FRANCHISE DISCLOSURE DOCUMENT
PreEminent Learning Centers, Inc.
a Delaware corporation
24150 Hesperian Blvd.
Hayward, CA 94545
(510) 919-1660
http://www.PELlearning.com

The franchisee will operate a PreEminent after school learning and tutoring center. See Item 1 of this Offering Circular for further details. As of the date of this Offering Circular, the total investment necessary to begin operation of a PreEminent franchise is between $34,250 and $70,000. This includes the $6,000 franchise fee that must be paid to the franchisor. Items 5 through 7 of this Offering Circular should be consulted for further detail.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact PreEminent Learning Centers, Inc. at 24150 Hesperian Blvd., Hayward, CA 94545 and (510) 919-1660, or hanfung@gmail.com

The terms of your contract will govern your franchise relationship. Don't 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 "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 7, 2025

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 franchisees. You can find their names and contact information in Item 20 or Exhibit C.
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 A 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 PEL 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 PEL franchisee?	Item 20 or Exhibit C 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 franchise business or may harm your franchise 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 franchise 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 D.

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 that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. 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 California than in your own state.

2. **Minimum Royalty Payments.** You must pay a minimum royalty of $600 per month regardless of your sales levels. Your inability to make this minimum payment may result in the termination of your franchise agreement and loss of your investment.

3. **Personal Guaranty:** Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place you and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

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.

Table of Contents

<u>ITEM 1</u>

THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR & AFFILIATES

To simplify the language in this Franchise Disclosure Document, "We" or "Our" means PreEminent Learning Centers, Inc., the franchisor. "You" or "Your" means the person who buys the franchise. "PreEminent" or "PEL", means the service marks you use in operating the franchise.

Organizational History

We are a Delaware corporation. We do business under our corporate name and variations of that name. Our principal business address is 24150 Hesperian Blvd., Hayward, CA 94545.

Our agent for service of process and principal business address is listed in **Exhibit D**.

Our Business

We grant franchises (referred to in this Document as a "PreEminent franchise") for the right to independently establish and operate a PEL Learning Center using the PreEminent, and PEL service marks, teaching remedial Math and English to pre-k through 12^{th} grade students. The Center operator is in charge of overall supervision. If parents wish to be present, there is a waiting area. Hours of operation are typically 3 p.m. to 7 p.m,, at least twice a week, usually Monday and Thursday. Before the effective date of this FDD, we have granted franchises in this line of business. We are engaged in no other business. A franchise for the operation of a PreEminent franchise within a defined territory is granted under the terms of our standard form Franchise Agreement found following Item 23 of this Franchise Disclosure Document.

Market & Competitive Factors

The market PreEminent programs and services includes families (with children in ages ranging from pre-school to 12^{th} grade) who are looking to enrich the learning experience of their children.

A PreEminent location competes against other organizations providing after school learning programs and services such as Eye Level, Mathesium, Sylvan, Kumon, Huntington and Russian Math. Some of these are regional or national chains.

The success of your PreEminent franchise will depend on your individual business abilities. You will establish your own business and be subject to the risks associated with any business, including operating proficiency and general business understanding. The general market described above is developed and is year round.

Industry-Specific Regulations

Besides obtaining a business license (and possibly a resale permit) there are no other regulations in California that are specific only to our business. All instructors must be certified by us by successfully completing all required training. Background checks for every franchisee are mandatory and may involve fingerprinting at a cost of $15 to $50. Employee background checks are strongly encouraged. You should investigate whether there are regulations and requirements that apply in the geographic area where you intend to locate your franchise. Consult with governmental agencies or your own attorney to make sure this is done.

Prior Business Experience

As a franchise entity granting franchises, we have directly operated a PreEminent business since 2013. Our Owners, Han Fung (co-founder) and Katherine Low (founder), have conducted after school learning centers for 24 years in Hayward and 30 years in San Lorenzo-Hayward, CA respectively. We have not offered franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

President: Han Fung
Han has served as President of PreEminent Learning Centers, Inc. since its inception in August 19th, 2013, in Hayward, CA.

Chief Executive Officer: Katherine Low
Katherine has served as CEO of PreEminent Learning Centers, Inc. since its inception in August 19th, 2013, in Hayward, CA.

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

You will pay a $6,000 franchise fee in full upon signing the franchise agreeement. The franchise fee is not refundable under any circumstances.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fees†	Fixed registration fees of $25 times the number of newly enrolled students, plus a monthly royalty fee of $20 times the number of full-paying students plus a monthly royalty fee of $10 times the number of partially exempt students or students who are enrolled from the 16th to the end of the month.	Monthly	See Section 3.02 of Franchise Agreement (FA). Subject to annual average CPI-U percentage increases. If in remedial training, royalty fee is $22 (for full-paying students) and $11 (for partially exempt students) if we allow you to operate your franchise pending remedial training so you can successfully complete our exams, continuing until you pass. There is a minimum royalty fee of $600.
Network Marketing Fee†	$150 per month.	Monthly	Used to help defray the cost of our network-wide website. See Section 3.04 of FA. Subject to annual average CPI-U percentage increases.
Materials Fees†	Depends on the amount you order from us. Estimated to be $8 to $12 per student per month	On Ordering	See Section 3.06(i) of FA.
Late Payment Charge, Late Reporting Fee †	Late Payment Charge: Payment due plus the greater of $200 or 10% of the overdue amount. Late Reporting Fee: $200	On receipt of your reporting past the 10th of the following month	Only payable if a payment you owe us is late. See Section 3.05 of FA.

Repeat Training, Remedial Training, New Manager Training Fees†	Then-current training fee which is $150 per hour as of the date of this FDD.	Payable before the training starts.	Only payable if you (or your trainees) do not pass all segments of our training program, or remedial training by us is required in order for you to pass our exams, or you ask us to train a new manager, or a manager is not adequately trained. See FA Sections 3.06, 4.01 and 4.02.
Transfer & Training Fee†	Then-current transfer and training fee, which is $1,000 as of the date of this FDD.	At least 30 days before transfer	Only payable if you sell your franchise. See Section 6.01 of FA.
Consulting Fee †	Then-current hourly amount, which is $150 per hour plus travel expenses as of the date of this FDD.	On receipt of invoice.	Only payable if you request additional support or on site assistance. See Section 4.02 of FA.
Management Fees †	Impossible to estimate.	Weekly from ongoing sales.	Only payable if you die or are disabled to the point someone is needed to run the business temporarily. See Section 6.02 of FA.
Renewal Fee†	$500	Upon signing the Renewal Franchise Agreement.	Payable before you renew your franchise. See Section 2.02 of FA.
Indemnification†	Impossible to estimate. Could range from a nominal amount to a cost greater than your initial investment.	On receipt of invoice.	Only payable if a third party brings a claim against us and you are responsible. See Section 3.12 of FA.
Approved Supplier, etc. Evaluation & Testing Fee†	Cost of our evaluation and testing; currently $150 per hour as of the date of this FDD. An advance retainer will be required.	As incurred	Only payable if you want us to evaluate, approve and add a new supplier to our approved supplier list. See Section 3.06 of FA.

System Improvements †	Impossible to estimate. Could range from a nominal amount to a more substantial cost.	On receipt of invoice.	Only payable if a network-wide improvement is adopted and implemented. Could be payable to us or a third party vendor. See Section 3.08 of FA.
Insurance†	Impossible to estimate.	On receipt of invoice	Only payable if you do not have (or maintain) insurance coverage and we purchase on your behalf. See Section 3.06(j) of FA.

† The table above shows fees that are (or under certain circumstances, may be) payable to us or our designated service providers. Unless otherwise noted, all fees are uniformly imposed by and are payable to us per our pricing schedules described in the table and in our Operations Manual. None of the fees are refundable. Read the Franchise Agreement for full details. "CPI-U" means annual average ALL Urban Consumers Price Index (data is provided by the U.S. Department of Labor Bureau of Labor Statistic).

ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

The notes[1] that follow are an integral part of this Item 7

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	$6,000	$6,000	Lump sum	Upon signing the Franchise Agreement	Us
Leased Real Estate (2) includes first, last and security deposit	$4,500	$12,000	Varies	On signing lease	Landlord
Architect & Design Fees	$0	$6,000	Varies	Before opening	Architect
Costs/expenses associated with attending training in Hayward, CA	$200	$2,000	Varies	As incurred	Hotel, car, food, etc.
Furniture, Fixtures, Equipment, Signs (3)	$4,700	$7,000	Varies	Before opening	3rd party suppliers

Office equipment, supplies, computer system	$800	$3,000	Varies	Before opening	3rd party suppliers
Build Out, Improvements (4)	$3,500	$8,000	Varies	Before opening	Contractors
Initial Inventory (5)	$2,500	$3,000	As arranged	Prior to opening	Us
Permits, Licenses, Insurance, Utility deposits, Professiional fees (6)	$1,800	$2,500	Varies	As incurred	CPA, attorney, insurance – utility companies, government agencies, etc.
Additional Funds and Working Capital for First Three Months (7)	$7,250	$14,000	As arranged	Varied times	3rd party vendors, landlord, employees, media, etc.
Opening Advertising	$3,000	$6,500	Varies	Prior to opening	3rd party vendors
TOTAL	$34,250	$70,000			

Notes to Estimated Initial Investment Table

[1] You must directly pay (or provide independent financing for) all estimated initial investment expenditures listed in this Item 7 table to begin operations of your franchise. We do not offer any financing (see Item 10). None of the investment expenditures are refundable unless you make independent arrangements with sellers or suppliers about whether, and under what conditions, payments may be refundable. Some costs and expenses will vary due to a disparity of prices, availability, and other factors. The cost of each item can and should be independently checked by you within your local area. The figures provided in this table are estimates based on costs in the San Francisco Bay Area. Under Column 3, Method of Payment, we accept direct debit for payment of amounts due us. Check with the other vendors, suppliers, etc. for their acceptable methods of payment. These may include one or more of the following: cash, checks, wire deposits.

[2] Assumes first and last month's rental prepayment, plus a security deposit equal to a month’s rent for premises ranging approximately 900 to 1,500 square feet. Rent will vary according to your geographical location, size of your center, competitive market conditions, type of community where your center is located. You must operate your center in a location/area approved by us. It is your responsibility to ensure the premises, signage, etc. is zoned for the operation of a PEL Learning Center.

[3] You are responsible for paying all costs of furnishing for your center. You will need tables, chairs, worksheet shelves, computer, phones, exterior signs etc. We will approve the kinds of tables, chairs, worksheet shelves and location of the sign prior to installation.

[4] Estimates for center improvement prior to opening for business. They will include carpets, painting, electrical, carpentry, ceiling, etc. Your actual costs will depend on the condition of the site; age, size, prior use; the extent of the build-out required to conform the site of your center to our standards; and landlord participation in any tenant improvement allowance.

[5] You must purchase the initial inventory from us which will consist of proprietary answer books, center materials and worksheets. Additional materials may be purchased according to your anticipated needs.

[6] You must maintain insurance coverage, including liability coverage; in some cases, property and casualty coverage, sexual misconduct liability coverage or other insurance coverage as required by your state. Most states also required workers’ compensation coverage. We require proof of coverage.

[7] This estimates your operating expenses for three months of operations based on actual operations costs incurred by our founders in operating an after school learning center**.** This is only an estimate, and we cannot guarantee you will not have additional expenses, such as personal and business expenses, that exceed our estimates. Revenues and costs can vary due to many factors. Some of these factors include your ability to operate per our recommended business methods, management and marketing skills, business acumen, aggregate demand, competition, prevailing wages, location, rental paid and other variables. Your franchise will need time to attain a reasonable sales volume, and to be ultra conservative we have not factored any sales income into the working capital amount. Because of this, working capital requirements will vary. The estimate shown in the table should be considered a minimum figure. It does not include any estimate for interest or other financing costs. It also does not include your salary or payroll expenses for any employees because a business of this type does not normally hire assistants during the first three months of operations. You should review all initial investment figures carefully with a competent financial business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

To insure uniformity of service, quality and appearance as well as enhance public recognition and acceptance of our marks, you must purchase all furniture, fixtures, equipment, signage, supplies, products, services and materials relating to the construction, establishment and operation of your PreEminent franchise per our specifications and requirements.

Our specifications and requirements are contained in our confidential Operations Manual, which is provided to you and may be updated occasionally. Future supplements, improvements or changes to our business system may require you to add or eliminate previously authorized PreEminent services or products. You must comply with our standards and specifications in the Operations Manual.

You may purchase supplies, products, services and materials meeting our specifications and requirements from any approved supplier. A list of currently approved suppliers is contained in our Operations Manual. This list may be updated in the future. As of the date of this FDD, we are the only approved supplier of our proprietary answer books, center materials and worksheets. Other than the above, no officer has an interest in any approved supplier.

In 2024, we derived no revenue from these purchases.

We estimate these required purchases will represent the following percentage amount in relation to: (a) establishing your PreEminent franchise – less than 4.5% to 7.5% and (b) in operating your PreEminent franchise – 4% to 6%

Our criteria for approving suppliers are specified in our franchise agreement. All suppliers must be approved by us in writing before you use them.

