

FRANCHISE DISCLOSURE DOCUMENT



NEW HORIZONS FRANCHISING GROUP, INC.

A Delaware Corporation
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Anaheim, CA 92806
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www.newhorizons.com

Franchise Business: We offer franchises for the operation of computer-related learning centers ("Centers") to independent operators throughout the United States and other countries.

Total Initial Investment: The total investment necessary to begin operation of a Center will fall between \$296,015 to \$653,800 (Start-Up Franchise) and \$58,015 to \$572,550 (Conversion Franchise). These totals include Initial Fees of \$60,000 - \$150,000 (Start-Up Franchise) or \$45,000 - \$93,750 (Conversion Franchise) that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of the disclosure document in another format, contact Craig Brubeck, Director of North American Franchise Development, New Horizons Franchising, Group, Inc., 1900 South State College Boulevard, Suite 450, Anaheim, California 92806 (telephone: (714) 940-8188; fax: (714) 940-8312; e-mail: craig.brubeck@newhorizons.com).

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

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

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

Issuance Date: April 3, 2015

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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit G 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 THE FRANCHISEE TO ARBITRATE OR LITIGATE ONLY IN ORANGE COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE IN CALIFORNIA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOU MUST PAY MINIMUM MONTHLY ROYALTY FEES OF \$1,000 EVEN IF THE FRANCHISE BUSINESS HAS NO REVENUE. THESE MINIMUM MONTHLY FEES BEGIN 4 MONTHS (IF YOU ARE A START-UP FRANCHISEE) OR 6 MONTHS (IF YOU ARE A CONVERSION FRANCHISEE) AFTER YOU SIGN THE FRANCHISE AGREEMENT EVEN IF THE FRANCHISE BUSINESS HAS NOT YET OPENED. MINIMUM FEES BEGINNING WITH THE SECOND YEAR OF THE TERM, AND THEN INCREASE EACH YEAR THROUGH THE FIFTH YEAR OF THE TERM, OF THE FRANCHISE AGREEMENT AS WE EXPLAIN IN ITEM 6 OF THIS FRANCHISE DISCLOSURE DOCUMENT. SEE ALSO EXHIBIT L.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. 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 make sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES:

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

State	Effective Date
California	December 23, 2015
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

MICHIGAN PROVISIONS

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by Michigan law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- A. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- B. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- C. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- D. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.

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Exhibits

- “A” Franchise Agreement and Exhibits:
 - Exhibit A - Description of the Territory
 - Exhibit B - Summary of Enterprise Learning Solutions
 - Exhibit C - Schedule of Names and Addresses of Sole Proprietor, Shareholders, Partner and/or Principal Officers, as applicable
 - Exhibit D - Extranet Licensing Agreement
 - Exhibit E- Guarantee (Initial Term) (E-1); Limited Guaranty (Renewal Term) (E-2)
 - Exhibit F - CMS.net Agreement
 - Exhibit G - Integrated Learning Agreement
 - Exhibit H - Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During An Initial and Renewal Term
- “B” Financial Statements
- “C” Names, Addresses and Telephone Numbers of Existing Franchisees and Affiliate-Owned Centers
- “D” Names, Addresses and Telephone Numbers of Terminated Franchisees
- “E” Form of Promissory Note (Initial Franchise Fee)
- “F” Initial Franchise Training Program Daily Schedule
- “G” List of State Franchise Administrators
- “H” State Addendum
- “I” Company’s Agents for Service of Process
- “J” Closing Acknowledgement
- “K” General Release
 - Exhibit A Arbitration and Other Relief
- “L” Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During An Initial and Renewal Term
- “M” Glossary of Defined Terms
- “N” Confidential Operations Manual - Table of Contents
- “O” Receipts

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN THE STATE ADDENDUM AT EXHIBIT H, EXCEPT THAT ADDITIONAL DISCLOSURES RELATED TO MICHIGAN LAW CAN BE FOUND RIGHT BEFORE THIS TABLE OF CONTENTS.

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

A. Terminology.

In this Franchise Disclosure Document, “NH,” “we,” “us” and/or “our” means or refers to New Horizons Franchising Group, Inc., the franchisor. “You” means the person who buys the franchise, and all principals of any corporation, partnership or other entity that owns the franchise.

