 - 11

SRCO, C.P.A., Professional Corporation
Certified Public Accountants
14 Wynngate Lane
Amherst, NY, 14221
USA

Tel: 416 428 1391 & 716 345 3108
Fax: 905 882 9580
Email: info@srco.ca
www.srco.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Prep Academy Tutors USA, Inc.

Opinion

We have audited the accompanying balance sheets of Prep Academy Tutors USA, Inc. (the "Company") as of December 31, 2022 and 2021, and the related statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

(Continues)

Independent Auditor's Report to the Board of Directors and Shareholder of Prep Academy Tutors USA, Inc. *(continued)*

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

SRCO, C.P.A., Professional Corporation

Amherst, NY
April 20, 2023

SRCO, C.P.A., Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

PREP ACADEMY TUTORS USA, INC.

BALANCE SHEETS

(Expressed in United States Dollar)

As at December 31, 2022 and 2021

	2022 $	2021 $
ASSETS		
CURRENT		
Cash	**19,389**	18,944
Accounts receivable - *no allowance*	**13,035**	5,224
Prepaid expenses	**2,497**	—
Current portion of deferred charges	**1,500**	—
Due from related parties *[Note 3]*	**31,321**	2,765
	67,742	26,933
DEFERRED CHARGES	**13,500**	—
	81,242	26,933
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT		
Accounts payable and accrued liabilities	**15,774**	—
Income taxes payable *[Note 6]*	**2,775**	4,982
Deferred revenue - current portion *[Note 4]*	**6,175**	1,150
	24,724	6,132
DEFERRED REVENUE *[Note 4]*	**50,715**	8,808
	75,439	14,940
Shareholder's equity		
Common stock *[Note 5]*	**100**	100
Additional paid-in capital *[Note 5]*	**100**	100
Retained earnings	**5,603**	11,793
	5,803	11,993
	81,242	26,933

Commitments *[Note 7]*

Subsequent event *[Note 8]*

See accompanying notes

Approved on behalf of the Board:

Director

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF OPERATIONS

(Expressed in United States Dollar)

For the years ended December 31, 2022 and 2021

	2022	2021
	$	$
REVENUE		
Franchise revenue	**51,417**	22,654
Technology fees	**1,860**	1,800
Franchise fees	**1,764**	1,043
	55,041	25,497
EXPENSES		
Management fees *[Note 3]*	**20,000**	—
Consulting fees	**18,000**	—
Legal and professional services	**15,281**	11,500
General and administrative	**9,797**	1,150
Bad debt expense	**360**	770
	63,438	13,420
(LOSS) INCOME BEFORE INCOME TAXES	**(8,397)**	12,077
Income tax (recovery) expense *[Note 6]*	**(2,207)**	3,587
NET (LOSS) INCOME	**(6,190)**	8,490

See accompanying notes

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in United States Dollar)

For the years ended December 31, 2022 and 2021

	Common stock		Additional	Retained	Total shareholder's
	Shares	Amount	paid-in capital	earnings	equity
	#	$	$	$	$
Balance, December 31, 2020	1,000	100	100	3,303	3,503
Net income	—	—	—	8,490	8,490
Balance, December 31, 2021	1,000	100	100	11,793	11,993
Net loss	—	—	—	(6,190)	(6,190)
Balance, December 31, 2022	**1,000**	**100**	**100**	**5,603**	**5,803**

See accompanying notes

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF CASH FLOWS

(Expressed in United States Dollar)

For the years ended December 31, 2022 and 2021

	2022 $	2021 $
OPERATING ACTIVITIES		
Net (loss) income	**(6,190)**	8,490
Changes in non-cash working capital balances:		
Accounts receivable	**(7,811)**	(1,101)
Prepaid expenses	**(2,497)**	—
Deferred charges	**(15,000)**	—
Income taxes payable	**(2,207)**	3,587
Accounts payable and accrued liabilities	**15,774**	—
Deferred revenue	**46,932**	2,707
Cash flow provided by operating activities	**29,001**	13,683
INVESTING ACTIVITY		
Due from related parties	**(28,556)**	(4,050)
Cash flow used in investing activity	**(28,556)**	(4,050)
INCREASE IN CASH	**445**	9,633
CASH - BEGINNING OF YEAR	**18,944**	9,311
CASH - END OF YEAR	**19,389**	18,944

See accompanying notes

PREP ACADEMY TUTORS USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021
(Expressed in United States Dollar)

1. GENERAL INFORMATION

Prep Academy Tutors USA, Inc. (the "Company") was incorporated in the State of Delaware on March 10, 2020. The purpose of business is to offer private tutoring services, specifically directed to children's education.

