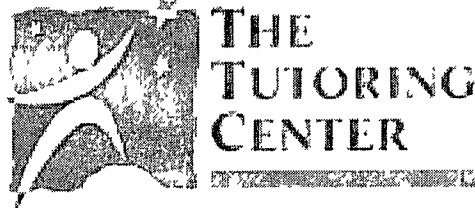


## FRANCHISE DISCLOSURE DOCUMENT

**The Tutoring Center Franchise Corp.**  
a California corporation  
4300 Long Beach Boulevard, Suite 510  
Long Beach, California 90807  
Telephone (562) 984-0830  
www.tutoringcenter.com



DEPARTMENT OF CORPORATIONS  
RECEIVED LOS ANGELES OFFICE

FEB 22 2012

The Tutoring Center Franchise Corp. will grant you a franchise to operate a learning center specializing in after-school tutoring services in reading, math, writing, pre-algebra, algebra 1 and 2, geometry, test preparation and study skills for school age children

The total investment necessary to begin operation of a Tutoring Center franchised business is \$89,000 to \$130,600. This includes \$39,000 that must be paid to the franchisor and/or its affiliate, as appropriate.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dr. Edward Thalheimer at 4300 Long Beach Boulevard, Suite 510, Long Beach, California 90807 and (562) 984-0830.

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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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:** January 18, 2012

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit F for information about the franchisor or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise.

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2 THE FRANCHISE AGREEMENT SAYS CALIFORNIA LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS TO YOU AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE YOUR LOCAL LAWS TO CALIFORNIA LAW.

3 FRANCHISOR'S WORKING CAPITAL IS (\$55,685) AND ITS NET INCOME IS (\$15,370) AS REFLECTED IN THE DECEMBER 31, 2010 AUDITED FINANCIAL STATEMENTS.

4 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

**We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.**

## STATE EFFECTIVE DATES

The following states require that this 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 Disclosure Document is either not registered or registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

California	
Connecticut	Trademark exempt
Hawaii	
Illinois	
Indiana	
Maine	Trademark exempt
Maryland	
Michigan	August 22, 2011
Minnesota	
New York	July 1, 2011, amended as of
North Carolina	Trademark exempt
North Dakota	
Rhode Island	
South Carolina	Trademark exempt
South Dakota	
Virginia	
Washington	
Wisconsin	

This Disclosure Document is not required to be registered in the following states, but an exemption has been filed as required by the state's business opportunity laws and this Disclosure Document is effective as of the date specified below

Florida	April 5, 2011
Kentucky	
Nebraska	
Texas	August 22, 2011
Utah	

This Disclosure Document is not required to be registered and an exemption is not required to be filed in the following states and this Disclosure Document is effective as of the Date of Issuance Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Iowa, Kansas, Louisiana, Massachusetts, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Vermont, West Virginia and Wyoming

**TABLE OF CONTENTS**

**ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES ..... 1**

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

**ITEM 3. LITIGATION..... 2**

**ITEM 4 BANKRUPTCY ..... 3**

**ITEM 5 INITIAL FEES ..... 3**

**ITEM 6. OTHER FEES ..... 4**

**ITEM 7. ESTIMATED INITIAL INVESTMENT..... 10**

**ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 14**

**ITEM 9. FRANCHISEE'S OBLIGATIONS..... 15**

**ITEM 10. FINANCING ..... 16**

**ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING COMPUTER SYSTEMS AND TRAINING ..... 17**

**ITEM 12. TERRITORY ..... 22**

**ITEM 13. TRADEMARKS..... 24**

**ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION..... 26**

**ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ..... 26**

**ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL..... 27**

**ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION..... 28**

**ITEM 18. PUBLIC FIGURES..... 32**

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS ... ..... 32**

<b>ITEM 20. OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>33</b>
<b>ITEM 21. FINANCIAL STATEMENTS .....</b>	<b>38</b>
<b>ITEM 22. CONTRACTS.....</b>	<b>38</b>
<b>ITEM 23. RECEIPTS .....</b>	<b>38</b>

**EXHIBITS**

- A Financial Statements
- B Franchise Agreement
- C Table of Contents of Operating Manual
- D List of Franchisees and Licensees
- E Franchisees and Licensees Who Have Left the System
- F State Administrators/Agents for Service of Process
- G State Specific Addenda
- H Form of General Release
- I Transfer of Franchise to a Corporation or Limited Liability Company
- J Telephone Listing Agreement
- K Receipts

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

We are The Tutoring Center Franchise Corp. We are a California corporation formed on January 19, 2005. To simplify this Disclosure Document, we refer to ourselves as "we" or "us." We refer to the person or company that buys a franchise as "you." If you are a corporation, limited liability company or other business entity, this disclosure also applies to your owners. Capitalized terms not defined in this Disclosure Document have the same meaning as in the Franchise Agreement attached as Exhibit B.

Our business address is 4300 Long Beach Boulevard, Suite 510, Long Beach, California 90807. Our telephone number is (562) 984-0830.

Our agents for service of process in California are Dr. Edward Thalheimer, 4300 Long Beach Boulevard, Suite 510, Long Beach, California 90807 and the California Department of Corporations, 320 West 4th Street, Suite 750, Los Angeles, California 90013. Exhibit F identifies our agents in some other states.

We do not own or operate any Tutoring Center businesses as of the issuance date of this Disclosure Document. Our affiliate, The Tutoring Center, Inc., a California corporation ("TTCI"), was formed on May 18, 1999 and was a sole proprietorship from September 1, 1994 to May 18, 1999. TTCI is owned by our president, Dr. Edward Thalheimer. TTCI's address is the same as ours. TTCI owns the proprietary marks which it has licensed to us so that we can sub-license them to our franchisees.

We have no other affiliates. We do not have any predecessors or parent.

We operate and grant franchises for the ownership and operation of an educational tutoring business (the "Tutoring Center" or "Center") specializing in after-school tutoring services in reading, math, writing, pre-algebra, algebra 1 and 2, geometry, test preparation and study skills for school age children. Under our Franchise Agreement (attached as Exhibit B to this Disclosure Document), you will be granted the right to operate one Center at an Approved Location using The Tutoring Center trademarks and service marks (the "Marks") and our System, which includes our Marks, as well as our facility design and decor, operational procedures, marketing and advertising, contents of a confidential Operations Manual (or "Manuals"), recordkeeping procedures and related elements and the Copyrighted Works.

You must comply with laws on operating a business, including obtaining a business license. Your center must also comply with federal, state and local laws and regulations affecting the business, including state and local licensing laws, zoning, land use and construction regulations, federal and state environmental laws and regulations and various health, safety, sanitation and fire standards. You must also comply with employment laws, like the Fair Labor Standards Act and state laws covering matters like minimum wages, overtime and working conditions. In addition, your center must comply with other laws or regulations that are not specific to the industry but applicable to businesses generally.

You will compete with other learning centers and educational institutions offering similar services, some of which are part of national or regional franchised and non-franchised chains. The market for your services is developing in some markets and developed in others.

We started offering franchises as of November 2005. Neither we nor any of our affiliates offer franchises in any other business, and our affiliate has never offered Tutoring Center franchises.

This Disclosure Document describes a summary of the terms and conditions on which we offer franchises in this state as of the Effective Date. The descriptions in this Disclosure Document are required to be brief and are for general informational purposes only. In many cases, the Disclosure Document contains only excerpts or summaries of other documents. The actual provisions of these documents will control in any case, and you should refer to the Franchise Agreement and other documents for more complete information.

We also recommend you consult with independent advisors who can provide legal, business and/or economic guidance, such as a lawyer and/or accountant.

A fundamental requirement of you joining and remaining part of The Tutoring Center franchise community will be your commitment to the operation of your Franchised Business according to the Franchise Agreement, System standards/requirements, our Operating Manual, and our policies and procedures. You must at all times develop and operate your Franchised Business in compliance with each of these, and we can change them over time.

The establishment of a new business, including the Franchised Business, involves substantial business risks. Significant investment beyond that outlined in this Disclosure Document may be required to succeed. Your profit and possible success are primarily dependent on your personal business judgment, your sales ability and efforts as an independent business operator, your financial management and marketing judgment, and other business and personal skills, as well as your proper use of the System.