Throughout this Franchise Disclosure Document, we capitalize terms and assign them special definitions. The definitions appear in the sentence in which we first use the term. The definitions also appear in alphabetical order in the Glossary of Terms, which we attach as Exhibit M.

B. The Company, Our Parents, Predecessor and Affiliates.

We are a Delaware corporation that was incorporated as New Horizons Franchising Group, Inc., on February 6, 2006 as part of a restructuring of our predecessor, New Horizons Computer Learning Centers, Inc., a California corporation. In this Franchise Disclosure Document, we refer to New Horizons Computer Learning Centers, Inc. as “our Predecessor.” We do business under the names “New Horizons” and “New Horizons Computer Learning Centers” (the “Service Marks”). Our principal business address is 1900 S. State College Blvd., #450, Anaheim, CA 92806. Our agent for service of process is Mr. Gregory E. Marsella, whose address is 1900 S. State College Blvd., #450, Anaheim, CA 92806. See Exhibit I for the names of our additional agents for service of process in certain states.

We are a wholly-owned subsidiary of New Horizons Worldwide, Inc. (“NHWW”), a Delaware corporation, whose principal place of business is the same as ours. NHWW’s immediate parent company, and our indirect parent, is NHHW Holdings, Inc., a Delaware corporation, which has a principal business address of 1 W Elm St, Ste 125, Conshohocken, PA 19428.

Our Predecessor is a California corporation that was originally incorporated as New Horizons Franchising, Inc., on June 19, 1991 and began offering franchises on November 22, 1991. Our Predecessor is also a wholly-owned subsidiary of NHWW and an affiliate of ours. As we disclose in Item 8, our Predecessor sells NH-Branded eLearning products to our franchisees. Our Predecessor’s business address is the same as ours.

Our affiliate, New Horizons Education Corporation, a Delaware corporation, is the registered owner of the principal trademarks that we identify in this Franchise Disclosure Document. We have entered into a License Agreement with NHEC to use and sublicense all intellectual property owned or licensed by NHEC, including the name “New Horizons.” NHEC’s primary business address is the same as ours.

C. Our Prior Experience.

We derive our experience from our management, many of whom were part of our Predecessor’s management.

Other than delivering eLearning to customers via the Franchisor’s Website, www.newhorizons.com, we are strictly a franchisor and at this time do not directly own or operate any Centers. However, our affiliate, New Horizons Computer Learning Centers of Portland, Inc. (“NHP”) operates a Center substantially identical to the Centers that our franchisees own and operate (“Affiliate-Owned Centers”). We and other affiliates of ours may in the future operate businesses of the type that our

franchisees operate.

We disclose information about franchisee-owned and Affiliate-Owned Centers operating in the United States in Item 20 and identify all operating Centers in the United States as of December 31, 2011 (the end of our last fiscal year) in Exhibit C. In addition to operating Centers in the United States, as of December 31, 2011 there were 146 Centers operating throughout the world. Operationally, the international Centers are substantially similar to the domestic Centers.

Neither we, our Predecessor nor our affiliates has offered franchises in any other lines of business. Together, the Affiliate-Owned Centers and the Centers that our franchisees own are referred to as the "Network."

D. The Franchises That We Offer.

We grant franchises to own and operate a Center on the terms of the Franchise Agreement attached as Exhibit A. We refer to the business that you conduct at the Center as the "Franchised Business."

As a franchisee, you will sell and deliver training to businesses and individuals who use any type of computer device, whether a desktop terminal or a laptop, tablet, or computer, other mobile devices, on how to use, manage and program computer-related software applications and how to use, build, manage, secure and repair computer hardware and related equipment. Training in the use of software applications may also involve professional skills training in business and personal productivity topics, such as making presentations, time and project management skills. You may also sell and deliver English language skills training and training in medical and pharmacy billing and coding skills, primarily (but not exclusively) to individuals.