If you want to use a supplier or offer after school learning and tutoring programs (or products) not previously approved by us, you must first submit a written request for approval, which will not be unreasonably withheld. As a condition of approval, we require inspection of the supplier's facilities, or testing of requested after school learning and tutoring programs (or products). It is your responsibility to deliver to us (or our designated testing facility) samples of requested programs, products or services. To begin the evaluation-testing process, you are required to pay us a lump sum amount (based on our then-current hourly rate and estimated time). Other lump sum payments may be required to continue and complete this process. We will refund any credit balance due to you at the end of the process. We will advise you of our approval or disapproval within a reasonable time after receiving your request and conducting the evaluation and testing. A final determination is reached within approximately 15 business days after completing this process. We may revoke our approval of any supplier, program, product or service not meeting our standards and specifications.

Although not required to do so, as the franchise network grows, we may attempt to use volume purchasing arrangements with suppliers to enable you to purchase items at prices lower than you could obtain individually. In the event you decide to participate in any purchasing programs offered by us, we may derive revenue from the sale of these items. We do not provide material benefits or inducements to you based on your use of a designated or approved source and we do not currently have any purchasing or distribution cooperatives.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	2.01, Exhibit 1	6, 7, 11
b. Pre-opening purchase/leases	3.06	6, 7, 8
c. Site development and other pre-opening requirements	3.03, 3.06	6, 7, 11
d. Initial and ongoing training	3.06, 4.01, 4.02	6, 7, 11, 15
e. Opening	3.03, 3.06	11
f. Fees	2.02, 3.01, 3.02, 3.04, 3.06, 3.08, 3.10 - 3.15, 4.02, 5.03, 6.01, 6.02-6.05, 7.11	5, 6, 7, 8, 11, 17
g. Compliance with standards and policies/ operating manuals	1.01, 1.02, 2.01, 3.06, 3.08, 3.09, 3.14, 3.15, 3.16, 5.02, 6.01-6.03	1, 6, 8, 11, 12, 14, 15, 16, 17
h. Trademarks and proprietary information	1.01, 1.02, 2.01, 3.04, 3.06, 3.07-3.09, 5.02, 5.03, 7.01, 7.07	1, 6, 8, 13, 14, 17
i. Restrictions on products/services offered	1.02, 2.01, 3.04, 3.06-3.09	6, 8, 16
j. Warranty and customer service requirements	3.06	not applicable
k. Territorial development and sales quotas	3.06	1, 5, 11, 12, 17
l. Ongoing product/services purchases	3.04, 3.06, 3.08	6, 8, 11
m. Maintenance, appearance and remodeling requirements	1.02, 2.01, 3.06, 3.08	1, 6, 7, 8, 11, 17
n. Insurance	3.13	7
o. Advertising	3.04, 5.02, 5.03	7, 11, 17

p. Indemnification	3.12	6
q. Owner's participation/management staffing	3.06, 6.01, 6.02, 6.04	6, 11, 15, 17
r. Records and reports	2.02, 3.04, 3.06-3.08, 3.13, 3.15, 3.16, 5.02, 6.01, 6.03, 6.04, 7.06	6, 7, 8, 9, 17
s. Inspections and audits	3.06, 3.15, 3.16	6, 8, 17
t. Transfer	6.01 - 6.06, 7.07	6, 17
u. Renewal	2.02	17
v. Post-termination obligations	5.03, 6.05	17
w. Non-competition covenants	3.06, 5.03	17
x. Dispute resolution	7.05, 7.07, 7.08, 7.09, 7.11	17
y. Other – System improvements	3.08	16

Notes to Table

[1] A dash "-" between sections, for example "3.04-3.06" means read all sections, including the beginning and ending section (in this example, reading sections 3.04, 3.05 and 3.06)

ITEM 10

FINANCING

We do not offer, direct or indirect financing arrangements. We do not guarantee notes, leases or any other obligations you may incur. We do not receive any payments for placing or referring Franchisees to lending sources for financing.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

("§" refers to section(s) of the Franchise Agreement)

Pre-opening Assistance and Services

Before you open your business, we will:

1. Designated Territory. Grant and define your designated territory. See Item 12 below for discussion. §2.01, Exhibit 1

2. Site Criteria Advice. Provide information about general site characteristics, proximity factors, visibility factors and square footage. §4.01(d). You are responsible for selecting your own business location within the designated area described in an exhibit to your

Franchise Agreement. We do not select sites. Sites will subject to our approval. The franchise is granted for a single, specific location. §2.01 Unless we agree otherwise, you must select your site and begin operations within 6 months of the date you sign the Franchise Agreement. §3.03 Typically, if you have been diligent in trying to find a location, we will extend the 6-month period. Ifyou do not diligently pursue your site selection and do not submit any accpetable sites to us within 3 months of signing the Franchise Agreement (or any extensions we grant), we may terminate your franchise agreement and you would lose any money paid to us.

3. Nonstructural Layout. Advise on and provide a basic design layout for your PreEminent franchise that you will adapt to your specific site. §4.01(e)

4. Training Program. Train you and one other person for a total of approximately up to four months, depending on your aptitude and background. §4.01(a), 3.06(f) See detailed discussion of our training program below.

5. Confidential Operating Manual and Training Materials. Loan to you one complete copy of our confidential Operations Manual and Training Materials containing, among other things, operating techniques, specifications, instructions and requirements about authorized suppliers, products, standards and operating procedures. Our proprietary training materials consist of answer books, center materials and worksheets. The Operations Manual contains a list of approved suppliers and is 64 pages. See Item 8 above for further details. These always remain our property and we may change any manual or video occasionally to reflect changes in our business system. You must treat all information in them as confidential. You must keep the manual current and follow new or changed provisions. The master copy of our manual maintained at our principal office is controlling in the event of a dispute about the contents of the manual. §3.06(a), § 4.01(b)

6. Initial Forms. Provide you with copies of reporting and other operating forms as detailed in our manuals. § 4.01(c)

Schedule for Opening

We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your franchise to be within 6 months. Factors affecting this time include finding an appropriate site, lease negotiations, time to comply with various building permit requirements, time for build out, delivery and installation of equipment, furniture and inventory as well as time to schedule, attend and successfully complete our training program, Unless we agree otherwise, you must secure a location we approve within 3 months of signing the Franchise Agreement, and you must commence business operations within 6 months of the date you sign the Franchise Agreement. We may agree to reasonable extensions. The factors we consider in approving a location are as follows: should be a visable commercial location in a strip mall, or a stand alone location, with square footage between 900 and 1200 square feet. If you do not secure your location or open within these times, or within agreed upon extension(s), we may terminate your Franchise Agreement, and there are no refunds. §3.03

<u>Assistance, Support and Services During Operations</u>

During the operation of your franchise, We will:

1. <u>Start Up Assistance.</u> Assist you for a period of approximately up to three class days at your franchise, depending on your needs and aptitude, to aid in learning operations of your PreEminent business and to assist in establishing standard operating procedures. §4.02(a)

2. <u>Ongoing Support.</u> Provide continuing support by making available, at our corporate office, personnel for consultation by phone, email or mobile communications during normal business hours, for questions arising in the day-to-day operation of your PreEminent business. §4.02(b)

3. <u>Franchisee Conventions.</u> We will sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest. Although there is no separate charge for these seminars, it is your responsibility to pay all travel, living and other expenses incurred by you in attending these seminars, as well as your share (the cost equally divided among all franchisees in attendance) of renting any conference room, etc. used for the convention. Attendance at seminars is mandatory. §4.02(c)

4. <u>Updating.</u> Distribute periodic supplements and amendments to our confidential Operations Manual and Training Materials as well as other information of general interest to all members of the PreEminent franchise network. §4.02(d)

5. <u>New Manager Training; Further Training.</u> It is your own responsibility to adequately train your new manager or in house personnel. If new manager training or further training is needed, We shall provide training (in accordance with our then-current New Manager Training Fee Schedule) if a new person becomes a manager at your franchise and you ask us to train them, or we determine further adequate training is necessary. §4.02(e), §3.06

6. <u>Advertising.</u> We will supervise the development of advertising, promotional, public relations, internet presence, website updates and other programs, including the Network Marketing Fund (after this Fund is implemented). §4.02(f) See more detailed discussion below under "Advertising Program for Franchise System."

7. <u>Additional Consulting.</u> If you request, we will provide additional support or on-site consulting services in accordance with our then-current consulting fee schedule. §4.02(g)

8. <u>Website; Email</u>. We will list your PreEminent location on our website and provide your own email address, §4.02(h)

9. <u>Protection of Marks.</u> Take all steps reasonably necessary to preserve and protect the ownership and validity of our service marks, and to permit other franchisees to use these marks only in accordance with our standards and specifications. §4.03

Network Marketing Fund

We will supervise the development of advertising, promotional, public relations, internet presence, search engine optimization and any web-based programs which will involve the use of the network marketing fund. As of the date of this Franchise Disclosure Document, the network marketing fund ("Fund") has been implemented and you are required to contribute $150 per month - see Item 6. We do not contribute to the Fund ourselves, and have no obligation to spend any specific amount on advertising in the area or territory where you operate your franchise. We do have direct responsibility for administration of the Fund and use payments to direct, supervise and develop advertising and marketing programs. The franchise agreement and Operations Manual are currently the only governing documents of the Fund and these documents are given to all franchisees. An unaudited accounting of the operation of the Fund, will be prepared annually and made available to any requesting franchisee.

In 2024 the Fund collected $10,500, 100% of which was spent on online marketing. We have the sole right and discretion to change, dissolve or merge one or more Funds. If surplus money is in a Fund at the end of the reporting period, this surplus will be credited towards future Fund marketing efforts. No sums paid into the Fund can be used to defray any of our general operating expenses, except for reasonable administrative costs and overhead we may incur in activities reasonably related to the administration or direction of the Fund. Media coverage (with the exception of the world wide web) is currently local in scope, expanding to regional and national coverage on the web as events permit. The source of advertising will be a combination of in-house advertising prepared by us and outside advertising/marketing agencies. We have no obligation to spend any amount on advertising in your area or territory, and we can use any media we select in administering the network marketing fund. Currently, there is no advertising council composed of franchisees who advise us on advertising policies. In terms of your general advertising, any media may be used and we permit you to use your own local advertising as long as it meets our written standards and requirements, and was previously approved by us. §3.04, §4.02, see also Items 6, 8 and 9 above.

Computer System

Before opening you must purchase (if you do not already own) a Windows or Apple based computer system that is relatively current and have access to a high bandwidth connection and secure access.

Your computer system should have installed the current versions of either Internet Explorer, Firefox or Safari. It should also have the following third-party software that may come bundled with your computer: Microsoft Office suite: (includes MS Word, Excel, Outlook) for word processing, spreadsheets and email communications. QuickBooks professional, or QuickBooks on line for accounting.

The cost for purchasing the computer system (if you do not already have a sufficient computer system is approximately $2,200.

At this time, we do not have direct access to your computer or an ability to access data on sales and other information maintained by your system, but we reserve this right. Also, we have the right to inspect any aspect of your business, including information and data on your computer whenever we want. There is no limit on our right to access this information. All email accounts issued by us are considered our property. All emails sent and received through our email accounts may be monitored at any time by us without notice to you or your employees. See §3.15

We have the right to inspect your books, records, data and financial statements, which would include accessing the software programs used to compile this information. There is no contractual limit on our right to access this information. §3.15

Updating Requirements for Computer System

As do all computer owners, you must pay all costs incurred to repair broken components or non-functioning software and to upgrade your system with new software or hardware. We may require you to upgrade or update your computer system during the term of the franchise, especially if you are running outdated versions of software, operating systems or browsers. There is not limit on how often we can ask you to do this. If we feel there are significant updating or upgrading requirements, these will be specified in our Operations Manual and you will be required to follow these. There is no contractual limit on the frequency or cost of this updating process, but it is usually a nominal expense, probably less than $500 to $1,000 per year. Unless you make independent arrangements directly with hardware and software providers they typically have no ongoing maintenance or repair responsibilities.

Table of Contents of Operations Manuals

The Table of Contents of our Operations Manual as of the date of this Franchise Disclosure Document, with the approximate number of pages devoted to each subject and total number of pages in our manual is set forth in the table below:

Chapters	Number of Pages*
1. Introduction	8
2. Licensing	4
3. Site Requirement	4
4. Business Licenses	2
5. Entity Formation, Vendors	4
6. Center Layout & Design	2
7. Staffing	2
8. Center Operations & Insurance	12
9. Branding, Marketing, Advertising	2

10. Student Enrollment	4
11. Budget & Finance	2
12. Health & Safety	2
13. Reporting	6
14. Franchise Relationship	8
Appendix	2
Total	64

Initial Training Program

Subject	Hours of Classroom Training	Hours Of On-The-Job Training	Location
Business Know-how Company Philosophy Curriculum Licensing Site Requirement	4 hours		Hayward, CA
Product Knowledge	30 hours		Hayward, CA
Center Operations	8 hours	4 hours	Hayward, CA
Business Plan Preparation	2 hours		Hayward, CA
Marketing	4 hours		Hayward, CA
Product Knowledge Study	62 hours		At Home, homework preparation, assignment & practice
Total hours	110 hours	4 hours	

Other Training Program Information

(A) Training programs are for new franchisees and are scheduled throughout the year. Training takes place at our headquarters and operating center in Hayward, California. The allocation of hours of on-the-job training is only an approximation and depends on your background and skills as well as proficiency in various subject areas.