## ITEM 2 BUSINESS EXPERIENCE

### President, Secretary and Treasurer Edward S. Thalheimer Ph.D.

Dr. Thalheimer has been in the child tutoring business since 1985. Dr. Thalheimer has been our president, secretary and treasurer since we were formed on January 19, 2005. He has also been the president, secretary and treasurer of our affiliate, TTCI, since it was formed on May 18, 1999. From September 1994 to May 1999, Dr. Thalheimer operated The Tutoring Centers as a sole proprietor.

## ITEM 3. LITIGATION

Douglas Ferraro vs. Edward Thalheimer, Chita Rivera Thalheimer and The Tutoring Center, Inc. ("TTCI"), filed in Los Angeles Superior Court on November 8, 2001 (Case No. BC261420). Douglas Ferraro ("Ferraro") entered into a license agreement with TTCI but did not open a location. Ferraro sued for fraud, breach of written contract, declaratory relief, rescission, unfair business practices and breach of oral contract, claiming that TTCI made misrepresentations in offering and selling the franchise, breached the franchise agreement, and failed to register to offer and sell franchises under California law. In approximately September 2002, TTCI entered into a settlement agreement with Ferraro, and without admitting liability, paid \$200,000 in settlement of all claims.

Department of Corporations, Desist and Refrain Order (June 28, 2002) On June 28, 2002, the California Department of Corporations (the "DOC") issued a Desist and Refrain Order against our affiliate, TTCI and our president Dr Edward Thalheimer, alleging that Dr Thalheimer and TTCI offered and sold unregistered franchises in California Pursuant to the order, TTCI and Dr Thalheimer were ordered to desist and refrain from any further offer or sale of franchises until a registration had been obtained On August 2, 2005, we received a franchise registration permit from the DOC authorizing the sale of franchises in California

Other than these two actions, no litigation is required to be disclosed in this Item

#### ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

#### ITEM 5 INITIAL FEES

**In the State of California, we will defer the payment of the initial franchise fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.**

You pay us a franchise fee of \$31,000 by cashier's check to operate a single center at a single approved site (the "Approved Location") upon which you and we agree The initial franchise fee is paid in a lump sum when you sign your franchise agreement and is nonrefundable (Refer to Item 12 regarding the selection of an Approved Location)

You do not have a right to acquire any additional franchise agreement for the operation of any additional Center Our current policy is to offer VetFran® discounts (VetFran is a registered trademark of the International Franchise Association) If you are a veteran and have served at least 4 years and can submit your DD 214, we will discount the initial franchise fee by \$2,500 We can change this policy, and the policy in effect at the time that you are offered a franchise will apply

You must also pay to us a support and training fee of \$8,000 when you sign the Franchise Agreement This fee is not refundable

We do not currently offer any financing. There are no other payments to or purchases from us or our affiliates that you are required to make before your Center opens for business



**ITEM 6. OTHER FEES**

Name of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fees (Note 2)	\$250 for 1st month of operation, then \$800 per month for the remainder of the franchise term (Notes 2, 3)	Except for the first Royalty Fee payment due on a Center, Royalty Fees will be autodracted on the first day of each month (Note 4)	If any state imposes any sales or use taxes on the royalty fees, then we have the right to collect this sales or use tax from you  A franchisee who buys an operating Center from another franchisee pays any flat rate Royalty Fee amount that the selling franchisee was paying before the sale (Note 2)
Semi-Annual, Program Fees (Note 3)	\$500, twice a year	Semi-Annual, Program Fees will be autodracted on February 1 and August 1 of each year	
Technology Fees	Currently \$0 per month	The 1 <sup>st</sup> day of each month	Upon 30 days advance notice, we can increase up to a maximum of \$100 per month Maximum is subject to inflation adjustment (See Note 3)
Transfer Fee	\$15,000 (Note 3)	Before completing transaction	If you sell your business, either you or the assignee must pay us this fee We do not charge a transfer fee for a one-time transfer to a corporate entity formed by you for convenience of ownership of the franchise

Name of Fee (Note 1)	Amount	Due Date	Remarks
Payments for supplies or inventory	Varies	Usually prepaid at time of order, may vary depending on supplier	You pay for equipment, products and other items you purchase from us, our affiliate or our approved supplier. You also pay freight, and other ancillary charges.
Renewal Fee	\$5,000 (Note 3)	On renewal	To renew your business (subject to future adjustments), you pay us this fee (See Item 17)
Cure of Breach	Varies	As incurred	If we cure any breach of your franchise agreement on your behalf, you reimburse our expenses.
Costs of Enforcement	Varies	As incurred	If we prevail in a lawsuit against you, you pay our attorney's fees, experts' fees, court costs and all other expenses of litigation.
Late Charges	\$250 for each late payment then \$250 per month until each payment is paid in full (Notes 3 and 4)	As incurred (Note 4)	See Note 4
Insurance	Varies	As incurred	If you do not get insurance we require, then we can get it for you (though we do not have to) and you pay for the insurance or reimburse us.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Non-Compliance Fee	\$250 each time you are found to not be in compliance with the System plus \$100 per month until you are fully compliant	As incurred	We may require you to submit information to us, such as photos, videos and other items, to verify that you are in compliance
Indemnification	Unknown	On demand	You indemnify us concerning your center
Expenses Caused by Breach	Unknown	On demand	You pay us all expenses we incur due to your breach or default
Tax Payments	Unknown	On demand	You must reimburse us for any sales taxes, use tax, personal property tax or any other tax we pay on your behalf
Convention Fees and Additional Training (Note 5)	Varies	Before possible future annual conventions	<p>We may hold annual conventions in the future, which we may choose to combine with the annual mandatory training program</p> <p>You must pay for all costs associated with your and your employees attendance at any training programs, including transportation, lodging, meals and incidentals</p>

Name of Fee (Note 1)	Amount	Due Date	Remarks
Annual Mandatory Training Program (Note 6)	Varies, Initial support and training package includes annual training (Note 6)	Initial support and training package fees due on the signing of your franchise agreement (Note 6)	No charge for annual training unless training is combined with annual convention. You will pay for your own incidental expenses such as transportation, meals, lodging and employee wages.
Early Cancellation Fee	Varies	Before cancellation date	If you and we agree to cancel the franchise agreement before the expiration date (which neither you nor we have to do) you pay us \$800 times the number of months remaining in the term of the agreement or (in our discretion only) we may require you to transfer all assets of the Center to us and put them into storage for six months (at your expense) or until we can sell the assets to a new franchisee (Note 7). All post termination obligations remain in effect.

**Notes to Chart on Other Fees  
For a The Tutoring Center Franchise**

**Note 1:** All fees are nonrefundable and uniformly imposed. Unless otherwise noted, all fees are payable to us, by electronic funds transfer. There may be instances in which we have varied, or will vary, the terms on which we offer franchises to suit the circumstances of a particular transaction, to the extent lawful.

**Note 2:** For new Centers, you pay

\$250 on the day that the Center at the Approved Location is first open for business to the general public or that Franchisee receives on site, new Center opening supervision from us, whichever occurs first (the "Opening Payment"),

\$800 on the 1st day of each calendar month from then on, and throughout the term of your Franchise Agreement

If you buy an operating Center from a franchisee and the selling franchisee is paying us a flat fee Royalty Fee at the time of sale, then the Royalty Fee you pay us is the same as the Royalty Fee that would be due from the selling franchisee if the sale did not happen

The current royalty period is a calendar month, but we can change the time covered by a royalty period to a different period (e.g., weekly, etc.) If we modify the royalty period, any amounts which are paid and/or calculated in relation to a royalty period will be appropriately adjusted on a pro-rata basis, as will any related requirements

**Note 3:** We can adjust any amount described in the Franchise Agreement as subject to inflation adjustment on an annual basis and in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any successor index) as compared to the previous year. If we make an adjustment, we will give to you at least 30 days advance notice

**Note 4:** You must sign the forms and complete our reasonable procedure to establish a bank autodraft or electronic transfer arrangement so we can present an autodraft to your bank or other financial institution for the Royalty Fees, Semi-Annual Program Fees, Technology Fees and all other fees or payments currently due us or any of our affiliates. You must sign our "Electronic Funds Transfer Agreement" (or other form we provide to you) before you open your Center