NH franchisees sell training in various formats including via:

- (i) Live instructor-led classroom training or "ILT;"
- (ii) "Mentored Learning" instructor led training, which is a premier NH-Branded classroom solution offering students a multi-dimensional approach to learning adaptive to individual learning styles. By "NH-Branded," we refer specifically to products branded for sale and marketing displaying our name, Service Marks, tag lines and/or logos. Mentored Learning is taught by a mentor who guides and teaches the student by using assessments, reinforcement techniques and content consisting of written courseware and streaming video. To aid your delivery of Mentored Learning, you will have access to our "Learning Management System" ("LMS" or "New Horizons LMS") which is an administrative tool designed for the Mentored Learning classroom to process registrations and track student activities.
- (iii) "Online Live" live instructor led training delivered via the internet using industry-leading, synchronous distance learning platforms from Blackboard or Adobe;
- (iv) computer or virtual based training products and comparable forms of synchronous and asynchronous online training materials (which we refer to collectively as "CBT");
- (v) "eLearning," the term that we use to refer collectively to all forms of computer training and professional skills training available over or enabled by the Internet, or delivered electronically behind a firewall, including synchronous and asynchronous classes (including New Horizons Online Live ("OLL") and New Horizons Online Anytime ("OLA") classes as well as Labs on Demand), and

all other training delivered in whole or in part by any comparable or enhanced form of electronic technology now existing or developed in the future;

(vi) the operation of “eBusiness,” which includes performing services that facilitate the sale and delivery of eLearning. We define “eBusiness” collectively as any and all activities related to electronic commerce transactions that occur on any Network website including, without limitation, the collection and use of demographic information, scheduling and course delivery from any Network website, and/or the use of any Network website or electronic system for managing the existing Network business processes. We help franchisees engage in eBusiness by offering you access to our Center Management System known as “CMS.net.” CMS.net provides contact management, manages student enrollments, class inventories and accounts receivable. Use of CMS.net is optional, and you may choose to use another contact management software system without obtaining our prior approval. If you may elect to use CMS.net at any time during the term of your Franchise Agreement. However, once you elect to use CMS.net, you must use CMS.net for the remainder of the Franchise Agreement term. To elect CMS.net, you will sign our then-current form of CMS.net Agreement, which at this time is Exhibit F to the Franchise Agreement, and pay us the CMS.net Usage fees that we disclose in Item 6. The CMS.net Agreement provides you with access to our Web-based CMS.net platform accessible through our terminal server connections. If you do not use CMS.net, the system that you choose to perform comparable functions as CMS.net must enable you to complete and submit all financial and business reports to us electronically.

(vii) printed materials and “eContent” (the electronic versions of printed, instructional and support materials, including electronic course materials and electronic resources known as “Labs on Demand”), for use during and after ILT, eLearning and Mentored Learning instruction (we collectively refer to printed materials, “eContent,” Mentored Learning content and Labs on Demand as “Classroom Learning Content”); and

(viii) “Labs on Demand,” an NH-Branded, cloud-based, hands-on lab service we provide to our students so they can practice the knowledge gained during the lecture part of their class in a real world environment. We make our entire “Master Product List” (“MPL”) of Classroom Learning Content and eLearning courses available on our Extranet.

In operating your Center, you must sell and deliver training and Classroom Learning Content using the methodologies, curriculum and operating procedures that we establish and may revise for ILT, CBT, eLearning and classroom rentals. We may modify, delete and add new products, programs and services for you to sell and/or deliver to your customers in the future at any time.

In operating your Center, you must sell and deliver training and Classroom Learning Content using the methodologies, curriculum and operating procedures that we establish and may revise for ILT, CBT, eLearning and classroom rentals. We may modify, delete and add new products, programs and services for you to sell and/or deliver to your customers in the future at any time.

Your sales activities are subject to the Territorial Rules of Conduct (“TROC”), which are rules governing relationships between and among Network Members set forth in our Confidential Operations Manual (which we sometimes refer to in this Franchise Disclosure Document as the “COM”). We provide you with a copy of the COM at Initial Franchise Training (“IFT”). The COM contains detailed information on how to operate a New Horizons franchise Center.

Without any additional fee payable to us, we provide each Center with its own “click through” subpage which the public may access from Franchisor’s Website. We provide a template subpage and you may customize the content on your subpage to provide current information to existing and

prospective customers about your Center's operating hours, location, travel directions, course offerings and other relevant information. We treat all subpage content changes as local advertising for which you must obtain our prior written approval. Additionally, you may offer and sell eLearning courses from your subpage subject to the TROC.