(B) Instructional materials include a course curriculum and excerpts from our confidential Operations Manual. In training, we use the services and draw upon the expertise of Han Fung and Katherine Low who have over 50 years of combined on-the-job experience operating learning center businesses similar to the PreEminent franchise business (see Item 2 of this franchise disclosure document for details).

(C) All travel and living expenses while attending the training program for you and your trainee are your responsibility.

(D) Training is mandatory for all franchisees and you must satisfactorily completed all segments of training to our satisfaction before starting business operations. We will train you and one additional person. Determination of whether you satisfactorily completed training rests solely with us. §3.06 The training program is given so you normally complete it in about 4 months after the signing of the franchise agreement. If you require additional remedial training in math or english to pass our exams, we will allow you to begin business operations subject to completing your remedial training through us and then passing our exams. This can extend the time it takes to pass our exams out an additional period of time, up to 2 or more years in some cases.

(E) Attendance at additional training programs is required if you hired a manager and do not adquately train this person. You are responsible to train your managers. §3.06 You are responsible for all travel, living, etc. expenses you incur attending conventions/seminars. §4.02.

ITEM 12

TERRITORY

You are given an area, usually defined by street boundaries, highways, counties, political subdivisions or other means on a map. This mapped area is called your "Designated Territory" or "Territory" in the franchise agreement. The Territory is specified and attached as Exhibit 1 before you sign the franchise agreement. Once the signing takes place, you are responsible for determining and selecting the exact location of your franchise within this area, which we must approve. Our approval does not guarantee the location will achieve any particular level of sales.

There are no options, rights of first refusal or similar rights to acquire additional franchises within your Territory or contiguous areas. You must apply for and be approved for any additional franchises.

You will receive an exclusive Territory. You are granted the right to operate your franchise from a single specific location in your Territory. Any relocation would require our prior written approval. Except as described below, we will not ourselves operate (including other channels of distribution) or license others to operate, a similar or competitive business under our service mark within your Territory.

Loss of Territorial Rights

If any event happens that gives us the right to terminate your franchise agreement (see Item 17 of this Franchise Disclosure Document), we may (whether or not we exercise our right of termination) ourselves operate, or grant another franchisee the right to operate, a PreEminent franchise in your Territory. The franchise agreement requires you to market your Territory to its fullest potential, avoiding excessive customer complaints, negative reviews, etc. If you breach this provision, and it is not cured after we give notice, or you repeatedly breach it, we can terminate your franchise agreement or grant another franchise in your Territory, etc. as detailed above.

Actions we take in this regard do not affect any other rights and obligations you (or we) have under the franchise agreement, unless we properly exercise a right of termination. For duties and rights on termination of the franchise agreement, see Item 17 of this franchise disclosure document.

No Franchises Of Similar Businesses Under Different Marks

We have not established, nor do we have any presently formulated plans or policies to establish, other franchises or company-owned centers or use another channel of distribution selling similar services or products under a different service mark. The Franchise Agreement does not address this topic, one way or the other. We will not solicit or accept Customers from within your territory.

ITEM 13

TRADEMARKS

During the term of the Franchise Agreement, we grant you a license to use the principal trademark as reproduced on the cover page of this Franchise Disclosure Document (referred to in this Item as "Mark"). Your continuing ability to use the Mark depends on following all applicable standards, specifications and operating procedures as set forth in our Franchise Agreement and our confidential Operations Manual. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have the following registrations of the PEL service marks and trademark with the United States Patent and Trademark Office:

Mark	Registration Date	Registration Number	Register
PEL (for after school tutoring programs, etc.)	April 28, 2015	4728664	Principal I.C. 041
PEL (for handouts, worksheets, books, etc.)	April 28, 2015	4728665	Principal I.C. 016

All Affidavits have been filed. There are no determinations of the U.S. Patent & Trademark Office, the trademark trial and appeal board, administrator of this state or of any court, nor any pending infringement, opposition or cancellation proceeding or any material litigation involving the Mark.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Mark in this state.

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

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Mark in this state.

ITEM 14

PATENTS, COPYRIGHTS & PROPRIETARY INFORMATION

Patents

No patents are material to the franchise.

Copyrights

We do own rights in issued copyrights material to the franchise. We do claim unpublished copyright protection and trade secret protection for our confidential Operations Manual. One of the Company's owners Han Fung owns 42 copyrights to all the Math and English worksheets, and that the Franchisor, owns 2 copyrights to additional training materials.

Proprietary Trade Secrets

The franchise agreement describes, and our Operations Manual and Training Materials contain, proprietary and trade secret know-how developed by us and licensed to you. This proprietary information is referred to below as our "System." Under the terms of the franchise agreement: (i) you do not acquire any interest in our System, other than the right to use it in the operation of your franchise during the term of your agreement; (ii) you agree not to use our System in any business or capacity other than the development and operation of your franchise; (iii) you agree to treat the Operations Manual and Training Materials, including updates, in confidence as trade secrets; (iv) you agree not to make any unauthorized copies of any part of our Manual or

Training Materials, or any other confidential information supplied by us; (v) you agree that we may revise the contents of the Manual and Training Materials, and you will comply with each new or changed provision; and (vi) you agree to take specific steps to maintain the confidentiality of our System during and after the term of your franchise, including having your employees sign a written confidentiality agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Unless we agree otherwise in writing, you must personally participate (on a full time basis) in the direct operation of the franchise business. This is required under the terms of your franchise agreement, and we definitely recommend it as well.

Any manager(s) hired by you must be trained by you. If they are not, they must successfully complete our manager training program - see Item 6 above under "New Manager Training." Alternatively, you can ask us to train your manager. See Item 11 above under “New Manager Training; Further Training” We also require that any manager employed by you enter into a written confidentiality agreement. See Item 14 above. Your franchise agreement may be assigned to an entity (corporation or partnership) that you control. We do not require that your manager(s) have an ownership interest in your franchise.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Item 17: Table

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary (1)
a. Length of the franchise term	2.02(a)	5 years from the date of signing.
b. Renewal or extension of the term	2.02(b)	If you are in good standing you can exercise successive terms of 5 years each.
c. Requirements for franchisee to renew or extend	2.02(b)	In good standing, provide notice, pay $500 fee, have 100 students, etc. At our option, we require you to sign then-current agreement which may contain materially different terms and conditions. See franchise agreement for details.
d. Termination by franchisee	None	None
e. Termination by franchisor without cause	None	Not applicable; we cannot terminate you without cause.
f. Termination by franchisor with cause	5.02	Subject to “g” and “h” only if you default and fail to remedy the default.
g. “Cause” defined – curable defaults	5.02	Subject to “h” below, you have 30 days (only 5 days in the case of late fees) to cure all defaults after notice from us.
h. “Cause” defined – non-curable defaults	5.02	Non-curable defaults: criminal conviction, repeated default, etc. See 5.02 (a) through (h).
i. Franchisee’s obligations on termination/non-renewal	5.03	Obligations include payment of amounts due and return of all Confidential Information, trade secrets and records, giving us certain purchase rights, follow non-disclosure and non-compete obligations, etc. See also “r” below.

Provision	Section in Franchise Agreement	Summary (1)
j. Assignment of contract by franchisor	6.06	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	6.01-6.05	Includes transfer of contract or assets or ownership changes (including death and permanent disability).
l. Franchisor approval of transfer by franchisee	6.01	We have the right to approve all transfers which will not be unreasonably withheld as long as certain conditions are satisfied. See “m” below.
m. Conditions for franchisor approval of transfer	6.01, 6.03	New franchisee qualifies, transfer fee paid, purchase agreement approved, new person signs franchise contract and successfully completes training, you sign a release, etc.
n. Franchisor’s right of first refusal to acquire franchisee’s business	6.03	We have 30 days to match any offer for your business; for transfers of more than 50% interest, we have a right to buy 100% interest.
o. Franchisor’s option to purchase franchisee’s business	5.03	We may, but are not required to, purchase your assets, student contracts, assume your real estate lease, etc. if your franchise is terminated for cause or you do not renew.
p. Death or disability of franchisee	6.02	Your interest must be transferred to an approved party within a reasonable time, not to exceed 120 days. We have the right to manage during interim period if business is not run properly.
q. Non-competition covenants during the term of the franchise	3.06	No involvement in any competing business.
r. Non-competition covenants after the franchise is terminated or expires	5.03	No involvement in any competitive business for two years within 10 miles of your Territory or any other PreEminent franchise (same restrictions apply after a transfer).
s. Modification of the agreement	7.02, 3.06	Any material modification of Franchise Agreement must be in writing and signed by both parties. Changes to our Operations Manual can be made by us and do not change your status or rights under the Franchise Agreement.

t. Integration/merger clause	7.02	Contract contains the entire understanding of the parties. Other promises, etc. are not enforceable unless in writing and signed by both parties. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the franchise disclosure document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	7.05, 7.08	Except for certain claims, all disputes are settled by mediation and/or binding arbitration in our home state and city. Claims must be made by you within 1 year from occurrence or 90 days from discovery of facts. Claims arising under a termination by us must be made by you within 1 month of the termination date. Both we and you waive rights to collect punitive damages.
v. Choice of forum	7.05, 7.07	Mediation and/or arbitration by AAA in our home state and arbitration closest to our principal business address which is currently in Hayward, California.
w. Choice of law	7.07	The law of our home state (currently California) applies, except as provided in a State Specific Addendum. For service mark issues, federal law may apply.

[1] FA means Franchise Agreement.

[2] This column is a summary only. Read entire section(s) of Franchise Agreement for a complete understanding. Letter references in this column (like see "m." below) mean one of the "a" through "w" provisions in the first column.

ITEM 18

PUBLIC FIGURES

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

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ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Han Fung at **(510) 919-1660** and email to Han Fung at hanfung@gmail.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20

OUTLETS & FRANCHISEE INFORMATION

Item 20 Table No. 1
Systemwide Outlet Summary
For years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchises	2022	7	7	0
	2023	7	8	+1
	2024	8	9	+1
Company-owned (Note 1)	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	9	9	0
	2023	9	10	+1
	2024	10	11	+1

[1] Since 1995 (for our founder, Katherine Low) and 2001 (for our co-founder, Han Fung) have operated (and operates through PreEminent Learning Centers, Inc.) a PreEminent business similar to the type of franchise we offer. All references to “Company Owned” in this Item 20 refer to the businesses owned and operated by our Founders and their entities, MMF Holdings, Inc. and PreEminent Learning Centers, Inc., respectively.

Item 20 Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024

State	Year	Number of Transfers
California	2022	1
	2023	0
	2024	0
Total	2022	1
	2023	0
	2024	0

Item 20 Table No. 3
Status of Franchised Outlets
For years 2022 to 2024

State	Year	Outlets at Start of the Year	Outlets Added	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2022	7	1	0	0	0	1	7
	2023	7	1	0	0	0	0	8
	2024	8	2	0	0	0	1	9
Total	2022	7	1	0	0	0	1	7
	2023	7	1	0	0	0	0	8
	2024	8	2	0	0	0	1	9

Item 20 Table No. 4
Status of Company-Owned Outlets
For years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Total	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

Franchisees who left the system in 2024 or who have not communicated with us in the 10 weeks preceding the date of this disclosure = 1

Item 20 Table No. 5
Projected Openings As Of December 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Totals	0	1	0

The name of each of our franchisees and the address and telephone number of each of their outlets as of the date of this Franchise Disclosure Document is set forth in Exhibit C. Upon your request, we will make available to you information concerning the length of time our franchisees have been in the franchise system and contact information.

The name and last known home address and telephone number of every franchisee who has had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement since our formation or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document is listed **on Exhibit C** to this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no signed confidentiality agreements restricting the ability of our franchisees to speak openly about their franchise ownership experience.

There are no trademark specific franchisee organization associated with this franchise system.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit A are audited financial statements for the periods ended December 31, 2022 December 31, 2023, and December 31, 2024. Our fiscal year is December 31.

ITEM 22

CONTRACT

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

ITEM 23

RECEIPTS

THE LAST TWO PAGES OF THE FRANCHISE DISCLOSURE DOCUMENT (FOLLOWING THE EXHIBITS AND ATTACHMENTS) ARE RECEIPT PAGES ACKNOWLEDGING YOUR RECEIPT OF THE FRANCHISE DISCLOSURE DOCUMENT. ONE COPY IS FOR YOUR RECORDS, AND ONE COPY MUST BE SIGNED AND DATED BY YOU AND RETURNED TO US.

EXHIBIT A

AUDITED

FINANCIAL STATEMENTS

OF

PREEMINENT LEARNING CENTERS, INC.

Audited Statements for years Ended December 31, 2024, 2023, and 2022.

PREEMINENT LEARNING CENTERS, INC.

FINANCIAL REPORT

AS OF DECEMBER 31, 2024

PREEMINENT LEARNING CENTERS, INC.

TABLE OF CONTENTS

Independent Auditor's Report

To the Stockholder
PreEminent Learning Centers, Inc.
Hayward, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PreEminent Learning Centers, Inc. which comprise of the balance sheets as of December 31, 2024, and 2023, and the related statements of operations, changes in stockholder's equity and cash flows, for the years ended December 31, 2024, 2023, and 2022, and the related notes to the financial statements.