As at December 31, 2022, the Company entered into three franchise agreements (2021 – two) as the franchisor. The Company is currently dependent upon franchisee and technology fees revenue from its existing franchisees to continue current business operations and liquidity.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Company's functional and presentation currency is the United States Dollar ("US").

The significant accounting policies adopted by the Company are as follows:

(a) Use of estimates

The preparation of financial statement in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of increase and decrease in net assets from operations, the income and expenses during the reporting period. Areas involving significant estimates and assumption include impairment of financial assets and accruals. Actual results could differ from those estimates. The estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

(b) Revenue recognition

The Company recognized revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("Topic 606"). The Company's revenue comprises of franchise revenue, technology fees and franchise fees.

Franchise revenue comprise of service fees and franchisee's contributions to national advertising funds. Service fees are typically billed monthly at usually 8% of monthly gross sales while national marketing funds are typically 2% of gross sales. Continuing fees are recognized as the related franchisee sales occur.

Technology fees are billed on a fixed monthly basis and recognized over the term of the franchise agreement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition (continued)

The Company's primary performance obligation under the franchise license is granting the right to use certain trademarks under the franchise agreement, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use the Company's trademarks over the term of each franchise agreement, typically ten-year term. Upfront franchise fees are typically billed and paid when a new franchise agreement becomes effective. The upfront franchise fee is recorded as deferred revenue at inception and recognized on a straight-line basis over the franchise agreement term as franchise fees.

(c) Taxation

The Company accounts for income taxes in accordance with ASC 740. The Company provides for income taxes payable, as well as for those deferred because of the timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable (loss) income in the periods in which those temporary differences are expected to be recoverable or settled. The effect of a change in tax rates is recognized as income or expense in the period of the change. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

(d) Fair value of financial instruments

For certain of the Company's financial instruments, including cash, accounts receivable, contract assets, due from related parties, and accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to their short maturities.

FASB ASC Topic 820, Fair Value Measurements and Disclosures, requires disclosure of the fair value of financial instruments held by the Company. FASB ASC Topic 825, Financial Instruments, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheet for receivables qualify as financial instruments and is a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair Value of Financial Instruments (continued)

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology us one or more unobservable inputs which are significant to the fair value measurement.

As of December 31, 2022 and 2021, the Company did not identify any assets and liabilities required to be presented on the balance sheet at fair value.

(e) Advertising costs

Advertising costs are expensed as incurred. The Company did not incur advertising costs for the years ended December 31, 2022 and 2021.

(f) Cash

Cash consists of balances held in bank.

(g) Deferred charges

Incremental commission costs are recognized as a contract asset as deferred charges and recorded to general and administrative expense over the term of the related franchise agreement. Deferred charges are regularly reviewed for impairment to determine whether the remaining amount of consideration expected to be earned from the contract exceeds the remaining amortized cost, taking into consideration the customer's credit risk. Included in deferred charges is $15,000 of commission costs capitalized relating to commissions paid to a third party for a franchise location not yet opened as at the balance sheet date.

(h) Recent accounting pronouncements

The Company's management has evaluated all the recently issued accounting pronouncements through the authorization date of this financial statement and does not believe that they will have a material effect on the Company's financial position and performance.

3. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions are considered to be related party transactions if directors or management have the ability to exercise significant influence through its ownership, presence on the board of directors or another arrangement. Transactions with related parties are in the normal course of operations and are recorded at fair value, which is the amount of consideration established and agreed to by the related parties. Other than the transactions and balances disclosed elsewhere in the financial statement, the only related party balance and transactions are as follows:

Due from related parties

Amounts due from related parties, by virtue of common ownership, are unsecured, non-interest bearing and due on demand.