We may also host NH-Branded e-Learning courses from Franchisor's Website. The terms and conditions regarding our delivery of eLearning are contained in the "Integrated Learning Agreement" ("ILA"), which is the contract that sets forth our agreements regarding the sale and delivery of eLearning to customers who reside in your Territory. A copy of the ILA is attached as Exhibit G to the Franchise Agreement. If a customer who resides in your Territory purchases eLearning from Franchisor's Website, you must pay us the delivery fees ("Delivery Fees"), and we will pay you certain revenues from the eLearning transaction under the conditions stated in the ILA.

While we agree not to open or franchise another Center in your Territory, we also reserve certain rights to engage in conduct in your Territory that constitutes "Acting as a Computer Learning Center." The term, "Acting as a Computer Learning Center" encompasses all of the following activities:

- (i) the sale and delivery of instructor-led computer and professional skills classroom training or ILT;
- (ii) the sale and/or delivery of CBT;
- (iii) the operation of eBusiness and the sale and delivery of eLearning and other forms of electronic training enabled by the Internet or comparable or enhanced forms of electronic technology now existing or hereinafter developed;
- (iv) the delivery or performance of other computer and professional skills training services that we incorporate in the System;
- (v) the sale and delivery of computer and professional skills classroom training through e-Learning and Mentored Learning; and
- (vi) the sale of Classroom Learning Content and other training products that we approve in advance.

You will deliver all of the ILT in your Territory. Under the TROC, some customers residing in your Territory may receive CBT and eLearning that has been sold by other Centers, or eLearning that is delivered by NH, and you may not receive revenues for training delivered in these circumstances. You may agree to deliver training in your Territory for another Network member, or ask another Network member to deliver training in its Territory for you, guidelines for these arrangements, including Inter franchise Fees, are set out in the COM.

If you are in good standing under the Franchise Agreement, you may request permission to open a Satellite Center in your Territory if we can reach mutual agreement as to the location of the Satellite Center and the additional Satellite Center fees payable. Your Center must support the Satellite Center.

NH franchisees employ a tele-sales approach to the sale of training services and products, using professional Account Executives ("AEs"). Through our Enterprise Learning Solutions ("ELS") team, we work with Centers and vendors to secure the potential delivery of training for larger enterprise

accounts. The Franchise Agreement sets forth the conditions for your participation in our enterprise program.

As we note above, we offer franchisees the opportunity to use our Web-based Center Management System, or CMS.net, which provides contact management, manages student enrollments, class inventories and accounts receivable support. Use of CMS.net is optional. If you elect to use CMS.net in operating your Center, you must sign our CMS.net Agreement. We attach the current version of the CMS.net Agreement as Exhibit F to the Franchise Agreement. As we explain in Item 6, under the CMS.net Agreement, you will pay us CMS.net Usage Fees, which we determine according to the number of end users (students receiving eLearning) and whether we designate you as a “multiple location” user. In operating eBusiness and providing eLearning to customers, you must adhere to the rules and requirements of the Territorial Rules of Conduct in the COM.

We have developed a single point of access Web-based platform, which we refer to as the “New Horizons LMS,” through which we deliver OLA, Mentored Learning, Online Live and Labs on Demand programs. In order to use the new platform for the management of your ILT programs, you will use CMS.net and pay the fees described in this Franchise Disclosure Document.

E. General Market for Your Products and Services and General Description of Your Competition

The Franchised Business’ primary markets are individuals, businesses and government agencies that need training in any of a variety of current computer software programs, information technology job functions, professional skills, English language skills and medical billing and coding skills. You will compete with other businesses offering live and distance-learning computer training classes, continuing education programs offered by educational institutions, training programs available at retail computer stores and dealers, independent computer consultants, internal corporate training departments and other instructors and training offered via a variety of electronic technologies, including Web-based training. The general market is competitive.

F. Law and Regulations.

Some states may regulate a Franchise Business operating in the state as a post-secondary private educational facility and require you to obtain an appropriate license before offering services. You are responsible for investigating any special licensing requirements in your state applicable to institutions or businesses that offer post-secondary educational services and, if special laws exist that apply to the activities you will engage in under the franchise license, for meeting all qualifications to engage in franchise services.