In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of PreEminent Learning Centers, Inc. as of December 31, 2024, and 2023 and the results of its operations and its cash flows for years ended December 31, 2024, 2023, and 2022 in accordance 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 (GAAS). 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 PreEminent Learning Centers, Inc., 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 PreEminent Learning Centers, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 PreEminent Learning Centers, Inc.'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 PreEminent Learning Centers, Inc.'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.

Reese CPA LLC

Ft. Collins, Colorado
April 7, 2025

PREEMINENT LEARNING CENTERS, INC.
BALANCE SHEETS

	DECEMBER 31, 2024	DECEMBER 31, 2023
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	$ 118,570	$ 186,312
Accounts receivable	20,370	17,292
Prepaid taxes	1,614	1,414
TOTAL CURRENT ASSETS	140,554	205,018
NON-CURRENT ASSETS	-	-
TOTAL ASSETS	$ 140,554	$ 205,018
LIABILITIES AND STOCKHOLDER'S EQUITY:		
CURRENT LIABILITIES		
Accrued liabilities	$ 26,411	$ 11,221
TOTAL CURRENT LIABILITIES	26,411	11,221
NON-CURRENT LIABILITES		
Note Payable, shareholder	-	103,500
TOTAL LIABILITIES	26,411	114,721
STOCKHOLDER'S EQUITY		
Common stock: $.1 par value, 1,500 shares authorized, 1,500 shares issued and outstanding	15	15
Retained earnings	114,128	90,282
TOTAL STOCKHOLDER'S EQUITY	114,143	90,297
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	$ 140,554	$ 205,018

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		
	2024	**2023**	**2022**
REVENUES			
Royalty and other fees	$ 187,223	$ 173,056	$ 156,481
TOTAL REVENUES	187,223	173,056	156,481
OPERATING EXPENSES			
Professional fees	64,150	39,977	38,846
Advertising and promotion	57,458	30,240	31,540
General and administrative	43,554	24,305	24,477
Payroll and related costs	-	70,917	40,551
TOTAL OPERATING EXPENSES	165,162	165,439	135,414
OPERATING INCOME	22,061	7,617	21,067
OTHER INCOME (EXPENSE)			
Other income	2,010	2,000	-
Interest expense, related party	-	(3,500)	(3,500)
TOTAL OTHER INCOME (EXPENSE)	2,010	(1,500)	(3,500)
INCOME BEFORE INCOME TAXES	24,071	6,117	17,567
INCOME TAX EXPENSE	225	1,987	5,367
NET INCOME	23,846	4,130	12,200

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

`	Common Shares Outstanding	Common Stock	Retained Earnings	Total Stockholder's Equity
BALANCE, DECEMBER 31, 2021	**1,500**	**$ 15**	**$ 73,952**	**$ 73,967**
Net income	-	-	12,200	12,200
BALANCE, DECEMBER 31, 2022	**1,500**	**15**	**86,152**	**86,167**
Net income	-	-	4,130	4,130
BALANCE, DECEMBER 31, 2023	**1,500**	**15**	**90,282**	**90,297**
Net income	-	-	23,846	23,846
BALANCE, DECEMBER 31, 2024	**1,500**	**$ 15**	**$ 114,128**	**$ 114,143**

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 23,846	$ 4,130	$ 12,200
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(3,078)	(3,144)	(559)
Prepaid expense	-	-	10,000
Prepaid taxes	(200)	800	4,203
Accrued liabilities	15,190	(9,639)	(5,294)
Net cash provided by in operating activities	35,758	(7,853)	20,550
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of notes receivable, related party	-	-	-
Net cash provided by investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Due to stockholder	(103,500)	3,500	-
Net cash provided by financing activities	(103,500)	3,500	-
NET INCREASE IN CASH	(67,742)	(4,353)	20,550
CASH, beginning of year	186,312	190,665	170,115
CASH, end of year	$ 118,570	$ 186,312	$ 190,665
SUPPLEMENTAL DISCLOSURES			
Cash paid for interest	$ 3,500	$ -	$ 3,500
Cash paid for taxes	$ 225	$ 1,987	$ 5,367

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

PREEMINENT LEARNING CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preeminent Learning Centers, Inc. (the "Company") was incorporated on August 19, 2013, in the State of Delaware. The Company grants franchises to qualified persons to operate a PEL Learning Centers using the PreEminent, and PEL service marks, teaching remedial Math and English to pre-k through 12th grade students.

Affiliate

The Company affiliate MMF Holdings, Inc. dba PEL Learning Centers was incorporated on February 5, 2002, in the State of Delaware and operates a PreEminent business similar to the franchise offered by the Company. MMF Holdings, Inc. has never offered franchises in any line of business.

A summary of significant accounting policies follows:

Use of Estimates

Preparation of the Company's financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2024, and 2023.

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales and royalty fee. The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. There was no allowance for doubtful accounts at December 31, 2024, and 2023.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, “Income Taxes.” Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 “Accounting for Uncertainty in Income Taxes,” (formerly “FIN 48”). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustments to opening retained earnings because of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company’s shareholder. The Company's evaluation was performed for the years ended December 31, 2024, 2023, and 2022.

Revenue Recognition

The Company's revenue mainly consists of franchise fees, royalties, and other fees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. Performance obligations are considered complete upon the opening of the location. Franchise fees for locations not yet open are recorded as deferred revenue. Amounts paid to obtain franchise agreements are recorded as deferred costs and are recognized as expenses when the related revenue is recognized.

Revenues from continuing royalties are based on a per student fee. Royalties are invoiced monthly and are recognized as revenue when due and billed.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Network Marketing Fee

Revenues from the network marketing fee are used to defray the cost of the Company's network website. Network marketing fees are billed monthly and recognized as revenue when due and billed.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2024, 2023 and 2022 was $57,458, $30,240, and $31,540.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Recently Adopted Accounting Guidance

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – RELATED PARTY TRANSACTIONS AND BALANCES

Note Payable, Shareholder

The Company's shareholder holds a note payable issued by the Company. The face amount of the note was $209,985. Interest is due annually at the rate of 3.5% per annum on the outstanding balance. The note is not collateralized. During 2021 the Company made principal payments of $109,985 plus interest of $7,349. The balance of the note and interest was paid in 2024. The balance of the note was $0, and $103,500 as of December 31, 2024, and 2023.

Operating Lease

The Company leases office space from a company controlled by the Company's shareholder. The lease term is annual and expires on August 24, 2024. The rent is due monthly at the rate of $2,000 per month. Under terms of the agreement the Company has the option to renew the year for another annual period on the lease's expiration. Rent expense was $36,000. $24,000, and $24,000 for the years ended December 31, 2024, 2023, and 2022.

NOTE 2 – RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Management Fee

The Company has an operating agreement with the Company's affiliate to provide for the management of the Company's logistical operations. The agreement is renewed annually until revoked by the mutual agreement of the parties. The management fee was $60,000, $39,000, and $20,000 for the years ended December 31, 2024, 2023, and 2022.

NOTE 3 - INCOME TAXES

Income tax expense recorded in the years ended December 31, consists of the following:

	2024	2023	2022
US federal tax	$ -	$ 962	$ 3,169
California state tax	225	1,025	2,198
	$ 225	$ 1,987	$ 5,567

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 6 –SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 7, 2025, the date on which the financial statements were available to be issued.

PREEMINENT LEARNING CENTERS, INC.

FINANCIAL REPORT

AS OF DECEMBER 31, 2023

PEL Learning Centers

Learn . Grow . Succeed

PREEMINENT LEARNING CENTERS, INC.

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Independent Auditor's Report

To the Stockholder
PreEminent Learning Centers, Inc.
Hayward, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PreEminent Learning Centers, Inc. which comprise of the balance sheets as of December 31, 2023, and 2022, and the related statements of operations, changes in stockholder's equity and cash flows, for the years ended December 31, 2023, 2022, and 2021, and the related notes to the financial statements.

In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of PreEminent Learning Centers, Inc. as of December 31, 2023, and 2022 and the results of its operations and its cash flows for years ended December 31, 2023, 2022, and 2021 in accordance 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 (GAAS). 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 PreEminent Learning Centers, Inc., 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 PreEminent Learning Centers, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

REESE CPA LLC

In performing an audit in accordance with GAAS, 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 PreEminent Learning Centers, Inc.'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 PreEminent Learning Centers, Inc.'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.

Reese CPA LLC

Ft. Collins, Colorado
March 4, 2024

PREEMINENT LEARNING CENTERS, INC.
BALANCE SHEETS

	DECEMBER 31, 2023	DECEMBER 31, 2022
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	$ 186,312	$ 190,665
Accounts receivable	17,292	14,148
Prepaid expense	-	-
Prepaid taxes	1,414	2,214
TOTAL CURRENT ASSETS	205,018	207,027
NON-CURRENT ASSETS	-	-
TOTAL ASSETS	$ 205,018	$ 207,027
LIABILITIES AND STOCKHOLDER'S EQUITY:		
CURRENT LIABILITIES		
Accrued liabilities	$ 11,221	$ 20,860
TOTAL CURRENT LIABILITIES	11,221	20,860
NON-CURRENT LIABILITES		
Note Payable, shareholder	103,500	100,000
TOTAL LIABILITIES	114,721	120,860
STOCKHOLDER'S EQUITY		
Common stock: $.1 par value, 1,500 shares authorized, 1,500 shares issued and outstanding	15	15
Retained earnings	90,282	86,152
TOTAL STOCKHOLDER'S EQUITY	90,297	86,167
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	$ 205,018	$ 207,027

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31, 2023	2022	2021
REVENUES			
Royalty and other fees	$ 173,056	$ 156,481	$ 128,130
TOTAL REVENUES	173,056	156,481	128,130
OPERATING EXPENSES			
Payroll and related costs	70,917	40,551	58,940
Professional fees	39,977	38,846	27,050
Advertising and promotion	30,240	31,540	1,400
General and administrative	24,305	24,477	25,291
TOTAL OPERATING EXPENSES	165,439	135,414	112,681
OPERATING INCOME	7,617	21,067	15,449
OTHER INCOME (EXPENSE)			
Interest income, related party	-	-	5,850
Other income	2,000	-	2,000
Interest expense, related party	(3,500)	(3,500)	(7,512)
TOTAL OTHER INCOME (EXPENSE)	(1,500)	(3,500)	338
INCOME BEFORE INCOME TAXES	6,117	17,567	15,787
INCOME TAX EXPENSE	1,987	5,367	3,842
NET INCOME	4,130	12,200	11,945

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Common Shares Outstanding	Common Stock	Retained Earnings	Total Stockholder's Equity
BALANCE, DECEMBER 31, 2020	1,500	$ 15	$ 62,007	$ 62,022
Net income	-	-	11,945	11,945
BALANCE, DECEMBER 31, 2021	1,500	15	73,952	73,967
Net income	-	-	12,200	12,200
BALANCE, DECEMBER 31, 2022	1,500	15	86,152	86,167
Net income	-	-	4,130	4,130
BALANCE, DECEMBER 31, 2023	1,500	$ 15	$ 90,282	$ 90,297

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

PREEMINENT LEARNING CENTERS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVTIIES			
Net income	$ 4,130	$ 12,200	$ 11,945
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(3,144)	(559)	(4,109)
Prepaid expense	-	10,000	(10,000)
Prepaid taxes	800	4,203	(3,869)
Accrued liabilities	(9,639)	(5,294)	11,439
Net cash provided by in operating activities	(7,853)	20,550	5,406
CASH FLOWS FROM INVESTING ACTIVTIIES			
Collection of notes receivable, related party	-	-	175,000
Net cash provided by investing activities	-	-	175,000
CASH FLOWS FROM FINANCING ACTIVTIIES			
Due to stockholder	3,500	-	(109,985)
Repayment of PPP loan	-	-	(12,500)
Net cash provided by financing activities	3,500	-	(122,485)
NET INCREASE IN CASH	(4,353)	20,550	57,921
CASH, beginning of year	190,665	170,115	112,194
CASH, end of year	$ 186,312	$ 190,665	$ 170,115
SUPPLEMENTAL DISCLOSURES			
Cash paid for interest	$ -	$ 3,500	$ 7,512
Cash paid for taxes	$ 800	$ 800	$ 3,842

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

PREEMINENT LEARNING CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preeminent Learning Centers, Inc. (the "Company") was incorporated on August 19, 2013, in the State of Delaware. The Company grants franchises to qualified persons to operate a PEL Learning Centers using the PreEminent, and PEL service marks, teaching remedial Math and English to pre-k through 12th grade students.

Affiliate

The Company affiliate MMF Holdings, Inc. dba PEL Learning Centers was incorporated on February 5, 2002, in the State of Delaware and operates a PreEminent business similar to the franchise offered by the Company. MMF Holdings, Inc. has never offered franchises in any line of business.

The following table summarizes the number of locations owned and operating for the year ended December 31:

	2023	2022	2021
Locations in operation, beginning	9	9	8
Locations opened	1	-	1
Locations terminated or closed	-	-	-
Locations in operation, ending	10	9	9
Franchised locations	8	7	7
Affiliate owned locations	2	2	2

A summary of significant accounting policies follows:

Use of Estimates

Preparation of the Company's financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2023, and 2022.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales and royalty fee. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. There was no allowance for doubtful accounts at December 31, 2023, and 2022.

Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," (formerly "FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustments to opening retained earnings because of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's shareholder. The Company's evaluation was performed for the years ended December 31, 2023, 2022, and 2021.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company's revenue mainly consists of franchise fees, royalties, and other fees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. Performance obligations are considered complete upon the opening of the location. Franchise fees for locations not yet open are recorded as deferred revenue. Amounts paid to obtain franchise agreements are recorded as deferred costs and are recognized as expenses when the related revenue is recognized.

Revenues from continuing royalties are based on a per student fee. Royalties are invoiced monthly and are recognized as revenue when due and billed.

Network Marketing Fee

Revenues from the network marketing fee are used to defray the cost of the Company's network website. Network marketing fees are billed monthly and recognized as revenue when due and billed.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2023, 2022 and 2021was $30,240, $31,540, and $1,400.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Recently Adopted Accounting Guidance

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – RELATED PARTY TRANSACTIONS AND BALANCES

Notes Receivable, Related Party

At December 31, 2020, a note receivable from a company controlled by the Company's shareholder in the amount of $120,000 and held a note receivable from the Company's affiliate in the amount of $55,000. The stated interest rates on the notes receivable were 3.5% and 3% per annum, respectively. The notes were repaid in 2021 upon the maturity dates of the note's receivable in August and December 2021, respectively including interest of $5,850.

Note Payable, Shareholder

The Company's shareholder holds a note payable issued by the Company. The face amount of the note was $209,985. Interest is due annually at the rate of 3.5% per annum on the outstanding balance. The note is not collateralized. During 2021 the Company made principal payments of $109,985 plus interest of $7,349. The note payable is classified as a long-term liability in the attached balance sheet as the Company's shareholder is expected to not demand payment in 2024. The balance of the note was $103,500 and $100,000 as of December 31, 2023, and 2022.

Operating Lease

The Company leases office space from a company controlled by the Company's shareholder. The lease term is annual and expires on August 24, 2024. The rent is due monthly at the rate of $2,000 per month. Under terms of the agreement the Company has the option to renew the year for another annual period on the lease's expiration. Rent expense was $24,000, $24,000, and $24,000 for the years ended December 31, 2023, 2022, and 2021.

Management Fee

The Company has an operating agreement with the Company's affiliate to provide for the management of the Company's logistical operations. The agreement is renewed annually until revoked by the mutual agreement of the parties. The management fee was $0, $20,000, and $20,000 for the years ended December 31, 2023, 2022, and 2021.

NOTE 3 – NOTES PAYABLE – COVID 19 RELIEF

During 2020 the Company borrowed $12,500 from the Small Business Administration ("SBA") under the Paycheck Protection Program for COVID-19 relief. Interest on the note is 1% per annum. During 2021 the Company repaid the borrowing plus interest of $163.

NOTE 4 - INCOME TAXES

Income tax expense recorded in the years ended December 31, consists of the following:

	2023	2022	2021
US federal tax	$ 962	$ 3,169	$ 2,506
California state tax	1,025	2,198	1,336
	$ 1,987	$ 5,567	$ 3,842

PREEMINENT LEARNING CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 6 –SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through March 4, 2024, the date on which the financial statements were available to be issued.

EXHIBIT B

FRANCHISE AGREEMENT

PREEMINENT FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise’) by and between PreEminent Learning Centers, Inc., here-in referred to as "We” “or “Us" or “Our”, and ________________________________ hereinafter referred to as "You" or “Your”, is made on the basis of the following promises and recitals for the purpose of granting You the rights necessary to operate a PreEminent learning center franchise.

ARTICLE 1. RECITALS

1.01 <u>Our Business System.</u>

As the result of the expenditure of time, effort and money in research and development, We have developed and have the right to license a method and system (hereinafter referred to as the "PreEminent System" or "System" or “PreEminent”) for the development and operation of a PreEminent after school learning center. Our System is comprised of distinctive business systems, methods, procedures, formats and specifications (which business is herein referred to as a PreEminent Business" or "Business"). We have the right to authorize the use of Our System and are in the process of developing a network (hereinafter referred to as the "PreEminent Network" or "Network") of franchises to use the PreEminent System on a mutually cooperative and interrelated basis.

1.02 <u>Proprietary Marks; Operating Standards.</u>

We grant franchises to be operated under our System and proprietary service mark “PEL” as depicted on the cover page of this Agreement and “PREEMINENT” (herein collectively referred to as the "Marks"). We will develop and control the Marks so that consumer recognition grows, and You agree to represent Our System's high standards of service, quality and appearance; and to operate the Business as an integral part of Our Network and System as they may be changed, approved and developed over time, and in this operation adhere to the uniform standards, procedures and policies set forth below.

1.03 Investigation of Franchise.

You acknowledge having investigated Us and the competitive after school learning market thereof and recognize that the business contemplated by this Agreement involves business risks that make the success of the venture subject to many variables, including your business abilities, skills and efforts.

ARTICLE 2. GRANT OF FRANCHISE

2.01 Grant of Franchise; Territory

(a) Grant of Franchise. Subject to and upon all of the terms and conditions set forth in this Agreement, We grant to You the nonexclusive right and license, and You undertake the obligation to establish and operate a PreEminent Business under the System and the Marks as We direct from a single location within the area in Exhibit 1 attached hereto and made a part hereof (the "Territory"). The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated herein so the Business will be operated in conformance with the System and our standards and policies as these may be from time to time modified.

(b) Territory; Loss of Rights. Subject to the following exceptions, We will not, while this Agreement is in effect, operate, nor will we grant others a license to open and operate a PreEminent Business under the System at any location within the specific area (herein referred to as the "Designated Territory" or "Territory") as set forth and defined in Exhibit 1 to this Agreement.

(i) Right To Terminate; Breach of Section 3.06(g). If we have the right to terminate this Agreement, as provided in Article 5 below, or if you fail to market your Territory and Business, in our reasonable opinion to its fullest potential in accordance with Section 3.06(g), We may (whether or not we elect to terminate you) operate or grant to another franchisee or franchisees the right to operate a Business under the System and Marks at another location within the Territory, and this action shall not affect any other rights and obligations hereunder unless and until We exercise our right of termination as provided in Article 5;

2.02 Term and Renewal

(a) Term. This Agreement shall commence on the date this Agreement is executed and shall expire on the 5th anniversary of the date on which this Agreement was executed. You will provide Us, for Our approval, a copy of the proposed and final lease for the Business that will coincide with the term of this Agreement and contain certain provisions as specified in the Operations Manual.

(b) Renewal Options. The term of this Agreement may be extended for additional terms of 5 years each, exercisable by written notice from You to Us, within 180 days prior to the expiration of the initial term (or renewal term); provided that at the end of the initial term (or renewal term):

(i) At the time of the exercise and at the start of the extension term You are not in default of the performance of any of your obligations hereunder; and

(ii) All monetary obligations owed by You to Us have been fully satisfied prior to the commencement of the extension term; and

(iii) At Our option, You sign the then-current form of Franchise Agreement which shall reduce any initial franchise fee to the sum of Five Hundred dollars ($500) but may contain other terms and conditions that are materially different; and

(iv) At Our option, except to the extent limited by applicable law, You sign a general release, in a form prescribed by Us and specified in our then-current Operations Manual, of any and all claims against Us, and our officers, directors, agents, affiliates and employees, arising out of or relating to this Agreement.

(v) You have at least 100 enrolled, full paying students in Math and English.

ARTICLE 3. YOUR OBLIGATIONS & DUTIES

3.01 Franchise Fees

You acknowledge the initial grant of this Franchise is the sole consideration for the payment of a franchise fee, due after we complete our obligations set forth in Section 4.01 of the franchise agreement, in the amount of Six Thousand Dollars ($6,000). You further acknowledge this fee is fully earned by Us on execution of this Agreement and is not refundable under any circumstances.

3.02 Royalties.

In further consideration of the grant of franchise and related rights and privileges hereunder, You shall pay Us a monthly royalty equal to the sum of: (a) registration fees of $25 times the number of newly enrolled students for the reporting month; plus (b) royalty fees of $20 times the number of full-paying students for the reporting month; plus (c) royalty fees of $10 times the number of partially exempt students or students who are enrolled from the 16th to the end of the month for the reporting month. If you are in remedial training, you agree to pay royalty fees of $22 times the number of full-paying students for the reporting month; plus (c) royalty fees of $11 times the number of partially exempt students or students who are enrolled from the 16th to the end of the month for the reporting month. Regardless of the number of students, there is a minimum royalty fee of $600 per month. Royalty payments shall be deposited directly or by electronic fund transfer to Our bank account, as We specify, on or before the tenth day of each month for the preceding month's Gross Revenue. If payment is not received by the tenth day of each month, it will be deemed overdue and subject to the late payment charge specified in Section 3.05(a). As used in this Agreement, a "reporting month" is a calendar month.

3.03 Completion of Training; Opening Business.

Unless We agree otherwise, within 4 months of the date this Agreement is signed, You must successfully complete all segments of Our training program before you begin operations of the Business. You must have location secured within 3 months of signing the Franchise agreement and must open the Business within 6 months of signing the Franchise agreement (or any agreed upon extension of time).

3.04 Advertising and Marketing.

Recognizing the value of standardized Network advertising, Our online store, public relations and marketing programs, You agree as follows:

(a) Marketing Fund. You shall also make monthly contributions of $150 subject to increases based on the annual average All Urban Consumer Price Index (CPI-U), payable together with and in the same manner as the royalty payments referred to in Section 3.02, to a collective Fund (hereinafter "Fund"). The Fund shall be used by Us solely for advertising, promotion and marketing in accordance with the provisions of subparagraphs (i) and (ii) below.

(i) Administration of Fund. We have the right to direct all local, regional and national advertising (including online advertising), public relations and marketing programs for the System; to use in these programs the Fund payments in subparagraph (a) above; and We shall have the sole discretion over the creative concepts, placement, materials, media and allocation. You agree and acknowledge that one of the primary intentions of the Fund is to maximize public recognition and acceptance of the Marks and Our online store and that We undertake no obligation in administering the Fund, to make expenditures for Your Territory which are equivalent or proportionate to Your contribution, or to ensure that any particular franchisee benefits directly or pro rata from these programs.

(ii) Fund Expenditures. The Fund may be used to meet any and all costs of maintaining, directing, administering and preparing Network programs, including, without limitation, the cost of preparing, conducting and maintaining world wide web (internet) presence, internet search engine optimization, an online store, direct mail, direct fax and other types of advertising campaigns; public relations activities, including, without limitation, the cost of hiring agencies to engage in public relations work; and employing advertising and public relations agencies and personnel to assist therein which may be entities owned by or affiliated with Us, if use of in-house agencies is deemed best by Us, in which event the value of services rendered by the in-house agency shall be set forth in writing and charged to the Fund. No sums paid by You to the Fund shall be used to defray any of Our general operating expenses, except for reasonable administrative costs and overhead as We incur in activities reasonably related to the administration or direction of the Fund and promotional programs, including, without limitation, conducting marketing research, preparing marketing and advertising materials and collecting and accounting for assessments for the Fund. An unaudited accounting of the operation of the Fund, when implemented, shall be prepared annually and made available to You on request.

(b) Advertising Standards. You agree that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as We may from time to time designate in writing. You shall submit to Us (by email), for prior written approval, samples of all advertising and promotional plans and materials that You desire to use and that have not been prepared or previously approved by Us. If You do not receive written approval, We shall be deemed not to have given the required approval.

3.05 Late Payments; Late Reports; Automatic Debit Authorization

(a) Late Payment Amount. Any payment or report not actually received by Us as required by this Agreement shall be deemed overdue. If any payment or report is overdue, You shall pay Us, in addition to the overdue amount, a late payment or report charge equal to the greater of $200 or ten percent (10%) of the overdue amount. This total is due upon receipt of your reporting past the 10th of the following month and this amount shall be electronically withdraw from your bank account. You agree to sign forms with your bank allowing for whatever direct debit charges, withdrawals specified in this Agreement.

(b) No Waiver. You acknowledge that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 5.02, notwithstanding the provisions of this Section.

3.06 Operation of Business.

You shall directly and continuously operate the Business devoting your best efforts, skills, and diligence to the Business, selling and providing only those PreEminent after school learning and tutoring programs, and supplies authorized or required to be provided as part of the System as set forth in Our confidential Operations Manual (herein "Operations Manual" or "Manual"), including supplements, addenda and amendments thereto, and You shall not sell or provide other learning or tutoring programs and related products except those which We, in our sole and absolute discretion, shall approve as being compatible and not interfering with the System, Marks and Network. The Manual, as modified from time to time, is incorporated in this franchise agreement by reference. Specifically and without limiting the foregoing, You agree:

(a) Follow Manual and Standards. With respect to the Manual, You specifically agree as follows:

(i) You will treat the Manual and other manuals created and approved for use in the operation of the Business, and the information contained therein, however disseminated, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential;

(ii) You agree that the Manual shall remain Our sole property and that We may, from time to time, revise the contents of the Manual;

(iii) You agree to comply with each new or changed provision of the Manual; that no modification of the Manual will alter your status and rights under this Agreement; and that We may update the Manual (or portions thereof) manually or by electronic means via our website or as specified by Us;

(iv) You agree that the copy of the Manual maintained by Us at our principal office shall be controlling in the event of a dispute relative to the content of the Manual;

(v) We will also loan you Our proprietary Training Materials (answer books, center materials and worksheets) that will be treated in the same manner as the Manual specified in (a) (i) – (iv) above;

(vi) Your failure to follow the Operations Manual will be a default of this Agreement.