The fees due under the Franchise Agreement will be autodrafted (withdrawn) directly by electronic funds transfer or otherwise from your bank account. You must install at your expense and use any pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system that we may require reasonably related to the operation of your franchise and the franchise system or to allow you timely to make all payments to us by automatic bank transfer. You must keep adequate amounts in your bank accounts to make all payments to us by electronic transfer. You must reimburse us for any charges we incur if there are not enough funds in your account to pay amounts due. Any insufficiency in your account to pay us the required fees will be a default under your franchise agreement. You must pay all service charges and other fees charged by your bank so that we can autodraft your account and all service charges and other fees that your bank charges for any autodrafts that are not honored or processed by your bank for any reason

If you pay, or we receive, a lesser amount than the full amount due us, we can apply the payment against the longest outstanding amount due us. We can accept any check or payment in any amount without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No restrictive endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere from you will be an accord or satisfaction or will bind us or any of our affiliates. Our or any of our affiliates' acceptance of any payments made by you is not a waiver of any breach or default of any provision in your franchise agreement

Despite any designation by you, we can apply any payments made by you, or on your behalf (and apply any amounts owed to you or any of your affiliates by us or any of our affiliates) to any of your past due indebtedness for royalty fees and other amounts owing to us or any of our affiliates, or any interest or other indebtedness that you or any of your affiliates owe to us or any of our affiliates

It is an event of default under your franchise agreement if you close any bank account without immediately completing all of the following after the account is closed (1) immediately notifying us of the closing in writing, (2) immediately establishing another bank account, and (3) executing and delivering to us all documents necessary for us to begin and continue making withdrawals from your new bank account by electronic funds transfer

**Note 5:** We may hold an annual convention for all Tutoring Center franchisees. If we organize an annual convention, you and any member of your Center staff that we require must attend, and can may charge reasonable registration fees for the convention. You must pay for all registration fees and all travel, lodging, meals and incidental costs for you and your employees who attend. To date, we have not held an annual convention. We believe an annual convention will be more feasible as our franchise network grows. Each Designated Owner, Center Director, and Head Instructor must complete the then current Initial Training before opening or operating in any Center, or those Initial Training activities applicable to the respective position, as we specify.

**Note 6:** You and any personnel that we require must attend any mandatory annual training program and annual continuing education course at our corporate training facility in Long Beach, California, or other location we designate. Currently we do not charge you for the cost of this training program (unless we later expand this annual training program into a more comprehensive annual convention). Your annual training program fee is included in the costs of the grand opening support and training package, described in the Chart in Item 7 of this Disclosure Document. You must pay for all travel, lodging, meals and incidental costs for you, your staff and your guests to attend the annual training program and continuing education cost. We currently do not schedule any other training program, but we may do so in the future. Any extra on-site training or support you request at your option will be provided under terms we arrange at the time of your request. Our per diem fees can be published in our Manuals or through other written communications to franchisees.

**Note 7:** The determination of whether we will require you to transfer all of the Center's assets to us instead of paying the early cancellation fee will be solely ours and will depend, in part, on the condition of the assets at that time. If we choose to take possession of the Center's assets, you must arrange for all of the assets to be put into a storage facility and make sure that we have access to the storage facility at all times. If the six month storage period expires without sale of the assets to a new franchisee, we may maintain the storage facility or relocate the assets.

**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure (Note 1)</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (Note 2)	\$31,000	Cashier's check	On signing franchise agreement	Us
Office Supplies and Equipment Package (Note 3)	\$3,000 To \$4,000	As arranged	As arranged	Vendor
Printing and Interior Signage (Note 4)	\$7,000 To \$8,000	As arranged	As arranged	Approved vendor
Educational Materials Package (Note 5)	\$1,000 To \$1,500	As arranged	As arranged	Approved Vendor
Furniture Package (Note 6)	\$15,000 To \$17,000	As arranged	As arranged	Approved vendor
Computer Equipment (Note 7)	\$2,500 To \$3,500	As arranged	Within 30 days of signing your franchise agreement	Approved vendor
Support and Training Fee (Note 8)	\$8,000	Cashier's Check	On signing franchise agreement	Us
Miscellaneous Pre-opening Supplies, Children's Toys & Rewards (Note 9)	\$200 To \$400	As arranged	Before opening	Approved vendor
Travel expenses, including travel, food and lodging related to initial training (Note 10)	\$0 To \$2,000	As arranged	As incurred	Various hotels, restaurants, airlines, etc
Leasehold Improvements (Note 11)	\$0 To \$20,000	As arranged	When signing lease or completion of improvement	Landlord, general contractor
Rent and CAM charges for 3 months, plus one month's security deposit (Note 12)	\$8,000 To \$11,000	As arranged	When signing lease and as incurred	Landlord

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Local Advertising, Grand Opening (Note 13)	\$4,500 To \$7,500	As arranged	As incurred	Various advertisers
Licenses and Permits (Note 14)	\$0 To \$2,000	As arranged	Before opening	Government agencies
Exterior Signage (Note 15)	\$2,000 To \$5,000	As arranged	Before opening	Vendors
Insurance, including Business liability and Worker's compensation (Note 16)	\$300 To \$1,200	As arranged	Before opening	Insurance company
Professional Advisor (Note 17)	\$0 To \$500	As arranged	When incurred before opening	CPA, attorney, etc
Additional Funds (working capital) - 3 months (Note 18)	\$6,500 To \$8,000	As arranged	As incurred	Vendors, employees, etc
Total (Note 19)	\$89,000 To \$130,600			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable.

#### Notes to Chart

**Note 1:** This table provides certain estimated costs related to pre-opening expenses for a Center and certain costs you can anticipate to occur during the first 3 months of the Center's operations. We used our and our affiliates' experience to make these estimates. These are only estimates.

**Note 2:** The initial franchise fee is discussed in Item 5. We offer certain discounts, as disclosed in Item 5 of this Disclosure Document. These discounts are not included in the above chart. You pay the initial fee in a lump sum by cashier's check on signing your franchise agreement. Your initial franchise fee is nonrefundable.

We do not currently offer financing for your initial fee. (See Items 5 and 10)

**Note 3:** These amounts are the estimated costs for your start-up office supplies and equipment and we believe are at general retail prices. Some of these costs may be refunded to you in the



form of rebates from participating vendors. These amounts exclude estimated shipping and handling charges and taxes.

**Note 4:** These amounts are the estimated costs for your start-up printed materials, promotional items and interior signage and miscellaneous fixtures. These amounts exclude estimated shipping and handling charges and taxes. These amounts do not include the cost of your exterior signs.

**Note 5:** These amounts are the estimated costs for your start-up educational materials inventory. These amounts exclude estimated shipping and handling charges and taxes. Your educational materials supply is based on an estimate of your inventory needs for the first three months in business. Your experience may be more or less depending on your initial growth.

**Note 6:** These amounts are the estimated costs for your start-up furniture package. These amounts exclude estimated shipping and handling charges and taxes (approximately 10% of the total price). The furniture package includes all required furniture for your reception room, front office, classrooms and director's office.

**Note 7:** These amounts are the estimated costs for your start-up computer equipment package. These amounts exclude estimated shipping and handling charges and taxes. The higher amount assumes you purchase a larger laptop computer. You must purchase your computer equipment from our approved vendor. All computer equipment items must be purchased as new and not used or refurbished. (Refer to Item 11 for current system requirements.)

**Note 8:** We currently use this fee to help us provide to you a package of training and support services, including our initial training program, pre-opening assistance, franchise support services and any annual required training program. (Refer to Item 11 for information on training and support services.)

**Note 9:** You must purchase an assortment of children's toys and rewards before you open your Center.

**Note 10:** You must pay for all of your travel expenses, lodging and meals for attending our initial training program (currently approximately five days) and those of your Head Instructor. The low estimate assumes you both live in close proximity to the training site and will not have any travel expenses. The high estimate assumes you both must fly to our training location with round trip airfare of about \$600 and five nights food and lodging.