Franchise Businesses are also subject to laws and regulations affecting businesses generally. These laws include tax regulations, labor laws, business licensing requirements, laws affecting the construction of business premises, the American With Disabilities Act, laws prohibiting false advertising and export control laws pertaining to technology, among others. Additionally, federal and state laws affecting businesses generally include restrictions against smoking in public places, the public posting of notices regarding health hazards (e.g., tobacco smoke or other carcinogens), fire safety and general emergency preparedness laws, rules regarding the proper use, storage and disposal of waste, insecticides and other hazardous materials, and standards regarding employee health and safety. Some areas have also adopted or are considering proposals that would regulate indoor air quality. You should investigate all general laws in evaluating the franchise.

G. Your Owner's Obligations.

If you are a business entity, each of your owners who owns 5% or more of the outstanding voting interests of the business entity must sign the personal guaranty form that is Exhibit E to our Franchise Agreement (Exhibit A) agreeing to jointly and severally personally guaranty the entity's obligations to us under all contracts that the entity signs with us.

ITEM 2. BUSINESS EXPERIENCE

SENIOR MANAGEMENT

President and Chief Executive Officer: Earle Pratt

Mr. Pratt joined New Horizons on July 1, 2010 as President and Chief Operating Officer and was promoted to President and Chief Executive Officer in October, 2011. Before joining our company, Mr. Pratt was a private consultant for the period from November 2008 until June 2010 based in Barcelona, Spain working for a variety of education clients including New Horizons. Before starting his consulting business, from May 2003 until October 2008, Mr. Pratt worked at Wall Street Institute, an English-language training business headquartered in Baltimore, Maryland and operating in 27 countries. Mr. Pratt was located in their Baltimore, Maryland and Barcelona, Spain offices and held several positions during his tenure including Chief Financial Officer, Chief Operating Officer and Vice President for Franchising. Mr. Pratt works out of our parent company's offices in Conshohocken, PA.

Executive Vice President - Worldwide Operations & Chief Development Officer: Christopher Eden

Mr. Eden joined New Horizons in February 2013 as Executive Vice President, Worldwide Operations and Chief Development Officer based in Rome, Italy. Prior to that, Mr. Eden spent 13 years at Wall Street Institute, a worldwide leader in English language education, fulfilling multiple executive roles within Wall Street Institute from their Baltimore, Maryland and Rome Italy offices. Mr. Eden was Senior Vice President of International Development from October 2010 to January 2013 in the Rome, Italy office. Prior to that, from Wall Street Institute's Baltimore office, Mr. Eden served as Vice President of Franchising and Development from September 2008 to September 2010, and from June 2006 to August 2008 Mr. Eden was Vice President International Development.

BUSINESS DEVELOPMENT / PRODUCTS & PROGRAMS

Executive Vice President – Products and Programs & Chief Strategy Officer: Shelley Morris

Ms. Morris was named Executive Vice President- Products and Programs and Chief Strategy Officer in February, 2013. Previously, Ms. Morris served as Group Vice President, Products & Programs from August, 2010 to January, 2013 and before that served as Vice President of Strategic Accounts of our Predecessor from January 2003 to July 2010. After our Predecessor's restructuring and our formation in 2006, Ms. Morris served as Vice President of Strategic Accounts, until February, 2007, when she was promoted to Vice President of Strategic Relations. Before that, Ms. Morris was Vice President of Corporate Education Solutions (the previous name of our enterprise program) of our Predecessor from January, 2000 through December 2002. Ms. Morris joined our Predecessor in March of 1999 as Director of Strategic Accounts. Ms. Morris works out of our Anaheim, California office.

Executive Vice President, Chief Information Officer: Howard H. Mark

Mr. Mark joined New Horizons Worldwide, Inc. as Senior Vice President, Chief Information Officer in June 2007 and was later promoted to Executive Vice President, Chief Information Officer in February, 2013. Prior to that, Mr. Mark was employed as Executive Vice President, e-Business and Chief Information Officer of Right Management, a global career transition and organizational consulting services firm based in Philadelphia, Pennsylvania from December 2000 to October

2006. Mr. Howard graduated from Drexel University with a Bachelor's degree in Business Administration with a concentration in Accounting and Data Processing. Mr. Mark works out of our parent company's offices in Conshohocken, PA.