(b) Approved Suppliers, Etc., Evaluating & Testing. You must purchase all products and services only from approved suppliers listed in our Manual. Approved suppliers are those who demonstrate to our continuing reasonable satisfaction, the ability to meet our standards and specifications for same; who possess adequate quality controls and ability to supply needs promptly and reliably; and who have been approved in writing by Us and not thereafter disapproved. If You desire to purchase any product or service from an unapproved supplier, or to offer any after school learning or tutoring programs (or products) not previously approved by Us, you shall submit a written request for approval to Us, which shall not be unreasonably withheld. We have the right to require that our representatives be permitted to inspect the supplier's facilities, or that samples of unapproved products, tutoring programs or services be delivered, at our option and without charge to us, either directly or to our designee for testing. You are required to pay Us a lump sum amount (based on our then-current hourly rate and estimated time) to begin the evaluation – testing process. Other lump sum payments may be required to continue and complete this process. Payment will be by direct bank debit or withdrawals per Section 3.05 above. We will refund any credit balance due to you at the end of the process. We reserve the right, at our option, to revoke our approval, if any has been granted, if the supplier fails to meet any of our then-current approval criteria.

(c) Non-Disclosure. You shall not at any time, either during or after the term of this Agreement, copy or duplicate, or permit the copying or duplication, nor publish, disclose or in any manner reveal, or permit the publication, disclosure or revelation in any manner, to any person or entity, except your employees on a need-to-know basis, any portion of the System, the Manual, Training Materials, supplements, addenda or amendments thereto, or any other information or material supplied by us and designated as confidential information. You hereby recognize and agree these materials and information are our proprietary trade secrets disclosed to you in strict confidence solely for use in the development and operation of the franchise during the term of this Agreement and on the condition that you will not use these trade secrets in any other business or capacity. You acknowledge and agree that You will not acquire any interest in the trade secrets, other than the right to utilize them in the operation of the Business during the term of this franchise and that you will maintain the confidentiality of these trade secrets during and after the term of this Agreement.

(d) Devote Full Working Time to Business; Maintain 100 Students. Unless agreed otherwise in writing by Us, You will devote full working time to the Business during the term of this Agreement. In the event You are given consent to devote less than full working time to the operation of the Business, Our consent will be conditioned on You employing a competent individual, approved and trained by Us. Notwithstanding the provision of this section, You must be personally presence to instruct the students during all class days. You must keep us informed of any planned absences. At the end of every anniversary date of this Agreement, You will have at least 100 students enrolled. At all times You will fully and accurately report the number of students enrolled in the Business in the manner we specify.

(e) No Competing Business. In no event shall You conduct or operate, directly or indirectly, or be employed by or associated in any way with any business which is competitive with the operation of the Business, or any portion thereof, as these terms are or may be subsequently defined in our Operations Manual.

(f) Attend and Satisfactorily Complete All Training; Conventions; Manager Training. You and Your trainees shall satisfactorily complete all segments of the training program as provided for in Section 4.01(a) to Our satisfaction (in Our sole determination using objective and subjective factors). If repeat or remedial training is required due to not satisfactorily completing a segment(s) of a training program, You agree to comply with our instructions and timeline, including payment of our applicable then current repeat training fee (or payment to Us for remedial Math or English skill training). In all cases, you must complete the training, including passing Our exams, to our satisfaction as a condition to continued operation of the Business. If repeat or remedial training is required and We allow you to operate the Business during this period, You agree to pay Us a 20% increase in Royalties due under Section 3.03 until you finally pass Our exams. You agree to attend all seminars and pay all associated costs as provided for in Section 4.02 hereof. If You request training for a new manager or We determine further adequate training is necessary, We will provide this training per Section 4.02 hereof after receipt of payment by direct bank debit per Section 3.05 above.

(g) Operational Efforts. You shall vigorously pursue and promote sales and activities leading to growth by the Business, marketing the Business and Territory to its fullest potential, maximizing revenues, avoiding excessive customer complaints, negative reviews, and declining revenues; and You shall cooperate with Us and other franchise owners in our Network in promoting and enhancing our System, Network and Marks.

(h) Customer Complaints. You shall promptly respond to any customer complaint and inform Us of any complaint not fully resolved to the customer's satisfaction within seven (7) calendar days. We shall have the right, but not the obligation to assist in or mandate a resolution to any customer complaint.

(i) Materials Fees. You shall pay us by direct bank debit per Section 3.05 above, for all student materials you order. Payment is due on placement of your order.

(j) Insurance Premiums. If You do not have (or maintain) insurance coverage in the type and amounts specified in our Operations Manual, You authorize us to purchase insurance on your behalf and pay for same by direct bank debit per Section 3.05 above.

3.07 Use of Commercial Symbols.

You acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the operation of a Business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Us in our Manual from time to time during the term of this Agreement. Specifically and without limiting the foregoing, You agree:

(a) This Agreement does not confer any goodwill or interests in the Marks on You, and You acknowledge that any and all goodwill developed during the operation of your Business belongs to Us.

(b) You shall use only the Marks authorized by us in our Manuals and shall use the Marks only in the manner authorized and permitted.

(c) You shall use the Marks only in connection with the operation of the Business licensed hereunder and only within the Territory.

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

(e) The Marks serve to identify Us, the System and those licensed under the System. You agree not to directly or indirectly contest the validity or ownership of the Marks. Throughout the term of this Agreement, including any extensions thereof, You shall identify yourself as a franchisee in conjunction with any use of the Marks, displaying the Marks in connection with the operation of the Business as We may specify from time to time.

(f) You agree not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized service or product, or in any other manner not expressly approved in writing by Us.

(g) If it becomes advisable at any time, in our sole discretion, for You to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, You agree to comply promptly within a reasonable time after notice from us, and we need not reimburse You for any of your expenses or costs in complying with our directions.

(h) You shall comply with our instructions in filing and maintaining fictitious or trade name registrations and shall execute any documents deemed necessary by Us to protect and maintain the continued validity of the Marks, including any documents necessary to assign or otherwise register the Marks in other countries.

(i) In the event that You are aware of any use of the Marks or colorable imitation thereof which falsely suggests or represents an association or connection with Us or with other franchisees in the Network, or litigation involving the Marks is instituted or threatened against You, You shall promptly notify Us and cooperate fully. You acknowledge and agree that We will have the right to control any litigation with respect to the Marks, and that We have no obligation to protect You against claims of infringement or unfair competition arising out of use of the Marks or to defend You in any legal action. However, We will take such action as We consider appropriate under the circumstances, provided You have promptly notified Us in writing of all pertinent facts and provided further that You have used the Marks in strict accordance with this Agreement.

3.08 <u>System Improvements.</u>

You acknowledge and agree that We may supplement, improve or otherwise alter the System and the methods, procedures and techniques which You are authorized and required hereunder to utilize in the operation of the Business, including addition to or elimination from the System after school learning and tutoring programs, services or other activities constituting elements thereof. You acknowledge and agree that We shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the services and products offered there under; that this control and discretion is in the best interests of the System; and that You will comply with all Our requirements concerning the System and Network improvements thereto. You shall seek, in operating the Business, to develop and conceive of new ideas, supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise Us. We shall have the right, but not the obligation, to make use of all new ideas, supplements, improvements and alterations so conceived or developed by You, including the right to disseminate the same to all others in our Network for their use, all without payment of royalties, fees or other compensation by Us or others in the Network. Payment due Us will be by direct bank debit per Section 3.05 above.

3.09 <u>Uniform Network.</u>

You understand and acknowledge that this franchise and the Business carried on will benefit from being an integral part of a network of similar franchises in a variety of locations, utilizing the System in a uniform manner, providing uniform after school learning and tutoring programs and services with personnel of uniform skill and training, hence capable of mutual complementation and interrelation. Accordingly, You agree, specifically and without limiting any other of your obligations in this Agreement, that the interests of the System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further the System and Network to the fullest extent possible. Therefore, You agree to adhere to

Our standards, specifications and requirements concerning the Marks, the System and Network as specified by Us from time to time in our Manual including, without limitation, offering any new after school learning and tutoring programs, eliminating any previously specified after school learning and tutoring programs, and operating the Business as an integral part of the Network, cooperating and complementing other PreEminent franchises.

3.10 <u>Responsibility for Costs and Expenses.</u>

You are solely responsible for and shall pay, promptly when due, all costs, expenses, obligations and indebtedness of or in any way rising out of or in connection with the Business and the establishment and operation thereof, including all taxes, assessments and other levies, charges and impositions of any kind of any governmental or regulatory body, federal, state or local.

3.11 <u>Compliance with Law; Good Business Practices.</u>

You shall, in the establishment and operation of the Business, comply, at your sole expense, with all applicable statutes, ordinances, regulations, orders, standards and other enactments or requirements of all governmental or regulatory bodies including obtaining any accreditation licenses, provider numbers, permits or other entitlement required by any law or laws. You must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with your clients, suppliers, and Us.

3.12 <u>Indemnification.</u>

You shall indemnify Us and our officers, directors and employees and hold them harmless from and against any liability or responsibility for any matter for which You are responsible under this Section 3.12 or otherwise under this Agreement, and from and against any loss, liability, claims, demands, damages, charges, costs or expenses of any kind whatsoever, including attorney's fees, arising directly or indirectly out of or in connection with any such liability or responsibility, or otherwise out of or in connection with the establishment and operation by You of the Business, including but not limited to any such matters arising directly or indirectly out of or in connection with any injury to or death of persons or damage to or loss of property. Payment will be by direct bank debit per Section 3.05 above.

3.13 <u>Insurance.</u>

You shall procure and maintain in effect throughout the term of this Agreement small business owner's insurance coverage in the amounts and types of insurance and certificates specified in the Manual or otherwise in writing.

3.14 <u>Encumbrances.</u>

During the term of this Agreement, except with Our prior written consent (which shall not be unreasonably withheld), You shall not mortgage, pledge or otherwise assign as security, this Franchise Agreement, the Business or any part thereof.

3.15 Record keeping; Inspections; Audits; Reports; Surveys.

(a) Record keeping. You shall throughout the term of this Agreement, maintain full, complete and accurate books, records and accounts of the Business, and supporting data, all in accordance with generally accepted accounting principles and utilizing accounting records, software and computer systems approved or specified by Us in the Manual or otherwise in writing.

(b) Inspection. We have the right at any time during normal business hours, and without prior notice to You, to have the books, records, data (including all software programs) and financial statements of your Business inspected and, at our option, copied. We have the right to monitor all emails sent by You through your PreEminent email account to ensure compliance with all terms and conditions of this Agreement.

(c) Reports. You shall submit to Us, in such form, detail and manner as We may require, complete and accurate reports throughout the term of this Agreement as detailed in the Manual.

(d) Surveys and Studies. The continuing development, improvement and success of the Network and System require meaningful, timely and accurate information concerning all functions and aspects of the Business. In order that the System can be fully evaluated and improved and benefit all, You agree to prepare and forward to Us, at times specified and on forms we supply, information that We may require for its use in preparing studies and surveys relating to the Business, the System and the Network.

3.16 Business Records; Right of Entry.

You acknowledge and agree that We own all business records regarding customers of or related to the Business including, without limitation, all databases (whether in print, electronic or other form), names, addresses, telephone numbers, e-mail addresses, information and all other records contained in any database (herein “Business Records”), and all other business records created and maintained by You. You further acknowledge and agree that, at all times during and after any termination, expiration or cancellation of this Agreement, We may independently access these Business Records, and may utilize, transfer, or analyze these Business Records as We determine to be in the best interest of the System and Network, in our sole discretion. You shall permit Us and our agents the right to enter the premises of the Business at all times during regular business hours, without prior notice to You, for the purpose of determining compliance with this Agreement and Manual, as well as conducting on-site market surveys or studies. You shall cooperate with Our agents during these visits, and upon notice from Us or our agents, and without limiting Our other rights under this Agreement, shall take all necessary steps to promptly correct any deficiency detected by Our agents.

ARTICLE 4. OUR OBLIGATIONS

4.01 Pre-Opening Services.

We shall assist You and perform initial services as follows:

(a) Training Program. We shall provide You and up to one additional trainee You designate, with a training program in connection with the management and operation of the Business. The training programs will be conducted at locations We designate of approximately 110 hours (including 62 hours of self-study) over a period of about four months duration depending on your background and aptitude. All segments of the training program shall be attended and successfully completed by You and your trainee. If repeat or remedial training is required, You will comply with our instructions and timeline per Section 3.06(f) above.

(b) Confidential Operations Manual and Training Materials. We shall provide You with either online access to or a copy of our proprietary Operations Manual, as well as our proprietary Training Materials following your successful completion of the training program.

(c) Initial Forms. We will provide You with copies of reporting and other operating forms as detailed in the Manual.