Management fees

Fees charges by a related company, related by virtue of common ownership, in relation to services provided to the Company.

3. DEFERRED REVENUE

The Company recorded deferred revenue for its upfront franchise fees collected. During the years ended December 31, 2022 and 2021, the activity in the deferred revenue account was as follows:

	$
Balance, December 31, 2020	7,251
Initial franchise fees collected	3,750
Franchise fees recognized	(1,043)
Balance, December 31, 2021	9,958
Initial franchise fees collected	48,696
Franchise fees recognized	(1,764)
Balance, December 31, 2022	56,890
Deferred revenue - current portion	(6,175)
Deferred revenue, net of current portion	50,715

4. SHARE CAPITAL

The Company has authorized 5,000 shares of $0.10 par value common stock. As of December 31, 2022 and 2021, there were 1,000 shares of common stock issued and outstanding.

5. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A full valuation allowance is established against all net deferred tax assets as of December 31, 2021 and 2020, based on estimates of recoverability. While the Company has optimistic plans for its business strategy, it determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to its ability to generate sufficient profits from its business model.

The current and deferred income tax (recovery) expenses for the year ended December 31, 2022 was $nil. The provision for income taxes differs from that computed at a combined corporate tax rate of approximately 29.7% as follows:

	2022 $	2021 $
Net (loss) income before income taxes	**(8,397)**	12,077
Combined federal and state tax	**29.7%**	29.7%
Expected income tax (recovery) expense	**(2,494)**	3,587
Non-deductible and other items	**287**	—
	(2,207)	3,587

As of December 31, 2022, there were no deferred tax asset or liability.

6. COMMITMENTS

The Company has a commitment with a career ownership coaching organization to pay $6,000 conference fee per year and $1,000 per month monthly service fee until the contract with the organization is terminated.

7. SUBSEQUENT EVENT

The Company has evaluated subsequent events through April 20, 2023, which is the date the financial statements were issued and has determined no significant events to report.

Financial Statements

Prep Academy Tutors USA, Inc.

December 31, 2021 and 2020
(Expressed in United States Dollar)

SRCO

Prep Academy Tutors USA, Inc.

December 31, 2021 and 2020
(Expressed in United States Dollar)

Table of contents

Independent Auditor's Report……..…….....…. 1

Balance Sheets……...…..……...……..……...…… 2

Statements of Operations.……...…….…..... 3

Statements of Changes in Stockholder's Equity.……..…….....…. 4

Statements of Cash Flows…….…….....…. 5

Notes to Financial Statements…….…….....….6 - 10

SRCO, C.P.A., Professional Corporation
Certified Public Accountants
14 Wynngate Lane
Amherst, NY, 14221
USA

Tel: 416 428 1391 & 716 345 3108
Fax: 905 882 9580
Email: info@srco.ca
www.srco.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Prep Academy Tutors USA, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Prep Academy Tutors USA, Inc. (the "Company") as of December 31, 2021 and 2020 and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2021 and for the period from March 10, 2020 (date of incorporation) to December 31, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020 and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from March 10, 2020 to December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the United States Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

SRCO, C.P.A., Professional Corporation

Amherst, NY
December 7, 2022

SRCO, C.P.A., Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

PREP ACADEMY TUTORS USA, INC.

BALANCE SHEETS

(Expressed in United States Dollar)

As at December 31, 2021 and 2020

	2021 $	2020 $
ASSETS		
CURRENT		
Cash	**18,944**	9,311
Accounts receivable - *no allowance*	**5,224**	4,123
Due from shareholder *[Note 3]*	**13,751**	—
	37,919	13,434
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT		
Due to related party *[Note 3]*	**10,986**	1,285
Income taxes payable *[Note 6]*	**4,982**	1,395
Deferred revenue - current portion *[Note 4]*	**1,150**	750
	17,118	3,430
DEFERRED REVENUE *[Note 4]*	**8,808**	6,501
	25,926	9,931
Shareholder's equity		
Common stock *[Note 5]*	**100**	100
Additional paid-in capital *[Note 5]*	**100**	100
Retained earnings	**11,793**	3,303
	11,993	3,503
	37,919	13,434