**Note 11:** Your Center must meet our specifications. The range provided assumes that you are beginning your build out of the basic Center Premises in a 'vanilla shell' space that has bathroom, HVAC, electrical and similar build out components already in place and compliant with local codes. The low estimate assumes that your landlord will pay for tenant improvements or that the improvements are capitalized into the lease. The high estimate assumes you will be responsible for all tenant improvements on a basic Center build out. These figures are based on our experience. It is essential that you carefully investigate costs related to any proposed site, since requirements specific to your site or city can result in significant additional costs for items such as permits and code upgrades. By way of illustration, code-required replacement of HVAC equipment, electrical upgrades, and plumbing and ceiling modifications could collectively cost an additional estimated \$15,000. Actual costs for any required modifications could vary significantly depending on what a particular code/city/permit required and these costs are not included in your estimate. Additionally, bids may vary widely among contractors. You should interview with and

obtain bids from several contractors. In unusual circumstances, you may also be asked by your city or other governmental agency to provide a conditional use permit for your location. These costs are not included in your estimate.

**Note 12:** The amounts estimate your first three months of rent and CAM charges plus a one month security deposit. Rents may vary significantly depending on building type, the rental market and the local economy, among other factors.

**Note 13:** You must conduct local advertising for your Center in the 30 days prior to your Grand Opening and in the 60 days following your Grand Opening. You must spend between \$1,500 and \$2,500 each month for advertising of your grand opening during this time, which totals \$4,500 to \$7,500.

**Note 14:** You must get a business license and permits from your city, county and/or state to operate the center.

**Note 15:** You must have an outside sign for your center. Signage costs can vary substantially due to zoning, permits, lessor requirements and other factors and your costs may be higher.

**Note 16:** You must maintain certain levels of insurance. You must purchase insurance coverage through our designated supplier. The estimates are for the cost of premiums for the required insurance for 3 months. Insurance premiums may vary based on sales and other factors. You must obtain general liability coverage, including contractual liability and advertising injury coverage of at least \$2,000,000 naming us and the indemnitees named in your franchise agreement as additional insureds, fire and casualty insurance, business interruption insurance, and worker's compensation, employer's liability, unemployment and state disability insurance. We can revise required coverage and amounts. The low estimate assumes you do not pay a deposit for insurance coverage.

**Note 17:** You may need to consult with independent professional advisors like a lawyer and CPA concerning the operation of your Center.

**Note 18:** You must have additional funds available to pay royalties, technology fees, employee wages, utilities, phones, taxes, and other operational costs that may arise in the first three months of operation, as well as for other expenses that are incurred before you generate revenues from your Center. We generally suggest that an opening Center begin operations with a Head Instructor, a Center Director and at least one other instructor. None of these Additional Funds amounts take into consideration any of your personal living expenses or other expenses, such as finance charges, interest or debt service obligations, sales and/or use taxes on goods and services, income taxes, and a variety of other amounts not described above. We give no assurance as to when, if ever, your Center will generate a positive cash flow. **THESE EXPENSES MAY BE OFFSET BY ANY REVENUE YOU EARN DURING THE SAME PERIOD.**

**Note 19:** There could be other factors not listed that may affect your initial investment. You should check with your financial and other advisors. If you spend more money than the high estimates in one or more categories, your total investment will be greater than the total high estimate. Nothing in the above estimates takes into consideration the costs and expenses that would be associated with the purchase of an existing Center from an existing franchisee, nor the cost of converting an existing independent business. Also, these estimates do not take into consideration any decision you might make to "upgrade" any particular aspect of your Center. It is important that you solicit or

investigate multiple bids and sources for each construction contract and each major purchase. Some of your initial start-up expenses for computers, equipment, inventory and other property may be financed if you qualify with your own lender. The total range listed in the above chart also does not include compensation for your time or labor and other material costs or any sort of owner's draw. You should also note that the 3-month period from beginning business used for purposes of the above chart does not mean that you will have reached "break-even", "positive cash flow", or any other particular financial position within that timeframe or afterwards.

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

You must offer only Products and Services at your Center that we authorize. Currently, you must purchase certain equipment (including furniture, start up inventory, supplies, equipment, inside signage, and computer hardware and software) and teaching materials (including workbooks and other materials) from us, our affiliate or approved suppliers. To protect our trade secrets and maintain quality control, we can require you to buy these and other goods and services that we designate occasionally only from us, our affiliate or from suppliers we designate.

As of the date of this Disclosure Document, we have designated suppliers for certain Products and Services that you must purchase on an on-going basis. Our list of approved suppliers and designated Products and Services will be provided to you at training. The list identifies manufacturers, brands, suppliers and Products and Services we approve. We can revise the list in our discretion.

There are no approved suppliers in which any of our officers owns an interest.

For the year ending December 31, 2011, neither we nor our affiliates derived any revenues from any franchisee purchases of Products or Services from us, or from any supplier as a result of purchases made by franchisees.

If you want to offer something we have not approved, or buy from a supplier we have not approved, you must tell us in writing and provide us samples and other information we need to review the product or supplier, at your expense. We can approve or disapprove at our discretion. The proposed supplier must be able to supply the products or services according to our standards, be in good standing in the business community, have a good reputation, be able to produce and deliver products timely, be financially solvent and meet other applicable criteria. The arrangement must also not benefit a competitor. We will tell you our decision within 30 days of your written request.

We can arrange for testing, analysis, inspection and sampling of products or services of any supplier proposed or being used, and you can be required to pay the related expenses incurred.

Currently neither we nor our affiliates are suppliers of any items. However, we and our affiliates are entitled to the benefit of all discounts, volume rebates, administration fees, commissions, advertising allowances or other advantages that we can obtain from suppliers. We could make these arrangements in the future. Additionally, we and our affiliates have the right to be an approved supplier, exclusive or otherwise, and to earn a profit on any Products or Services we might sell to you.

You must use only Products and Services that satisfy our standards and any applicable specifications or requirements. We do not provide you with any material benefit, such as the grant of an additional franchise or a renewal franchise, based on your use of or purchases from approved suppliers. We have negotiated volume discounts for our franchisees with certain vendors, but are not obligated to do so.

There are currently no purchasing or distribution cooperatives.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 48% to 58% of your total purchases in establishing your Center, and approximately 50% to 60% of your total purchases in the continuing operation of your Center.

#### 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 disclosure document.

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
a Site selection and acquisition/lease	Section 4 and Schedule A	7, 11, and 12
b Pre-opening purchases/ leases	Section 14 B	7, 8
c Site development and other pre-opening requirements	Sections 4, 15 A, 16 and Schedules A and C	7, 8, 11, 12
d Initial and ongoing training	Section 5	11
e Opening	Section 14 B	11
f Fees	Sections 2, 3 B(5), 5 A and H, 12, 13 F, 18 A, 20 D, 25, 29, 34	5, 6, 17
g Compliance with standards and policies/Operating Manual	Sections 9, 10, 13, 14	8, 11
h Trademarks and proprietary information	Sections 6, 7, 8, 9	13, 14
i Restrictions on products/services offered	Section 14	8, 16

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
j Warranty and customer service requirements	Not Applicable	11
k Territorial development and sales quotas	Section 1, 4 and Schedule A	12
l Ongoing product/service purchases	Section 13, 14	8
m Maintenance, appearance, and remodeling requirements	Sections 4, 14 C	8, 17
n Insurance	Section 16	7, 8
o Advertising	Section 11	6, 11, 12
p Indemnification	Section 16 F	6
q Owner's participation/management/staffing	Sections 5, 14 I, 17	11, 15
r Records/reports	Sections 13 A, 13 B	6
s Inspections/audits	Sections 13 E – 13 F	6
t Transfer	Section 20	6,17
u Renewal	Section 3 B	17
v Post-termination obligations	Section 17, 19	17
w Non-competition covenants	Section 17	17
x Dispute resolution	Section 34	17

#### ITEM 10 FINANCING

We do not currently offer any direct or indirect financing. However, we may do so in the future. We do not guarantee your note, lease or obligation.

Certain of our approved vendors may provide financing to qualified franchisees for purchases. The decision to provide such financing is solely in the discretion of the third party vendor, and we have no control over their financing policies.