ACCOUNTING

Senior Vice President and Chief Financial Officer: Joseph DiPlacido

Mr. DiPlacido joined New Horizons Worldwide, Inc. in August 2007 as Vice President and Corporate Controller and was promoted to Senior Vice President and Chief Financial Officer in February, 2013. Prior to that, Mr. DiPlacido served as Assistant Controller for Zenta, Inc. in Philadelphia, PA from January 2007 until his employment with New Horizons Worldwide, Inc. From December 1995 until January 2007, Mr. DiPlacido served as Director of Shared Services with C & D Technologies, Inc. located in Blue Bell, PA. Mr. DiPlacido is a certified public accountant and holds a Bachelor's degree in Accounting from Drexel University and a Master's degree in Finance from St. Joseph's University. Mr. DiPlacido works out of our parent company's offices in Conshohocken, PA.

OPERATIONS

Director Franchise Development, The Americas: William "Craig" Brubeck

Mr. Brubeck joined us as Director of Franchise Development in June 2006. From June 1999 until joining our corporate office in June 2006, Mr. Brubeck held a number of successful positions in our franchise network, culminating in Vice President and General Manager of New Horizons Computer Learning Center of Huntsville, Alabama. Mr. Brubeck received his Bachelor's degree in Marketing from the College of Business at Florida State University. Mr. Brubeck works out of our Anaheim, California office.

Director, Corporate Services: Wendi Livingston

Ms. Livingston joined our Predecessor in April 2002 in the role of Regional Controller and held that position until October 2004 working from the Predecessor's New York, New York office. Ms. Livingston served as the Finance and Accounting Manager – Company Owned Locations from October 2004 to August 2005 in New York, New York, and from September 2005 to May 2012 in Charlotte, North Carolina. From May 2012 until January 2015, Ms. Livingston served as Regional Manager working from Charlotte, North Carolina. Beginning January 2015, Ms. Livingston assumed her role as Director, Corporate Services working from Charlotte, North Carolina. Before joining our Predecessor, Ms. Livingston was employed at Ernst & Young as a senior auditor from June 1998 until April 2002 in Hartford, Connecticut. Ms. Livingston is a certified public accountant and holds a Bachelor's degree in Accounting from Fairfield University. Mr. Livingston is based in Charlotte, North Carolina.

Senior Director, Franchise Sales Programs: Robert Lewis

Mr. Lewis has served as Senior Director, Franchise Operations since January 2015 from our Anaheim, California office. Before that, Mr. Lewis served as Director, Franchise Sales Programs from October 2010 to January 2015, working from our Anaheim, California office. Before that, Mr. Lewis was based in London, England and served as our Senior Manager, Europe from September 2009 through October 2010 and as our International Training and Implementation Manager from December 2007 through September 2009. From December 2006 through December 2007, Mr.

Lewis served as our Senior Training and Content Specialist working from our headquarters in Anaheim, California.

Manager, NHU: Joy Morgan

In January 2015, Ms. Morgan assumed her role as Manager, NHU working from our Anaheim, California office. Before that Ms. Morgan served as Content and Training Program Manager, NHU from January 2007 through January 2015 at our Anaheim, California office. Before that, Ms. Morgan served as Content and Training Specialist from September 2004 to January 2007 for our Predecessor. From November 2002 through August 2004, Ms. Morgan served as General Manager for our affiliate owned New Horizons Computer Learning Center in Anaheim, California.

Vice President International Franchise Operations: Michael Smith

Mr. Smith assumed his role as Vice President International Franchise Operations in January 2015 and is based in London, England. Before that, Mr. Smith served as Director Europe from January 2008 through January 2015, based in London, England. Before that, Mr. Smith was with New Horizons in the United Kingdom for over 10 years, starting in March 1997. There, Mr. Smith held a number of posts, including General Manager London / Director South East until August 2000 before his promotion to Managing Director UK, a position held until October 2002. At that point, Mr. Smith led the sale of a number of locations to new owners and in January 2003, moved to one of the new ownership groups, to become Director for the New Horizons Business in London and Birmingham. In June 2007, Mr. Smith took a leading role in the sale of the London and Birmingham businesses on behalf of the then ownership group, joining the newly re-unified New Horizons UK business, as Sales and Marketing Director until December 2007.