(d) Site Criteria. We will provide you with information about general site characteristics, proximity factors, visibility factors and square footage. You agree that furnishing this criteria does not constitute an express or implied assurance, representation or warranty of any kind.

(e) Nonstructural Layout. We will provide you with a basic design layout for your Business that You will adapt to your specific location. We must approve the drafts and final plans before any improvements or construction begins.

4.02 Support for Business Operations.

We shall supply to You, in support and assistance of your operations, the following:

(a) Start Up Assistance. We will assist You for a period of approximately up to three class days at Your Business, depending on your needs and aptitude, to aid in learning operations and assist in establishing standard operating procedures.

(b) Ongoing Support. We will make available, at our corporate office, personnel for consultation by phone, email or mobile communications during normal business hours, for questions arising in the day-to-day operation of the Business.

(c) Franchisee Conventions. We will sponsor annual seminar(s) for updates on new management and client techniques, industry trends and other topics of interest to all franchisees. There will be no separate training charge for these seminars, but it will be Your responsibility to pay all travel, living and other expenses incurred by You in attending these seminars, as well as your share (the cost equally divided among all franchisees in attendance) of renting any conference room, etc. used for the convention.

(d) Updating. We will provide periodic supplements and amendments to the confidential Operations Manual and Training Materials as well as other information of general interest to all members of the PreEminent franchise network.

(e) New Manager Training; Further Training. We shall provide new manager training program (including virtual training) for new managers or managers we determine that need training pursuant to Section 3.06. Training will be conducted at locations or in the manner We designate. You shall be responsible for paying Us, in advance, a training fee calculated in accordance with Our then-current Manager Training Fee Schedule if you request this training or we require it. Payment will be by direct bank debit per Section 3.05 above. You shall in all cases be responsible for paying all travel, living and other expenses incurred by your trainee in attending this training.

(f) Advertising. We will supervise the development of advertising, promotional, public relations, internet presence, website updates and other programs, including the Marketing Fund , pursuant to the terms of Section 3.04 hereof.

(g) Additional Consulting. At Your request, We will provide additional support or assistance in accordance with Our then-current consulting fee payment schedule that sets forth acceptable consulting assignments, the skill set required and current rate(s). Payment will be by direct bank debit per Section 3.05 above.

(h) Website; Email. We will list your Business on our website and provide your own email address.

4.03 Protection of Marks.

We will take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks. We will use, and permit you and other franchisees to use, the Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Marks.

ARTICLE 5. TERMINATION

5.01 No Termination Rights by You.

You shall have no right, to terminate this Agreement. Your purported termination of this Agreement will be deemed a violation of this Agreement.

5.02 Immediate Termination by Us and Termination with Cure Period

We have the right, at our option, to terminate this Agreement and all rights granted You hereunder, without affording You any opportunity to cure the default, except where there is specifically listed a cure period below, effective upon receipt of notice by You, addressed as provided in Section 7.06, upon the occurrence of any of the following events, which You hereby acknowledge are detrimental to, and reflect unfavorably upon, the operation and reputation of the System, the Marks, the Network, and goodwill thereof:

(a) Abandonment. If operations of the Business cease for a period of five (5) consecutive days, or any shorter period that indicates an intent by You to discontinue operation of the Business, unless and only to the extent that full operation of the Business is suspended or terminated due to fire, flood, earthquake or other similar causes beyond your control, or you have received prior written permission from Us to suspend your business operations for a designated period;

(b) Insolvency; Assignments. If You become insolvent or are adjudicated a bankrupt; or any action is taken by You, or by others against You, under any insolvency, bankruptcy or reorganization act, and not fully dismissed within thirty (30) days after the institution thereof; or You make any purported assignment, transfer or sublicense of this Agreement or of the rights in this Agreement without Our prior written consent;

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

(d) Criminal Conviction. If You are convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in our sole opinion, to materially and unfavorably affect the System, Marks, Network, goodwill or reputation thereof;

(e) Misuse of Marks; Unauthorized Disclosure; Violation of Non-Compete. If You fail to comply with the covenants contained in Sections 3.06(c), 3.06(e) or 3.07;

(f) Uncured Defaults. If You default in the performance of any provision in this Agreement, or failure to follow the Operations Manual, and the default is not remedied to our satisfaction within thirty (30) days after written notice thereof from Us to You;

(g) Failure to Make Payments. If You fail to pay any amount due Us within five (5) calendar days after receiving notice that such amounts are overdue;

(h) Repeated Default. If You repeatedly fail to comply with one or more provisions of this Agreement, whether or not corrected after notice.

Any delay or failure to exercise Our right to call You in default or to terminate this Agreement for any of the reasons stated above, shall not serve as a waiver in the future of Our right to call you in default of the same provision or to terminate this Agreement for the same default.

5.03 Rights and Duties on Termination or Expiration.

In the event of any termination of this Agreement, or by the expiration of the term hereof, the parties shall have the following rights and duties:

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

(b) Pay Creditors; Return Materials; Cease Use of Website. You shall immediately pay all creditors of the Business, including all sums then owing by You to Us and our affiliates, and shall immediately return without delay all copies of our proprietary Operations Manual, worksheets, answer books, brochures, forms and Training Materials, including all other materials described therein (or in any notice from Us) as Our property, and uninstall all of our proprietary software. You shall also cease all use of any of our domain name, URL or home page address (including email addresses) and shall not establish any Website using any similar or confusing domain name, URL or home page address or email addresses.

(c) Our Option On Termination or Expiration. Unless termination results solely from the proper exercise by You of your election as provided in Section 5.01 hereof, We shall have the following options, exercisable by written notice to You (indicating which option(s) We intend to exercise) at any time within 30 days from the date of termination or expiration hereof to: (i) require that You assign to Us the leasehold interest of the Premises (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms as Your lease) in consideration of Our assumption of the leasing obligations; (ii) to purchase from You your list of students, including an assignment to us of all related student contracts for a fixed sum of $250 payable within 30 calendar days after You receive notice of exercise of this option (less any amounts You owe US); and (iii) to purchase from You your entire interest in the business all equipment, furnishings, fixtures and other physical assets owned by You and used in the operation of the Business for the same price paid by You less depreciation taken (i.e. net book value) as of the date of Our written notice, less any amounts You owe Us. The purchase price for any purchased items shall not include any payment for goodwill (which you acknowledge has always been owned by us) or other intangibles and shall be payable at the closing of the purchase. The closing shall take place at a time designed by Us within thirty (30) calendar days after You receive notice of exercise of Our purchase option or options. For anything We purchase, You will provide such representations and warranties satisfactory to Us concerning Your ownership of purchased items, condition of and title to the items and the absence of any liens and encumbrances. We shall have the unrestricted right to assign any of the options in this Section 5.03 (c). You will assist Us in every way possible to bring about a complete and effective transfer of Your franchise business (or part thereof) to Us or to Our designated person (or entity). In the event we exercise purchase option (ii) & (iii) above, you agree to a non-compete in our favor as a purchaser of the business for a period of two years within 10 miles of your Business.

(d) Transfer Obligations. You shall immediately relinquish and take all steps necessary and hereby irrevocably appoints Us as your attorney-in-fact to transfer to Us all right, title and interest in all or any of your telephone numbers, fax numbers, pager numbers, cellular phone numbers, skype addresses, instant messenger addresses, social media sites, online profiles, other web-based contact information and any listing, and advertising privileges concurrent therewith, relating in any way to the Business.

(e) Our Rights Following Termination or Expiration. Following termination or expiration of this Agreement, We shall be entitled, either to operate the Business with the use of all assets, including goodwill, reverting and transferred to Us on termination or expiration as above provided, or, to sell all such properties and assets, to others upon terms and conditions as We shall determine, and to retain all proceeds of the transaction, in either event, without obligation to You of any kind.

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

(g) Activities Following Termination or Expiration. You acknowledge that the elements comprising the System are unique, proprietary and distinctive and have been developed by Us as the result of great expenditures of time, effort and money; that You will have regular and continuing access to valuable trade secret and confidential information; and that You recognize your obligation to keep this trade secret and confidential information in confidence pursuant to the provisions of this Agreement.

You therefore agree:

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

(ii) Competition. You acknowledge that in addition to the license of the Marks hereunder, We have also licensed a large body of commercially valuable information including, but not limited to, operating techniques, management methods, marketing, advertising and related information, and that the value of this information derives not only from the time, effort and money that went into its compilation but from the usage of it by franchisees in Our Network to develop System goodwill. You further acknowledge that this information is not generally known in the industry and is beyond your present skills and experience (or if You had prior related experience, it was not experience or knowledge remotely comparable to Our experience and knowledge) and that to develop this information would be expensive, time-consuming and difficult. You finally acknowledge that gaining access to Our marketing techniques, operational procedures, business practices and management methods that you will use in your Business is a primary reason for entering into this Agreement and is our Confidential Information. You therefore agree that, in order to foster System loyalty, promote inter-brand competition and protect Our ability to sell new franchise rights, You **will not,** for a period of two (2) years, commencing on the effective date of termination or expiration, or the date on which You cease to operate the Business conducted pursuant to this Agreement, whichever is later,

a) have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any business competitive with that the operations of a Business or any business using any part of the Confidential Information, within 10 miles of the Territory of your Business or the Territory of any other PreEminent franchise (except ownership of securities that are traded on a stock exchange). You understand and agree that the purpose of this covenant is not to deprive You of means of livelihood and will not do so, because You earned a livelihood before entering into this Agreement and have the skills to do so in the future and that You will not be restricted from engaging in any business outside the scope of the Business herein; and that the purpose is to protect the goodwill and interests of the System and Network of PreEminent franchises;

b) solicit any business from customers who were customers of your PreEminent franchise prior to the termination or expiration;

c) take any steps to interfere with those customers that were purchased by Us, or that You have an obligation to turnover to Us upon our exercise of our option to purchase.

(h) Irreparable Injury. You acknowledge that your breach or threatened breach of Sections 3.06(c), 3.06(e), 3.07, 5.03 and 6.02(a) would result in irreparable injury to Us, the Marks and System for which no adequate remedy at law is available. You accordingly agree that if you breach, or threaten to breach any of these provisions, We shall be entitled to permanent and temporary injunctive relief from any arbitration panel or court of competent jurisdiction in addition to other remedies allowed by law.

ARTICLE 6. TRANSFER AND ASSIGNMENT

6.01 Prior Offering and Consent; Conditions For Approval.

You understand and acknowledge that the rights and duties created by this Agreement are personal to You and that We have granted this franchise relying on your individual character, skill, aptitude, attitude, business ability and financial status. Therefore, except as provided at Section 6.04, neither this Agreement nor the Business, nor any part or all of your ownership therein (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests), may be voluntarily, involuntarily, directly or indirectly assigned, sold, issued or otherwise transferred by You or its owner(s) until this Agreement and the Business have first been offered to Us as provided in Section 6.03, and, if We do not accept this offer, provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(a) The proposed transferee meets our uniform standards of qualification then applicable with respect to all applicants for a PreEminent franchise including, but not limited to financial strength, scholastic achievement, business experience, profile fit and other relevant business considerations; and

(b) As of the effective date of the transfer, all your obligations under all written contracts and agreements between You and Us (including our affiliates) are fully satisfied; and

(c) A transfer fee in an amount equal to our then-current transfer fee is paid to Us at least 30 days prior to the effective date of the transfer to cover our costs in evaluating and ensuring training of the proposed transferee, as well as effecting the transfer; and

(d) The transferee shall sign the then current franchise agreement (and other ancillary agreements, if any) as are then used by Us in the grant of franchises which shall: (i) waive the initial franchise fee; (ii) provide for a term equal to the remaining term hereof; and (iii) provide for the current fees required in this Agreement; and

(e) The proposed transferee attends and completes all segments of the training program to Our satisfaction; and

(f) Except to the extent limited by applicable law, You and your owner(s) have signed a general release, in form satisfactory to Us, of any and all claims against Us and our affiliates, directors, officers, employees and agents; and

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

6.02 Death or Disability.

In the event of your death or disability, or if You are a corporation, partnership, or LLC, or the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer his or her interest within a reasonable time, not to exceed one hundred twenty (120) days from the date of death or disability, to a third party We approve. The term “disability” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent You from supervising management and operation of the franchise for thirty or more consecutive days. This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in Section 6.01 and the following:

(a) Interim Management by Us. If after Your death or disability the Business is not being managed and operated by a competent and trained manager, or any other time when We are concerned that continued operation by You may harm the Marks or System, We are authorized, but not obligated, to immediately assume management of the Business until an approved and trained transferee can assume operations. Revenues from operation of the Business during the period of interim management by Us shall be used to meet any and all expenses of the Business including, without limitation, the weekly compensation, travel and living expenses of Our involved employees or designees. Operation of the Business during any period of management by Us pursuant to this subparagraph (a) shall be for and on behalf of You, provided that We shall only have a duty to utilize our best efforts and shall not be liable for any debts, obligations or losses incurred by the Business during any period in which it is managed by Us. Any and all payments needed will be by direct bank debit per Section 3.05 above.