Commitments *[Note 7]*

Subsequent event *[Note 8]*

See accompanying notes

Approved on behalf of the Board:

Director

SRCO

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF OPERATIONS

(Expressed in United States Dollar)

For the year ended December 31, 2021 and for the period from March 10, 2020 to December 31, 2020

	2021 $	2020 $
REVENUE		
Franchise revenue	**22,654**	3,750
Technology fees	**1,800**	750
Franchise fees	**1,043**	249
	25,497	4,749
EXPENSES		
Legal and professional services	**11,500**	—
Bad debt expense	**770**	—
Franchise registration filing fee	**750**	—
Business registration filing fee	**400**	—
Bank charges and fees	—	51
	13,420	51
INCOME BEFORE INCOME TAXES	**12,077**	4,698
Income tax expense *[Note 6]*	**3,587**	1,395
NET INCOME	**8,490**	3,303

See accompanying notes

SRCO

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

(Expressed in United States Dollar)

For the year ended December 31, 2021 and for the period from March 10, 2020 to December 31, 2020

	Common stock		Additional paid-in	Retained	Total shareholder's
	Shares	Amount	capital	earnings	equity
	#	$	$	$	$
Balance, March 10, 2020	—	—	—	—	—
Common stock issued for cash *[Note 5]*	1,000	100	100	—	200
Net income	—	—	—	3,303	3,303
Balance, December 31, 2020	1,000	100	100	3,303	3,503
Net income	—	—	—	8,490	8,490
Balance, December 31, 2021	**1,000**	**100**	**100**	**11,793**	**11,993**

See accompanying notes

SRCO

PREP ACADEMY TUTORS USA, INC.

STATEMENTS OF CASH FLOWS

(Expressed in United States Dollar)

For the year ended December 31, 2021 and for the period from March 10, 2020 to December 31, 2020

	2021	2020
	$	$
OPERATING ACTIVITIES		
Net income	**8,490**	3,303
Changes in non-cash working capital balances:		
Accounts receivable	**(1,101)**	(4,123)
Income taxes payable	**3,587**	1,395
Deferred revenue	**2,707**	7,251
Cash flow provided by operating activities	**13,683**	7,826
INVESTING ACTIVITIES		
Due from shareholder	**(13,751)**	—
Cash flow used in investing activities	**(13,751)**	—
FINANCING ACTIVITIES		
Proceeds from sale of common stock	**—**	200
Due to related party	**9,701**	1,285
Cash flow provided by financing activities	**9,701**	1,485
INCREASE IN CASH	**9,633**	9,311
CASH - BEGINNING OF YEAR/PERIOD	**9,311**	—
CASH - END OF YEAR/PERIOD	**18,944**	9,311

See accompanying notes

SRCO

1. GENERAL INFORMATION

Prep Academy Tutors USA, Inc. (the "Company") was incorporated in the State of Delaware on March 10, 2020. The purpose of business is to offer private tutoring services, specifically directed to children's education.

The outbreak of COVID-19 continues to affect the United States and globally, and related government and private sector responsive actions have and will continue to affect business operations. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation continues to evolve. At the date of approval of these financial statements, it is still not possible to reliably estimate the effect of these developments as well as the impact on the financial results and condition of the Company in future periods. Management is monitoring these developments on the Company's operations and our ability to sell new franchises.

As at December 31, 2021 and 2020, the Company entered into one franchisee agreement. The Company is currently dependent upon franchisee and technology fee revenue from its existing franchisee to continue current business operations and liquidity.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Company's functional currency is the United States Dollar ("US").

The significant accounting policies adopted by the Company are as follows:

(a) Use of estimates

The preparation of financial statement in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of increase and decrease in net assets from operations, the income and expenses during the reporting period. Areas involving significant estimates and assumption include impairment of financial assets and accruals. Actual results could differ from those estimates. The estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

(b) Revenue recognition

The Company recognized revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("Topic 606"). The Company's revenue comprise of franchise revenue technology fees and franchise fees.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition (continued)

Franchise revenue comprise of service fees and franchisee's contributions to national advertising funds. Service fees are typically billed monthly at usually 8% of monthly gross sales while national marketing funds are typically 2% of gross sales. Continuing fees are recognized as the related franchisee sales occur.