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

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

A Pre-Opening Services Before you open for business, we provide you the following services

1 Approve your proposed Approved Location and lease (Franchise Agreement, Sections 4 C and 4 E) We will require an Agreement and Conditional Assignment of the Lease (Schedule C to the Franchise Agreement) to be signed prior to approval of your lease,

2 Provide an initial training program to you (the owner) before the opening of your center (Franchise Agreement, Section 5 A), and

3 Provide at no charge, standard plans and specifications for the construction of your center, including interior design and layout, fixtures, furnishings, and signs (There may be circumstances when your location has an unusual shape, that you must at your expense, use a professional to adapt the standard plans and specifications to your location and submit them to us for approval before starting construction ) (Franchise Agreement, Section 15 A)

B During the Operation of Your Business During the operation of your business, we will provide you with the following services

1 Provide you additional assistance as needed via telephone, email and/or other electronic media or method that we select at the times and in the manner we consider appropriate (Franchise Agreement, Section 5 A),

2 Provide and require that you attend and successfully complete any mandatory additional training programs that we choose to conduct at our headquarters, an operating Center, or some other location we select (you pay all expenses during any of these training programs, including transportation, lodging, meals and other incidental expenses ) (Franchise Agreement, Section 5 D),

3 Provide, on loan, one copy of our confidential operating manual, which we may choose to provide in electronic form (Franchise Agreement, Section 9 A),

4 May prescribe, in writing, additions to, deletions from or revisions of, our operating manual (Franchise Agreement, Section 9 D),

5 As new improvements to the system are developed, we can change or modify the System, including adoption and use of new or modified trademarks, copyrighted materials, computer programs, operational techniques or any other aspects of our system (Franchise Agreement, Section 10),

6 May provide you with advertising templates for advertising the Center (Franchise Agreement, Section 11 A),

7 Update the approved supplies and supplier list, as we deem necessary (Franchise Agreement, Section 14 E),

8 As part of the training and support package you purchase when you acquire the franchise, we also provide continuing assistance in the operation of your center, at the times and in the manner we deem appropriate, including possibly and by way of example enabling you to participate in multimedia training program that will allow you and other franchisees to discuss any operational questions that arise, conducting franchise meetings online, providing you a monthly newsletter for staff and parents, enabling you to contact us via telephone, email or iChat to discuss any questions (Franchise Agreement, Section 15 C), and

9 We may (but we do not have to) inspect your Center, physically or through electronic media, and tell you of operations we think you need to address or improve (Franchise Agreement, Section 15 D)

Initial Training

A The initial training program will be at our corporate training facility in Long Beach, California, or at some other location that we select. You must complete our initial training to our satisfaction (Franchise Agreement, Section 5 A)

B The instructional materials we use in the initial training program include the Operations Manual and any other materials that we believe will be beneficial in the training process. The initial training program includes the following

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job TrainingL</b>	<b>ocation</b>
Computer Training, Classroom Operations	4 0	4 0	Long Beach, California or other Designated Center
Opening a Franchise Center Comprehensive Tour Marketing Computer Instruction	4 0	4 0	Long Beach, California or other Designated Center
Rotational Approach to Learning™ System Classroom Operations Enrolling Student Front Office Operations	4 0	4 0	Long Beach, California or other Designated Center

Subject	Hours of Classroom Training	Hours of on the Job TrainingL	ocation
Academic Programs Diagnostic Testing Enrolling Students Classroom Operations	4 0	4 0	Long Beach, California or other Designated Center
Marketing Plan	8 0	0 0	Long Beach, California or other Designated Center
<b>TOTAL HOURS</b>	24 0	16 0	

C We expect the initial training to take approximately five days consisting of an initial Franchise Orientation, followed by a final Training Program before you open your Center (Franchise Agreement, Section 5 A) You must pay all costs you incur for lodging, meals and transportation while training (Franchise Agreement, Section 5 E) If you do not successfully complete the initial training program, we may terminate the franchise agreement and keep all amounts paid to us (Franchise Agreement, Section 5 B)

D Dr Edward Thalheimer oversees our training program Our instructors on our support team generally have at least 6-10 years experience in the tutoring industry, opening Centers and in the field that is relevant to the subject taught and our operations

As part of your training fee, we also provide, and you must attend, annual training programs at our corporate training facility in Long Beach, California, or at another location we designate The length and content of these annual mandatory training programs may change, but will not be longer than 7 days We will not charge any additional program fees for the annual, mandatory training program (Franchise Agreement, Section 5 D)

Each Designated Owner, Center Director, and Head Instructor must complete the then current Initial Training before opening or operating in any Center, or those Initial Training activities applicable to the respective position, as we specify "Center Director" is defined as the individual responsible for day to day management and supervision of the Center and who must meet any other criteria we periodically establish in the Operations Manuals for this position "Head Instructor" is defined as the individual responsible for overall classroom management and local school marketing activities and who must meet any other criteria we periodically establish in the Operations Manuals for this position (Franchise Agreement, Section 5 G),

You must pay for the incidental costs of you and your Center staff's attendance at all training programs, including hotel, transportation, meals, and other related expenses (Franchise Agreement, Section 5 E)

#### Operating Manual

A During the term of your franchise agreement, we will lend you one copy of our operations manual See Exhibit C for the table of contents of our operations manual We may choose to provide the operations manual in electronic, rather than tangible, format and it can consist of one or more separate manuals and components (Franchise Agreement, Section 9 F)



In addition to the operations manual, which is 22 pages in length, we currently lend you access to approximately 750 pages of supporting documents in electronic format

B The operations manual may include standards, procedures, policies and specifications pertaining to our system and to operation of a franchised Tutoring Center location and other elements of our system. You must operate your Center in compliance with our standards, procedures, policies, and methods (Franchise Agreement, Section 9 E)

C We can change the contents of the operations manual. You must abide by the changes and keep the manual up to date (Franchise Agreement, Section 9 D)

D You must keep the operations manual and its contents confidential. On expiration or termination of your franchise, you must return to us (and lose all access to) the operations manual (Franchise Agreement, Section 9 G)

### Advertising

A Local Advertising We encourage you to conduct local advertising. We may provide you with advertising templates that you may use in advertising your center. If you wish to use any other advertising, you must give us copies of your advertising and promotional materials so that we can approve or disapprove it before you use it. All advertising must be in good taste and accurately describe the Products and Services provided at the Center. If you use any standard form or template that we have approved for any advertising and we do not give you a written response within 10 days after you give us the proposed advertising, the advertising is approved for your use (Franchise Agreement, Section 11 A). The submission of advertising to us does not affect your right to determine the prices at which you sell products or services, except that we have the right to establish maximum prices as permitted by law.

B Grand Opening Advertising Before opening, we require you to advertise the grand opening of your Center, and that you spend cumulatively between \$4,500 and \$7,500 on this advertising within the period that begins 30 days before you open and for 60 days after you open. Currently we provide you a marketing plan that you may use for this purpose, but this can change (Franchise Agreement, Section 11 C)

C Internet Advertising We have the sole right to advertise, market and promote our system on the Internet. You must not establish any website, social networking profile, Internet directory listing, or any other presence on the Internet relating to your Center without our prior written consent. If we consent to your use of the Marks on the Internet, you must comply with our related policies. If we request, you must discontinue any website, Internet directory listing, or any other presence on the Internet (Franchise Agreement, Section 11 E). You will participate in our Tutoring Center website by providing us with up to date contact information, or other information that we may require. We have the right to offer on-line tutoring services on the Internet, and you must comply with our then-current system policies and requirements, including those relating to access to or participation in any operating systems, website and related programs. You also must arrange for any related maintenance, support or other services required in connection with any online tutoring services we might offer (Franchise Agreement, Section 13 C)

D Our Advertising We have the right to display informational material regarding our franchise opportunities in a conspicuous location in the front office of your Center, at our own expense (Franchise Agreement, Section 11 F)

There are presently no advertising councils or local or regional advertising cooperatives. If an advertising cooperative is formed by our franchisees and approved by us, you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the advertising cooperative and the times agreed upon by the majority, and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. We will not have the power to require cooperatives to be formed, changed, dissolved or merged.

Currently we have not established a centralized Advertising Fund for the creation and placement of advertising on a national or regional basis, but may do so in the future. When we do create the Advertising Fund, any sums paid to the Advertising Fund that are not spent in the year they are collected will be spent in the following year. We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred.