6.03 Right of First Refusal.

In the event You desire to make any sale, assignment or other transfer referred to in Section 6.01, You shall first obtain a bona fide, executed written offer from responsible and fully disclosed purchaser(s) and submit an exact copy of this offer to Us. We shall have the right, exercisable by written notice delivered to You, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by Us of the exact copy of the offer. If We do not exercise our right of first refusal, You may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 6.01. In the event the sale, assignment or other transfer is not completed within sixty (60) days after delivery of the offer to Us or there is a material change in the terms of the sale, assignment or other transfer, We shall again have a right of first refusal herein provided.

(a) Transfer of Major Interest. In the event You desires to make any sale, assignment or other transfer that results in a transfer of more than 50% of the capital stock or of the partnership interest of a corporation, partnership, LLC or other entity organized and wholly owned by You to which this Agreement has been assigned pursuant to Section 6.04, then We shall also have the option to purchase not only the interest being transferred but also the remaining interest so that We shall have a right of first refusal to purchase 100% of the ownership interest. The value of this 100% interest shall be determined on a basis proportionate to the price of the interest initially offered.

6.04 Assignment to Your Entity.

It is understood that You may assign and delegate this Agreement and your rights and obligations hereunder to a corporation, partnership or limited liability company ("LLC") organized by You for that purpose in which You own and control a majority of the equity and voting power of all issued and outstanding stock, general partnership interest or LLC membership interest, and without complying with Sections 6.01 and 6.03, provided that:

(a) The articles of incorporation, articles of partnership, partnership agreement, bylaws, LLC member agreements or other organizational documents of the corporation, partnership or LLC shall recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 6.01 and 6.03 of this Agreement, and in the case of a corporation all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 6.01 and 6.03 in a form satisfactory to our legal counsel; and

(b) You shall furnish Us at any time upon request, in form as We require, a list of all shareholders, directors, officers, partners or LLC members reflecting their respective interests in and positions with the entity; and

(c) All shareholders directors, officers, partners or LLC members sign a personal guaranty, in a form satisfactory to our legal counsel, of all obligations set forth in this Agreement; and

(d) The corporation, partnership or LLC shall at no time engage, directly or indirectly, in any similar business activity other than those directly related to the operation of the Business, pursuant to all terms and conditions of this Agreement; and

(e) We shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the corporation, partnership or LLC shall have all of said rights and obligations, and the term "You" as used herein shall refer to the corporation, partnership or LLC.

6.05 Consent Does Not Constitute Waiver.

Our consent to an assignment or transfer of any interest subject to the restrictions of this Article shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Our right to demand exact compliance with any of the terms or conditions hereof by transferee.

6.06 Transfer or Assignment By Us.

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

ARTICLE 7. ADDITIONAL LIMITATIONS AND PROVISIONS

7.01 Independent Status.

This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between Us and You or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee (except when this Agreement expressly authorizes Us to act as attorney-in-fact for You in specified circumstances). We shall have no right to control any of your employees, including the terms and conditions of their employment. You are and shall be solely an independent contractor and franchisee. Without limiting the foregoing, You shall not incur any obligation or indebtedness on our behalf; shall only contract or otherwise incur any obligation or indebtedness only in your own name, which, if You are a corporation, partnership or LLC, shall at no time include Our name or Marks or any part thereof, or be so similar thereto so as to be in any way misleading; and You shall otherwise comply with the provisions of Section 3.07 set forth above.

7.02 Whole Agreement; Amendments; Construction.

This Agreement, together with the Franchise Disclosure Document (including all Exhibits and State Addenda) attached as Exhibit B, contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto. Subject to Our right to modify the Manual as provided herein, no amendment or addition to this Agreement shall be effective unless in writing, executed by You and Us. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of the sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original. Nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

7.03 No Representations or Warranties.

You specifically recognize and acknowledge that the success of the business venture contemplated by this Agreement depends largely upon your abilities as an independent businessperson, as well as other factors, such as market and economic conditions beyond our control. You acknowledge that you have entered into this Agreement after making a thorough, independent investigation of Our operations and programs, and the competitive market thereof, and not upon any representation, whether as to profits or potential success which you might expect to realize or otherwise.

7.04 Severability; Additional Assurances.

Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid, illegal or unenforceable provision. If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply. To the extent that any provisions of Sections 3.06(e), 5.03(c) or 5.03(g) are deemed unenforceable by virtue of its scope of area, prohibited business activity or length of time, but may be made enforceable by reductions of any or all provisions thereof, You and We agree that Sections 3.06(e), 5.03(c) or 5.03(g) shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Although printed provisions of this Agreement were prepared by Us, this Agreement shall not be construed either for or against either party but shall be construed in accord with the general tenor of the language to reach a fair and equitable result.

7.05 Dispute Resolution and Remedies.

(a) Informal Negotiation. If any dispute arises between the parties, before commencing any mediation or arbitration as set forth below, the parties will first attempt to negotiate a settlement among themselves for at least 30 days starting from written notice to the other party describing the nature of the dispute, the claim for relief and identity of one or more persons with authority to settle the dispute.

(b) Mediation. If the dispute is not resolved by negotiation within the 30-day period, either party may, at its option, begin mediation procedures. Mediation will be conducted by and under the rules of the American Arbitration Association in Our current city and state (which is Hayward, California as of the date this Agreement is signed). The parties shall equally share the cost of mediation, such as the mediator's fee and cost of the facility.

(c) Arbitration. If negotiation and mediation fail, or if no party seeks mediation within 10 days of the 30 day period for informal Negotiation, it is agreed that any controversy or dispute arising out of or in connection with this Agreement and activities hereunder, including any termination or purported termination hereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules, as then in effect, of the American Arbitration Association. The arbitration shall be conducted before an arbitrator who has at least 10 years' experience in franchising and franchise law. Judgment upon the award rendered by the Arbitrator(s) may be entered in any state or federal court having jurisdiction and shall be final, binding and non-appealable. It is the intent of the parties that no claim arbitrated hereunder shall be arbitrated on a class wide basis. In the event that this Agreement is terminated by Us on account of a claimed default by You, and without waiving any of Our rights under Section 7.09 below, any objection or claim You have arising from the termination shall be deemed waived and released unless You deliver to Us written demand for arbitration within 30 days following the effective date of the termination; provided, however, that this waiver and release of claims shall not apply with respect to any claim arising under applicable state law. The failure of either party to object to, or exercise any remedy on account of, any failure or performance hereunder by the other party shall not constitute a waiver of any other failure of performance of the same or different nature.

7.06 Notices.

All notices required or permitted hereunder shall be in writing, shall be deemed given when received, and shall be personally delivered to or sent by registered or certified mail, return receipt requested, or by electronic communication (such as email, provided the sender has confirmation of receipt via www.readnotify.com or similar service), addressed as follows:

To Us: Attn: Han Fung, President
PreEminent Learning Centers, Inc.,

24150 Hesperian Blvd
Hayward, CA 94545
Email: hanfung@gmail.com

To You: ____
____
____
____

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

7.07 <u>Successors and Assigns; Governing Law; Jurisdiction.</u>

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

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

7.08 <u>Limitation of Claims.</u>

Except for claims arising from your nonpayment or underpayment of amounts due Us, and subject to Section 7.05 hereof, any and all claims You have arising out of or relating to this Agreement will be barred as a claim, counterclaim, defense or set off unless a proceeding is commenced within one (1) year from the occurrence of the facts giving rise to such claims or 90 days from either the actual discovery of the facts giving rise to such claims or from the date on which You knew or should have, in the exercise of reasonable diligence, discovered such facts. Claims arising under a termination by us must be made within 30 days of the termination date or they will be barred.

7.09 <u>Waiver of Punitive Damages.</u>

We and You (and your owners and guarantors, if applicable) hereby waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute each shall be limited to the recovery of any actual damages sustained.

7.10 Acknowledgment of Understanding; Opportunity to Consult.

You acknowledge reading and understanding this Agreement, including any attachments hereto, and agreements relating thereto, if any, and that We have given You ample time and opportunity to consult with an attorney, accountant or other advisor of your own choosing about the potential benefits and risks of entering into this Agreement.

7.11 Attorney Fees.

The prevailing party in any action brought to enforce any part of this Agreement, shall be awarded attorneys' fees and costs from the losing party.

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

By______________________________	By_____________________________
Title_____________________________	Print Name ___________________
PreEminent Learning Centers, Inc.	Franchisee
("We")	("You")

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

The Designated Territory referred to in subparagraph (b) of Section 2.01 is:

________ ________
Initials Initials

EXHIBIT C

LIST OF CURRENT FRANCHISEES AND FORMER FRANCHISEES

EXHIBIT C

LIST OF CURRENT FRANCHISEES AND FORMER FRANCHISEES

List of current franchisees as of December 31, 2024:

Dr. Lisa Wang
PEL Learning Center, Milpitas - Fremont
365 Jacklin Rd., Milpitas, CA 95035
408.888.2772

Mr. Lawrence & Mrs. Quy Kyi
PEL Learning Center, San Leandro
15070 Hesperian Blvd.
San Leandro, CA 95478
844.735.6284

Mr. Michael Fung
PEL Learning Center, Castro Valley
3267 Castro Valley Blvd.,
Castro Valley, CA 95456
510.209.0007

Mr. Kenny & Mrs. Carmen Phung
PEL Learning Center, Newark
39153 Cedar Blvd.,
Newark, CA 94560
888.735.6284

Ms. Cristina Valdes
PEL Learning Center, Tracy
838 N. Central Ave., Tracy, CA 95376
Tel: 209.855.6620

Mr. Gabriel Lee
PEL Learning Center, San Ramon
2217, San Ramon Valley Blvd, Ste H, San Ramon, CA 94583
Tel: 925.336.6108

Dr. Lisa Wang
PEL Learning Center, Fremont
47958, Warm Springs Blvd., Fremont, CA 94539
408.888.2772

Mr. Lawrence & Mrs. Quy Kyi
PEL Learning Center, Alameda
2217 South Shore Center, Suite 220, Alameda, CA 94501
844.735.6284

Katie Han
PEL Learning Center, West San Jose
6144 Bollinger Road, San Jose, CA 95129
833.735.5437

Franchisees who left the system in 2024:

Peter Shih & Carol Chou
PEL Learning Center, Sunset - San Francisco
1317 20th Ave.,
San Francisco, CA 94122
877.735.8889

EXHIBIT D

LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT D

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 651 Bannon Street, Suite 300 Sacramento CA 95811 1-866-275-2677	Commissioner of Financial Protection and Innovation Same address
HAWAII	Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651-296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1230 "O" Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222	Secretary of State of New York 41 State Street Albany, New York 12231 Mrs. Lassoff 212-416-8236 Mr. Grimes 212-416-8235
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center – Building 69-1 Cranston, RI 02920 401-222-3048	Director of the Rhode Island Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center – Building 69-1 Cranston, RI 02920
SOUTH DAKOTA	Dept of Commerce and Regulation Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185 605-773-4823	Director of South Dakota Division of Securities Same Address
TEXAS	Secretary of State P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT E

CALIFORNIA ADDENDA

EXHIBIT E

CALIFORNIA AMENDMENT TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the PreEminent Learning Centers, Inc. Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement.

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

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document at least 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

2. No litigation is required to be disclosed in this Franchise Disclosure Document and no person or entity identified in Items 1 or 2 of this Franchise Disclosure Document is subject to a currently effective injunctive order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling any person from membership in that association or exchange.

3. California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

4. 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.).

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

6. The franchise agreement (except for certain equitable and injunctive relief) requires binding arbitration of all disputes before the American Arbitration Association. Arbitration will occur in our then-current home state at a location closest to our principal business address (currently Hayward, California). The franchise agreement does not address costs of arbitration, so each side would generally pay its own costs.

7. 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.

8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

9. 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).

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

11. **Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy.** Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
(b) Reliance by a franchisee on any representation made by the franchisor or its personnel or agents.
(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto,
(d) Violation of any provision of this Division.

12. OUR WEBSITE WWW.PELLEARNING.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

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 made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

PreEminent Learning Centers, Inc.	Franchisee
By______________________________	By_____________________________
Title_____________________________	Print Name ____________________

State Effective Dates

The following states have franchise laws that 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	April 18, 2025

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 F

Receipts

EXHIBIT F

RECEIPT
(Retain This Copy)

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 PreEminent Learning Centers, Inc. offers you a franchise, PreEminent Learning Centers, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, PreEminent Learning Centers, Inc. or an affiliate in connection with the proposed franchise sale.

If PreEminent Learning Centers, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit D.

The Franchisor is PreEminent Learning Centers, Inc., 24150 Hesperian Blvd. Hayward, CA
The franchise sellers involved in selling you the franchise are:

Han Fung and Katherine Low, 24150 Hesperian Blvd. Hayward, CA (510) 919-1660

I have received a disclosure document issued April 7, 2025, that includes the following Exhibits:

Exhibit A:	Financial Statements
Exhibit B:	Franchise Agreement
Exhibit C:	List of Current Franchisees and Former Franchisees
Exhibit D:	List of State Agencies and Agents for Service
Exhibit E:	California Addendum
Exhibit F:	Receipts

____________________	___________________________	___________________________
Date	Signature	Printed Name
____________________	___________________________	___________________________
Date	Signature	Printed Name

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EXHIBIT F

RECEIPT
(Our Copy – Please sign, date and return this copy to us)

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____________________	___________________________	___________________________
Date	Signature	Printed Name
____________________	___________________________	___________________________
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