Technology fees are billed on a fixed monthly basis and recognized over the term of the franchise agreement.

The Company's primary performance obligation under the franchise license is granting the right to use certain trademarks under the franchise agreement, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use the Company's trademarks over the term of each franchise agreement, typically ten-year term. Upfront franchise fees are typically billed and paid when a new franchise agreement becomes effective. The upfront franchise fee is recorded as deferred revenue at inception and recognized on a straight-line basis over the franchise agreement term as franchise fees.

(c) Taxation

The Company accounts for income taxes in accordance with ASC 740. The Company provides for income taxes payable, as well as for those deferred because of the timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recoverable or settled. The effect of a change in tax rates is recognized as income or expense in the period of the change. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair Value of Financial Instruments

For certain of the Company's financial instruments, including accounts receivable, due from shareholder, due to related party, and deferred revenue, the carrying amounts approximate their fair values due to their short maturities.

FASB ASC Topic 820, Fair Value Measurements and Disclosures, requires disclosure of the fair value of financial instruments held by the Company. FASB ASC Topic 825, Financial Instruments, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheet for receivables qualify as financial instruments and is a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology us one or more unobservable inputs which are significant to the fair value measurement.

As of December 31, 2021 and 2020, the Company did not identify any assets and liabilities required to be presented on the balance sheets at fair value.

(e) Advertising costs

Advertising costs are expensed as incurred. The Company did not incur advertising costs for the periods ended December 31, 2021 and 2020.

(f) Recent accounting pronouncements

The Company's management has evaluated all the recently issued accounting pronouncements through the authorization date of this financial statement and does not believe that they will have a material effect on the Company's financial position and performance.

3. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions are considered to be related party transactions if directors or management have the ability to exercise significant influence through its ownership, presence on the board of directors or another arrangement. Transactions with related parties are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Other than the transactions and balances disclosed elsewhere in the financial statement, the only related party transactions are as follows:

Due from shareholder

Amounts due from shareholder are unsecured, non-interest bearing and due on demand.

Due to related party

Amounts due to related party are unsecured, non-interest bearing and payable on demand.

4. DEFERRED REVENUE

The Company recorded deferred revenue for its upfront franchise fees collected. During the year ended December 31, 2021 and for the period ended December 31, 2020, the activity in the deferred revenue account was as follows:

	$
Balance, March 10, 2020	—
Initial franchise fees collected	7,500
Franchise fees recognized	(249)
Balance, December 31, 2020	7,251
Initial franchise fees collected	3,750
Franchise fees recognized	(1,043)
Balance, December 31, 2021	9,958
Deferred revenue - current portion	(1,150)
Deferred revenue, net of current portion	8,808

SRCO

5. SHARE CAPITAL

The Company has authorized 5,000 shares of $0.10 par value common stock. As of December 31, 2021 and 2020, there were 1,000 shares of common stock issued and outstanding.

During the period ended December 31, 2020, the Company issued 1,000 shares of common stock for cash proceeds of $200.

6. INCOME TAXES

The income tax provisions obtained by applying the statutory income tax rate of 29.7% (2020 – 29.7%) to the income for the periods are reconciled as follows:

	2021 $	2020 $
Income before income taxes	**12,077**	4,698
Income tax expense at the combined basic federal and state tax rate	**3,587**	1,395
Increase (decrease) resulting from:		
Other permanent difference	**—**	—
Income tax expense	**3,587**	1,395

7. COMMITMENTS

The Company has a commitment with a career ownership coaching organization to pay $500 per month in conference fees until September 30, 2022 and $1,000 per month monthly service fee until the contract with the organization is terminated.

8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 7, 2022, which is the date the financial statements were issued and has determined no significant events to report.

EXHIBIT D

LIST OF LICENSEES

(U.S.)