#### Computer System

A You must purchase your computer equipment from our approved vendor (unless we approve otherwise in writing) (Franchise Agreement, Section 14 E). All computer equipment items must be purchased as new and not used or refurbished (Franchise Agreement, Section 14 H). As of the date of this Disclosure Document, the required computer package includes an Apple brand laptop and desktop computer with ancillary operating equipment and software and costs approximately \$2,500 to \$3,500, depending on the size of the units purchased. We have no obligation to provide any upgrades or maintenance services to you. Those items would be purchased from the applicable software/hardware vendor at the then current prices.

See Item 7, Chart and Note 8 of this Disclosure Document.

B We can require you to upgrade the software and hardware whenever we think necessary and on written notice to you, including operating systems and databases, Internet technology, communications devices, and other systems/items/equipment, as well as payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking systems. If your computer system or any of its components break, you must buy/replace/fix these at your own expense pursuant to our specifications (Franchise Agreement, Section 13 C). The annual costs of any optional or required maintenance update, upgrading or support contracts may cost \$1,000.

C We can require you to have a high speed internet connection at all times for your computer system.

D We have the right to full access to your computer information such as sales, enrollment, student and operations information and data, and other information that we may need.

E We can license, create and/or maintain a Tutoring Centers website(s) (individually and collectively, the "Tutoring Center Website"). You will participate in any Tutoring Center Website and related e-mail addresses, subject to usage policies and procedures, as we require in the Manuals or otherwise. You agree to provide us with such data and information as we may require to enable us to develop and maintain the Tutoring Center Website content. We can, but

are not obligated to, offer to the public on or through the Tutoring Center Website on-line tutoring services provided by us, a third party company or otherwise as we elect. You must comply with our then-current use, privacy and other system policies and requirements, including those relating to access to or participation in any Tutoring Center operating systems or any Tutoring Center Website and related programs. You must make sure that all of employees, agents and others involved in your Franchised Business are in compliance with our policies and requirements. You must also comply with the terms of use established by any third party system host or website provider in connection with any Tutoring Center systems, Websites or programs and to arrange for any related maintenance, support or other services required in connection with ongoing operation and participation.

#### Site Selection

You select your own site for your business. We must approve in writing your site. You should not sign any lease or other agreement until we give you written approval. (Refer to Item 12 for more information about selecting your site.)

#### Starting Operation

The typical length of time between your signing your franchise agreement and your opening your center is approximately 6 to 12 months, but delays may occur depending on your circumstances. You must identify a suitable location for the Center and obtain our consent to the site as your Approved Location. You must occupy an Approved Location and be open for business to the general public as a Tutoring Center within 12 months of the Effective Date of your Franchise Agreement, unless otherwise authorized by us in writing. Failure to open is a breach of the Agreement and your Franchise Agreement can be terminated. (Franchise Agreement, Sections 14 A and 14 B)

### **ITEM 12. TERRITORY**

We grant you a franchise for one specific site that we approve, which is your Approved Location. The Approved Location is the actual street address for the Tutoring Center that you will operate under your Franchise Agreement.

Most franchisees do not have an Approved Location when they sign their Franchise Agreement. If an Approved Location has not been identified when you sign your Franchise Agreement, you must find a site within the geographic area that is identified as the "General Vicinity" on Schedule A of your Franchise Agreement. You will look for a proposed Approved Location in the General Vicinity and request our written approval of any proposed site that you identify. Any site you propose cannot be within the territory of another Center. The General Vicinity identified on Schedule A is not your Territory. You do not have any exclusive rights in the General Vicinity and other Centers may be located in the General Vicinity. When we approve a specific site that you propose for the development and build out of your Center, the specific address of the approved Center site will be your Approved Location for purposes of your Schedule A and your Territory will be determined as specified below. The General Vicinity identification lapses at that time and has no meaning.

When we consent to your Approved Location, your "Territory" will be identified on a map attached to the Schedule A in your Franchise Agreement. If no map is provided when Schedule A is amended to identify your Approved Location, then the minimum Territory is established as the area

within a 5-mile radius from the front door of your Center at the Approved Location (as measured by straight line with a global positioning system ["GPS"])

You can operate only your Franchised Business at the Approved Location

We grant you a limited exclusive territory. So long as you remain in full compliance with your franchise agreement, we will not franchise or operate any Tutoring Center physically located at a street address within your Territory during the current term of your Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We can franchise or operate other The Tutoring Center outlets at any location outside your designated Territory.

Our policy as of March 28, 2011 is to allow you and other Tutoring Center franchisees to recruit and enroll customers located anywhere and to market to customers located anywhere subject to our restrictions on Internet promotions, but we can change this policy. You must comply with any policies we adopt.

You do not have the right to acquire additional franchises. You must at all times use your best efforts to promote and increase the sales and services of your Center. There is no minimum sales quota and you maintain rights to your Territory during the term of the applicable Franchise Agreement even though the population increases. There are no other circumstances that permit us to modify your territorial rights.

You may not relocate your Approved Location without our consent. If the lease for the site of your Center expires or terminates without your fault or if the site is destroyed, condemned or otherwise rendered unusable, we may permit you to relocate to a location and site acceptable to us. You will pay for all costs for your relocation, and we can charge you for any costs we incur in providing assistance to you. Any relocation, if any, may interrupt your operations until a new location is obtained and your operations resume.

We and our affiliates have all rights in the Territory not expressly granted to you in your Franchise Agreement. Except for a Center physically located and having a street address in your Territory, we can locate and operate anywhere, and to authorize others to locate and operate anywhere, a Tutoring Center and/or any other kind of business, using any channel of distribution, including the Internet, mobile services, and temporary facilities, and offering any type of product or service to customers located anywhere under any brand or trademark, including the Marks. We do not have to share with you any revenue opportunities associated with these activities, but can choose to do so.

We also can acquire, be acquired by, merge, affiliate or co-brand with, or engage in any transaction with other businesses with outlets located anywhere, whether or not competitive or franchised. Any of these business activities can result in changes to the Marks and System, including possibly the need to convert to another brand. In that case, you will follow any conversion instructions from us and will have at least 6 months to comply with them.

We occasionally may have the opportunity to form arrangements to provide Products and Services to substantial organizations with multiple outlets or sites, such as a school district, an educational agency or a private educational organization. We refer to these opportunities as "Centralized Accounts." We and our affiliates can service and/or administer Centralized Accounts. If you agree

to provide services to the Centralized Accounts at our request, you can participate and share in the related revenues on terms that we established with the applicable Centralized Account

You may not engage in any promotional activities or sell Center Products and Services whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"), through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere, or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell Center Products or Services to any business or other customer for resale.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your designated Territory through any method of distribution other than a Tutoring Center with a street address in your Territory, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory except as described in the following paragraph and you do not have any right to receive any compensation for our sales through alternative distribution channels, although we may choose to enable you to do so, as described in the following paragraphs.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. However, we can license, create and/or maintain a Tutoring Centers website(s). We can choose to offer to the public on or through the Tutoring Center Website on-line tutoring services provided by us, a third party company or otherwise. We can choose, but do not have, to allow you to earn revenues in connection with your participation in any Tutoring Center Website program according to policies and practices that we establish for that purpose. We launched an on line tutoring services website in February 2011 and expect to generate revenues for ourselves in connection with its operations. The terms of franchisee participation in our The Tutoring Center on-line service program have not been established as of March 15, 2011, but we expect to give franchisees an opportunity to promote their involvement in the website and possibly earn revenues through it.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned centers which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

### **ITEM 13. TRADEMARKS**

We let you use the "The Tutoring Center" Marks and Logos in connection with the Center and the Franchised Business. The primary marks are THE TUTORING CENTER (word mark) and THE TUTORING CENTER and Design of Person Reaching for a Star (shown on the cover of this Disclosure Document).