Senior Director, International Development: Scott McDaniel

Mr. McDaniel assumed his role as Senior Director, International Development in January 2015, and is based in Singapore. Before that, Mr. McDaniel served as International Development Director of New Horizons beginning July 2007 through January 2015 based in Singapore. Before that, Mr. McDaniel joined our Predecessor and its former subsidiary, New Horizons Computer Learning Centers, LLC ("APAC"), in June 2004 as Business Development Manager for our Asia-Pacific region. Before joining our Predecessor, Mr. McDaniel was employed in various positions with New Horizons franchisees in Australia and the United States. From February, 2000, until June 2004, Mr. McDaniel was General Manager of New Horizons Sydney, Australia. From August, 1998 until February, 2000, he worked as Sales Manager of New Horizons of Jacksonville, Florida. From May, 1998 until August, 1998, he was an Account Executive with New Horizons Baton Rouge, Louisiana. Mr. McDaniel maintains his corporate office in Singapore.

MARKETING

Vice President - Marketing: Mark Tucker

Mr. Tucker joined our Predecessor in November 2003. His most recent position is Vice President of Marketing, and is in the same position in our organization following our Predecessor's restructuring. Before joining our Predecessor, from August, 2000 to July 2003, he was Director of Marketing for Island Data Corporation, a Customer Relationship Management (CRM) software provider located in Carlsbad, California. Mr. Tucker graduated from California State University San Bernardino with a BA in Marketing. Mr. Tucker works out of our Anaheim, California office.

LEGAL

Senior Vice President, General Counsel and Secretary: Gregory E. Marsella

Mr. Marsella was named Senior Vice President, General Counsel and Secretary in February, 2013. Before that, Mr. Marsella joined our Predecessor in October, 2004 as Vice President and General Counsel, and served as our Vice President, General Counsel and Secretary following our Predecessor's restructuring until January, 2013. From 2002 to October 2004, Mr. Marsella was Vice President, Secretary and General Counsel to JCM Engineering Corp., a manufacturer of precision machine components for the aerospace and defense industries, located in Ontario, California. Before joining JCM, Mr. Marsella served as Vice President and Assistant General Counsel from 1999 to 2002 for FRD Acquisition Corp., the parent company for Coco's Restaurants, Carrows Restaurants and El Pollo Loco, located in Irvine, California. Mr. Marsella is a member of the California State Bar, received his Juris Doctor from Loyola Law School and his Bachelor in Arts degree from U.C.L.A. Mr. Marsella works out of our Anaheim, California office.

ITEM 3. LITIGATION

Pending Matters:

On or about October 28, 2014, we filed an action in the United States District Court for the District of South Carolina, Columbia Division, against our former franchisees, Cooke & Moses, LLC seeking to enforce their post-termination obligations following the termination of their Franchise Agreement on July 2, 2014 (New Horizons Franchising Group, Inc. v. Cook & Moses, LLC, et al., Case No. 3:14-cs-3333-JHA). Our Second Amended Complaint filed on or about October 30, 2014 seeks specific performance and appropriate orders from the court requiring the former subfranchisees to completely de-identify their business operations from the franchise system; cease using all intellectual property that we or NHEC own, including the Service Marks and any domain names registered by the subfranchisees; and return all confidential property pertaining to the franchise systems or other materials bearing the Service Marks in their possession, including our manuals and training materials. We are also seeking all outstanding royalties and fees due through the date of termination as well as future unpaid minimum royalties. On or about October 30, 2014, defendants filed an answer and counterclaims generally denying all allegations and asserting affirmative defenses and seeking affirmative relief based on claims alleging breach of contract, bad faith, and violation of South Carolina's unfair trade practices law. The counterclaims seek actual, consequential and punitive damages for the breach of contract and bad faith claims, and actual and treble damages for the statutory claim, all in unspecified amounts. Our answer to the defendants' counterclaims generally denies and asserts affirmative defenses as to all allegations. As of the Issuance Date of this Franchise Disclosure Document, the case is in the discovery stage.