List of Licensees as of December 31, 2022

New York (1 outlet) & Connecticut (1 outlet)

SLVO20 LLC
2 Normandy Road,, Bronxville, NY
Westchester Country, New York State
Tel: 914.303.7661

Colorado

Five Star Tutors
3745 Canfield Street Unit 301
Boulder, CO
Tel: 720.902.5585

List of Licensees between January 1, 2023 and Issuance Date

Oklahoma

MSO Management
2212 NW 45th Street
Oklahoma City, OK
Tel: 405.463.4777

LIST OF LICENSEES WHO HAVE LEFT THE SYSTEM DURING THE LAST FISCAL YEAR (U.S.)

List of Former Licensees

None

EXHIBIT E

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

CALIFORNIA Commissioner of The Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: 1 (866) 275-2677	**NEW YORK** NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222
CONNECTICUT The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	**NORTH DAKOTA** North Dakota Securities Department 600 East Boulevard Avenue, State Capitol Fourteenth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**RHODE ISLAND** Director, Department of Business Regulation, Securities Division John O. Pastore Complex–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
INDIANA Indiana Securities Commissioner Securities Division 302 West Washington Street, Room E111 Indianapolis, Indiana 46204 (317) 232-6681	**TEXAS** Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
KENTUCKY Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	**UTAH** Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601

MARYLAND Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Division of Securities and Retail Franchising State Corporation Commission 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	**WISCONSIN** Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555
NEBRASKA Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	

LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Commissioner of The Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: 1 (866) 275-2677	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
CONNECTICUT The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	**NORTH DAKOTA** North Dakota Securities Department 600 East Boulevard Avenue, State Capitol Fourteenth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**RHODE ISLAND** Director, Department of Business Regulation, Securities Division John O. Pastore Complex–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9585
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
INDIANA Indiana Secretary of State 302 West Washington Street, Room E018 Indianapolis, Indiana 46204 (317) 232-6681	**VIRGINIA** Division of Securities and Retail Franchising State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9051
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760

MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WISCONSIN** Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	

EXHIBIT F

FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

California, Illinois, Maryland, New York, Virginia, Washington and Wisconsin franchisees should not complete this Franchisee Disclosure Questionnaire and Representations. If a franchisee in one of these states does so, we will disregard and not rely on the Franchisee Disclosure Questionnaire and Representations.

1. Have you received and personally reviewed our Franchise Agreement, including all exhibits and attachments thereto?

   Yes _____ No _____

2. Do you understand all of the information contained in our Franchise Agreement (including its exhibits) provided to you?

   Yes _____ No _____

3. If no, what parts of the Franchise Agreement and/or exhibits do you not understand? (Attach additional pages, if necessary.)

   _____
   _____
   _____

4. Have you received and personally reviewed our Franchise Disclosure Document ("FDD")?

   Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

   Yes _____ No _____

6. Do you understand all of the information contained in the FDD?

   Yes _____ No _____

   If no, what parts of the FDD do you not understand? (Attach additional pages if necessary.)

   _____
   _____
   _____

7. Have you discussed the benefits and risks of purchasing the Franchised Business (the "Franchisee's Business") with an attorney, accountant or other professional advisor?

Yes _____ No _____

If no, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Franchisee's Business will depend in large part upon your skills and abilities, competition from other businesses and other economic and business factors?

Yes _____ No _____

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues or profits of a Franchisee's Business?

Yes _____ No _____

10. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchisee's Business?

Yes _____ No _____

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchisee's Business?

Yes _____ No _____

12. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

13. Have you paid any money to us concerning the purchase of your Franchisee's Business prior to today?

Yes _____ No _____

14. If you have answered "Yes" to any one of questions 9-13, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

_____
_____
_____

15. You signed the Franchise Agreement (if any) on _____, and acknowledge that no Agreement is effective until signed and dated by us.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Franchise Compliance Certification, you are representing that you have responded truthfully to the above questions.

FRANCHISEE APPLICANT: (BUSINESS ENTITY):

_____
(name of entity)

By:_____
Print Name: _____
Title: _____
Date: _____

(INDIVIDUALS/PRINCIPALS):

_____
Print Name:_____,
individually Date:_____

_____
Print Name:_____,
individually Date:_____

EXHIBIT G

STATE ADDENDA

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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

2. The following language is added to the end of the first paragraph in Item 5:

   The California Department of Financial Protection and Innovation, Securities Regulation Division requires that all fees be deferred until after the franchisor has completed all of its initial preopening obligations to franchisee and the franchisee is open for business.