Our affiliate, TTCL, owns the following trademarks, registered on the Principal Register of the United States Patent and Trademark Office (USPTO) by assignment from our principal owner:

Trademark	Registration No.	Registration Date	Services
THE TUTORING CENTER	3362490	January 1, 2008	Education services, namely, providing tutorial sessions in the fields of reading, math and writing for children, in Class 41
GENIUSES IN TRAINING & Design	3563825	January 20, 2009	Education services, namely, providing tutorial sessions in the fields of reading, math and writing for children, in Class 41
THE TUTORING CENTER and Design of Person Reaching for a Star	3498257	September 9, 2008	Education services, namely, providing tutorial sessions in the fields of reading, math and writing for children, in Class 41

TTCI intends to file all affidavits and to renew its registrations for the Marks when they become due

Neither we nor TTCI has a federal registration for THE ROTATIONAL APPROACH TO LEARNING, one of our secondary marks. Therefore, this trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark THE ROTATIONAL APPROACH TO LEARNING is challenged, you may not be able to use it, but you will still be able to use our principal marks.

We have a trademark license agreement from TTCI that lets us use and franchise you to use the Marks. The agreement is perpetual, however, TTCI can terminate that license at any time for cause. Termination would force us to stop granting new franchises, but it would not affect franchises granted before termination. Because TTCI is our affiliate and we are commonly owned by our principal shareholder, we do not expect the trademark license agreement to be terminated at any time that would be disruptive to us.

No decision of any court or government agency limits our right to use or license the use of the Tutoring Center trademarks. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board or any other government agency or court concerning our Marks.

You must not use any of our Marks in any way that is disparaging to the Marks (Franchise Agreement, Section 6 D). You must not use any of our Marks in Internet advertising, including on social media sites, without our prior written authorization and continued approval (Franchise Agreement, Section 6 H). You must not use any of our Marks as part of any corporate or other entity trade name, without our prior written consent (Franchise Agreement, Section 6 G). You must not use our Marks in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us (Franchise Agreement, Section 6 F).

You must notify us immediately when you learn about an infringement of or challenge to your use of any of our Marks. We will take any action we think appropriate. You cannot commence any investigation, complaint or legal action without first getting our written consent. We will indemnify

you for your costs of you are held liable in an infringement action and you complied with the Franchise Agreement and used the Marks properly

You must notify us promptly if you become aware of any complaint to or investigation by a governmental authority

You must modify or discontinue the use of any of our trademarks if we modify or abandon it. If this happens, we do not have to reimburse you for any related expenses

You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business

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

There are no patents or copyrights nor pending patents or copyrights that are material to the franchise. We claim copyrights in our confidential Operating Manual (which may consist of one or more manuals and other materials we name), tests, lessons and in other written materials we provide to you. You will also learn information that belongs to us as trade secrets. This includes methods of assessment, of conducting tutoring and other education, and of operating centers to provide these services, as well as advertising and marketing plans and strategies, client lists and data, Centers' operating data and statistics, The Tutoring Center Website contents and all Tutoring Center on-line tutoring services customer accounts and related enrollment information and other methods, formulas, information, and specifications and procedures on how we operate, as well as the contents of our Operating Manual. Your franchise agreement requires you to keep all of this confidential.

You must keep our secrets confidential while you are a franchisee and afterward. You cannot use our secrets in any activity other than operating your franchise. You must use reasonable procedures that we request to help protect our secrets.

There is no current determination of the Patent and Trademark Office, Copyright Office or court regarding our claimed patents and copyrights. We are not aware of any infringement in the U.S. that could materially affect the franchise in the U.S.

You must notify us when you learn of an unauthorized use of our confidential information or any copyrighted work. We do not have to take any action against an unauthorized user, and we can respond to as we deem appropriate. We do not have a duty to indemnify you for losses brought by a third party concerning your use of this information. You must cooperate with us when requested.

You assign all telephone numbers appearing under our trademarks to us and we keep them when you no longer are our franchisee. (Refer to the "Telephone Listing Agreement" attached to this disclosure document as Exhibit J.)

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

You must manage your Center and must maintain competent and conscientious personnel to staff your center, in accordance with our standards, specifications and operating procedures. You must maintain the condition and appearance of your center consistent with our standards. You must use

your best efforts to maximize and promote the sales and delivery of your Center's Products and Services

You, your Center Director and your Head Instructor must meet then current training standards and attend and participate in annual training programs, as we require. A Designated Owner is the person named in Schedule A of the Franchise Agreement and we deal with this individual on all matters about the Franchise Agreement. We can work with the Center Director about routine operations and reporting requirements. You must keep us informed at all times of the identities of your Designated Owner, Center Director and your Head Instructor.

We can require all Owners of a Business Entity franchisee to sign a personal guaranty of the franchisee's performance. Our current form of personal guaranty is attached to the Franchise Agreement as Schedule B, but the form can change. The Franchisee and all Owners commit to personal covenants to protect our Trade Secrets, Copyrighted Works and confidential information (Section 17 of the Franchise Agreement).

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

You must offer and sell only good and services we approve (the "Products and Services") for sale at your Center. If you want to offer other items, you must first get our written consent.

You must offer the full range of Products and Services we designate. You must not offer for sale or sell or provide any other service, supply, merchandise, good or accessory or use the Center for any purpose other than the operation of a Tutoring Center facility unless authorized by us in writing. If you wish to stop offering any Product or Service, you must first get our approval in writing. As it is important for the System to be flexible, we can add, delete or modify Approved Suppliers, the Services and Products you must offer from your Center, the Manuals and all other components of the Tutoring Center System to respond to commercial opportunities and challenges. However, you cannot make changes without our written consent. When you sign a Franchise Agreement you commit to the System and all related requirements and changes to the System, and understand that changes can require additional investment from you.

We can condition your offer or use of any Product or Service, or your participation in any program or promotion, on your ability to meet training, professional, operational or experience qualifications or other requirement. We can also require that your students meet enrollment eligibility criteria and other conditions in order to have certain products and services available to them.

You must use only enrollment and attendance forms, receipts, invoices and other forms approved by us. We do not warrant the legal sufficiency or quality of any documents that we may approve or provide, and you are responsible for having them reviewed locally for your own protection and ours.

You are not restricted with regard to customers you may sell to, except as to our Internet restrictions and our Centralized Accounts. However, you must conduct your Franchised Business only from your Center.



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

**THE FRANCHISE RELATIONSHIP**

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

Provision	Sections In Franchise Agreement	Summary
a Length of the franchise term	Section 3 A	Term of your agreement with us is 5 years. It could end earlier if we terminate you earlier pursuant to sections (e) and (f) below. If you are a transferee of an existing franchise, then your term will be either 5 years, or the remainder of the transferor's term, whichever we decide. Any term is potentially extendable for up to an additional 6 months, if we agree in writing, to correspond with the expiration of the Center's lease.
b Renewal or extension of the term	Section 3 B	If you meet all conditions, you can renew for an additional term, which will be either 5 years, or the length of time given in your preceding expired franchise agreement.
c Requirements for franchisee to renew or extend	Section 3 B	<p>To renew you must not be in default of any agreement with us, your center is in compliance with our then current specifications and standards, be able to keep your location, comply with our qualifications and training, provide at least 60 days' written notice of renewal, be current on all financial obligations to us, sign then current franchise agreement, pay renewal fee of \$5,000 (subject to inflation adjustment), see Exhibit H for a copy of our standard General Release to be signed when you renew your franchise agreement.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.</p>

Provision	Sections In Franchise Agreement	Summary
d Termination by franchisee	Section 18 A	You cannot terminate your franchise agreement early unless you and we both choose to agree in writing to an early termination. If that happens, you either pay us before the cancellation date a payment equal to \$800 times the number of full or partial calendar months left in your Agreement term or transfer all assets of the Center to us (at our option). Post termination obligations survive.
e Termination by franchisor without cause	N/A	We cannot terminate without cause.
f Termination by franchisor with cause	Section 18 B and C	We may terminate if you default on any of your obligations.
g "Cause" defined – curable defaults	Section 18 C	You have 5 days to cure monetary defaults and funds transfer account deficiencies and 30 days to cure any other curable defaults except where law requires longer. If you fail to cure in 30 days, we may terminate your franchise. Defaults not listed below in box h are probably curable.
h "Cause" defined – non-curable defaults	Section 18 B	Non-curable defaults include failure to open and equip center or complete any required training, misrepresentation in franchise application, felony or other offense likely to have an adverse impact on the franchise, unauthorized use or disclosure of the Manual, Trade Secret or other confidential information, abandonment, unauthorized surrender or transfer, failure to pay fees or other amounts due us or commit other default on two or more occasions in a consecutive 12 months period, whether or not cured, bankruptcy or insolvency, assignment of assets for benefit of creditors, appointment of receiver, voluntary or involuntary dissolution, levy against assets, misuse of Marks, submit false reports on two or more occasions within any 12 month period, violation of health and safety laws, refusal or failure to comply with inspections (See Note 1).

Provision	Sections In Franchise Agreement	Summary
i Franchisee's obligations on termination/ non-renewal	Section 19, Schedule C of Franchise Agreement and Exhibit J of disclosure document	De-identify and stop operating the Center, assign lease to us if we request and turnover branded items on premises as requested, stop using our System and Marks, cancel or assign any assumed name containing "Tutoring Center", pay all amounts due to us including any damages, costs and expenses we incur because of your default or to obtain injunctive relief if you fail to abide by your agreement, return/destroy/discontinue all use (as we request) of all manuals, customer lists, on line accounts and account information and related passwords and identifiers, records and all other information we request, cooperate on transfer of phone numbers, Internet and email addresses to us or our designee per telephone listing agreement, provide us option to buy assets of your center and/or deliver at your expense furniture and similar Tutoring Center materials to a location we select, and comply with the non-compete and other covenants
j Assignment of contract by franchisor	Section 20 A	There is no restriction on our right to assign
k "Transfer" by franchisee -- defined	Section 20 B	Includes transfer, assignment, sale or sublicense of your franchise agreement or all or any of your rights in agreement, the Franchised Business or a substantial portion of the assets
l Franchisor approval of transfer by franchisee	Sections 20 B	You must receive our approval first
m Conditions for franchisor approval of transfer	Sections 20 C and 20 D	You offer us right of first refusal, the proposed assignee is of good moral character and applies to become a franchisee, completes training, demonstrates necessary skills and qualifications, signs our then current agreement with some modifications or an assignment at our option, you are current on all money obligations, pay transfer fee, sign general release and comply with non-compete provisions

Provision	Sections In Franchise Agreement	Summary
n Franchisor's right of first refusal to acquire franchisee's business	Section 22	We can match any offer for your business
o Franchisor's option to purchase franchisee's business	Section 19 l	On written notice to you, on termination or expiration of the agreement, we can elect to purchase for cash, the assets of your center, including leasehold improvements, equipment, and supplies, at cost or fair market value, whichever is less
p Death or disability of franchisee	Section 21	Surviving heirs may operate the business if they qualify within 180 days, or they may assign to approved buyer If you are an entity, the death or incapacity of a majority Owner will not constitute a transfer if the surviving spouse or heirs qualify within 180 days, or they assign to an approved buyer
q Non-competition covenants during the term of franchise	Sections 17 B, 17 C, 17 D	You and Owners must deal exclusively with us You and Owners must not divert any customers, seek to employ any of our or other franchisee's employees or have involvement in any competing business
r Non-competition covenants after the franchise is terminated or expires	Sections 17 E	For 24 months after termination or non-renewal, you and Owners cannot operate a competing business within a 10 mile radius of your Center or within a 10 mile radius of any other Tutoring Center location
s Modification of the agreement	Section 31	No modification except in writing signed by you and us, but we can change the Manuals as we wish
t Integration/merger clause	Section 31	Only the terms of the Franchise Agreement or other applicable agreement are binding (subject to federal law) Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable

Provision	Sections In Franchise Agreement	Summary
u Dispute resolution by arbitration or mediation	Section 34	Except for claims for injunction and other provisional relief, any claim arising out of or relating to the Agreement, or its breach must be resolved by arbitration in Los Angeles County, California (See State Addenda, Ex G)
v Choice of forum	Section 34	All disputes to be arbitrated in Los Angeles County, California (See State Addenda, Ex G)
w Choice of law	Section 33	California law applies, except for breaches of Section 17 (law of the place where breach occurs controls then) and no California franchise law applies unless jurisdictional, definitional and application requirements of the law are met independently of this franchise term (See State Addenda, Ex G)

#### ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote the franchise

#### ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dr. Edward Thalheimer at 4300 Long Beach Boulevard, Suite 510, Long Beach, California 90807 and (562) 984-0830, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary  
For years 2009, 2010, 2011**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2009	16	23	+7
	2010	23	37	+14
	2011	37	46	+9
Licensed	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Company-Owned	2009	2	2	0
	2010	2	1	-1
	2011	1	0	-1
Total Outlets	2009	18	25	+7
	2010	25	38	+13
	2011	38	46	+8

**Table 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2009, 2010, 2010**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2009	0
	2010	1
	2011	0
<b>Total</b>	2009	0
	2010	1
	2011	0

**Table 3-a  
Status of Franchised Outlets  
For years 2009, 2010, 2011**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2009	0	1	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	0	0	0	0	0	2
Arizona	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
California	2009	11	3	0	0	0	2	12
	2010	12	9*	0	0	0	3	18
	2011	18	1	0	0	0	3	16
Colorado	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	1	0
	2011	0	0	0	0	0	0	0
Connecticut	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Delaware	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Florida	2009	3	0	0	0	0	1	2
	2010	2	1	0	0	0	2	1
	2011	1	1	0	0	0	0	2
Georgia	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Illinois	2009	0	1	0	0	0	0	1
	2010	1	2	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Indiana	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Missouri	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	1	0	0	0	0	2
New Jersey	2009	0	0	0	0	0	0	0
	2010	0	2	0	0	0	0	2
	2011	2	2	0	0	0	0	4
North Carolina	2009	1	2	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	1	2
Ohio	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	1	0	0	0	0	2
Pennsylvania	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Texas	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	1	0
	2011	0	3	0	0	0	0	3
Virginia	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Washington	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	2	0	0	0	1	2
Wisconsin	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
<b>Total</b>	2009	16	10	0	0	0	3	23
	2010	23	21	0	0	0	7	37
	2011	37	14	0	0	0	5	46

\* 1 Outlet was a Company-owned location in Long Beach, California sold to franchisee



**Table 3-b  
Status of INTERNATIONAL Franchised Outlets  
For years 2009, 2010, 2011**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Canada	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Dubai	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Mexico	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Total	2009	1	0	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	1	0	0	0	0	3

**Table 3-c  
Status of Licensees  
For years 2009, 2010, 2011**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
None	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Total	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2009, 2010, 2011**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2009	2	0	0	0	0	2
	2010	2	0	0	0	1	1
	2011	1	0	0	1	0	0
<b>Total</b>	2009	2	0	0	0	0	2
	2010	2	0	0	0	1	1
	2011	1	0	0	1	0	0

**Table 5**  
**Projected Openings as of December 31, 2011**

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
Arizona	1	0	0
California	10	0	0
Delaware	1	0	0
Florida	1	0	0
Georgia	1	0	0
Missouri	0	0	0
New Jersey	1	0	0
Ohio	0	0	0
Oregon	1	0	0
Pennsylvania	0	0	0
South Carolina	1	0	0
Texas	1	0	0
Virginia	1	0	0
Washington	0	0	0
<b>Total</b>	<b>19</b>	<b>0</b>	<b>0</b>

A list of the names of all franchisees and the addresses and telephone numbers of their businesses are provided in Exhibit D to this Disclosure Document

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit E to this Disclosure Document **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Tutoring Center System

There are no trademark-specific organizations formed by our franchisees that are associated with the Tutoring Center System

#### **ITEM 21. FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A are our audited financial statements for our fiscal years ended December 31, 2011, December 31, 2010, and December 31, 2009

Our fiscal year end is December 31

#### **ITEM 22. CONTRACTS**

Attached as Exhibit B is a copy of our franchise agreement Attached as Exhibit G are the State Specific Addenda that you may need to sign A copy of our current form General Release Upon Renewal of Franchise is attached to this Disclosure Document as Exhibit H A copy of our Telephone Listing Agreement is attached to this Disclosure Document as Exhibit J

#### **ITEM 23. RECEIPTS**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document as Exhibit K Please return one signed copy to us and retain the other for your records