3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

4. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

5. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

6. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

7. The Franchise Agreement requires application of the laws of New York. This provision may not be enforceable under California law.

8. 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.

9. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

10. OUR WEBSITE www. prepacademytutors.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

11. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California

Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

12. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

CONNECTICUT ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Connecticut only, this Disclosure Document is amended as follows:

1. The following statement is added to the Franchise Disclosure Document: "If the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled."

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

1. Item 5 of this disclosure document is modified to include the following: We will defer all initial franchise fees owed to us by you until such time as all initial obligations owed to you have been fulfilled by us and you have started doing business. This deferral is required by the Illinois Attorney General's Office based on our financial statements.

2. Illinois law governs the agreements between the parties to this franchise.

3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

4.. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

This will serve as the State Addendum for the State of Maryland for Prep Academy Tutors USA, Inc.'s Franchise Disclosure Document.

1. Item 5 is amended to state: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

2. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

6. The Franchise Compliance Certification is amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

7. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

   D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity

as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. The following is added to the end of Item 19:

REPRESENTATIONS REGARDING EARNINGS CAPABILITY

PREP ACADEMY TUTORS USA, INC. DOES NOT FURNISH OR AUTHORIZE ITS SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE. ACTUAL RESULTS VARY FROM UNIT TO UNIT AND PREP ACADEMY TUTORS USA, INC. CANNOT ESTIMATE THE EARNINGS OF ANY PARTICULAR FRANCHISE.

10. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Prep Academy Tutors USA, Inc. used in the Commonwealth of Virginia shall be amended as follows:

1. Item 5 to the Franchise Disclosure Document is amended to state:

   The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Additional Disclosure: The following statements are added to Item 17.h:

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

3. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from $52,600 to $70,600. This amount exceeds the franchisor's stockholders' equity as of December 31, 2022, which was $5,803.

4. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISE DISCLOSURE DOCUMENT

STATE 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT H

RECEIPTS

RECEIPT

(Keep this copy for yourself)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Prep Academy Tutors USA, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Prep Academy Tutors USA, 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 the state agency listed on Exhibit E.

The franchisor is Prep Academy Tutors USA, Inc. located at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1.

Issuance Date: April 20, 2023

The franchise seller(s) for this offering are Adrian Dougherty located at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1.

Prep Academy Tutors USA, Inc. authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Disclosure Document dated April 20, 2023, and effective in the franchise registration states on the dates noted on the page following the State Cover Page that included the following Exhibits:

A.	Franchise Agreement	E.	List of State Administrators/Agents for Service of Process
B.	Indemnity	F.	Franchise Compliance Certification
C.	Financial Statements	G.	State Addenda
D.	List of Licensees	H.	Receipts

Date (Do not leave blank)	Date (Do not leave blank)
Prospective Franchisee	Prospective Franchisee
Print Name	Print Name

RECEIPT

(Return this copy to us)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Prep Academy Tutors USA, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Prep Academy Tutors USA, 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 the state agency listed on Exhibit E.

The franchisor is Prep Academy Tutors USA, Inc. located at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1.

Issuance Date: April 20, 2023

The franchise seller(s) for this offering are Adrian Dougherty located at 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1.

PAT authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Disclosure Document dated April 20, 2023, and effective in the franchise registration states on the dates noted on the page following the State Cover Page that included the following Exhibits:

A.	Franchise Agreement	E.	List of State Administrators/Agents for Service of Process
B.	Indemnity	F.	Franchise Compliance Certification
C.	Financial Statements	G.	State Addenda
D.	List of Licensees	H.	Receipts

Date (Do not leave blank)	Date (Do not leave blank)
Prospective Franchisee	Prospective Franchisee
Print Name	Print Name

You may return the signed receipt either by signing, dating and mailing it to 191 Deloraine Avenue, Toronto, Ontario, Canada M5M 2B1, or by sending a copy of the signed and dated receipt to Prep Academy Tutors at adrian@prepacademytutors.com.