Concluded Matters:

On or about December 23, 2011, our former franchisee in Toronto, Canada (ObjectSharp Corporation) and its shareholders (Michael J. Green, William B. Johnson, Barry T. Gervin and David K. Lloyd) filed a Statement of Claim in the Ontario Superior Court of Justice (Court File No. CV-11-442968) seeking rescission of their franchise agreement and damages in excess of \$1.5 million. The franchisee did not serve us with the lawsuit until March 8, 2012, which followed our termination of the Toronto franchise on January 25, 2012 for various contract defaults. On or about April 27, 2012, we served the franchisee with a Demand for Particulars seeking additional factual information regarding their claim. Settlement was reached between the parties on August 12,

2012, pursuant to which we were paid \$100,000 and all claims between the parties were dismissed.

On or about July 9, 2010, our former franchisee in Oklahoma City, Oklahoma (Jeff Mount, Dolores Mount & Gilreath & Martin Corporation) and Pensacola, Florida (Jeff Mount, Dolores Mount & NH Pensacola, Inc.) filed a demand for arbitration with the American Arbitration Association (AAA docket number 73 114 Y 00256 10 LBG) seeking damages in excess of \$500,000. The demand for arbitration followed our termination of the Oklahoma City and Pensacola franchises on July 6, 2010 for various contract defaults. On or about September 13, 2010, we filed a counterclaim against the former franchisees seeking, among other things, damages due to unpaid royalties owed for the terminated franchises. Settlement was reached between the parties in June, 2011, pursuant to which we were paid \$77,500 and all claims between the parties were dismissed.

On or about June 7, 2011, we, along with NHEC, filed an action in the Hong Kong High Court against former subfranchisees in Hong Kong seeking to enforce the post-termination obligations of the former subfranchisees following the termination of their Subfranchise Agreement on March 31, 2008 (New Horizons Education Corporation & New Horizons Franchising Group, Inc. v. Best Alliance Worldwide Ltd. & NH Hong Kong Services Ltd., Hong Kong High Court, Case No. HCA 2218/2008). Our complaint sought specific performance and appropriate orders from the court requiring the former subfranchisees to completely de-identify their business operations from the franchise system; cease using all intellectual property that we or NHEC own, including the Service Marks and any domain names registered by the subfranchisees; and return all confidential property pertaining to the franchise systems or other materials bearing the Service Marks in their possession, including our manuals and training materials. In July, 2011, the Court awarded a judgment in our favor which permanently enjoined the defendants from using our intellectual property and included an award of our attorneys' fees and costs.

On or about July 29, 2002, plaintiffs, Reginald Evans and Rachel Templeman, former employees of our Predecessor's affiliate, filed a class action lawsuit in the Superior Court of Orange County, California (Case No. 02CC00211) on behalf of themselves and all other instructors at Affiliate-Owned Centers in California against our Predecessor's affiliates owning Centers in California alleging wage and hour violations under California Labor Code. The complaint sought recovery of unpaid wages and unspecified damages, penalties and attorney's fees. Settlement was reached between the parties in September, 2004, pursuant to which our Predecessor paid \$1.7 million to plaintiffs.

On or about September 4, 2002 plaintiff, Diana Bell, filed a class action lawsuit on behalf of herself, members of the public and others similarly situated against NHWW in the Superior Court of Los Angeles County, California (Case No. BC280898) alleging that NHWW's website contained fraudulent statements about club memberships amounting to an unlawful business practice in violation of California law. Lead plaintiff Bell bought a club membership from the Princeton, NJ franchisee. On May 25, 2004, the court approved a settlement entitling affected members of the class to receive a specified amount of online training commencing December 1, 2004 through August 8, 2005.

On January 25, 2005, our Predecessor filed a complaint against Charles D. Scudder and Jerry Ann Barker, both individually and doing business as New Horizons Computer Learning Center of Greenville, SC, New Horizons Computer Learning Centers of Columbia, SC, and New Horizons Computer Learning Center of Virginia Beach, VA. (collectively "Defendants") in the Greenville, South Carolina Court of Common Pleas, Case No. 2005-CP-23-0598. The complaint seeks to recover unpaid royalties and other sums due to our Predecessor under the terms of their franchise

agreement. Upon filing an answer to the complaint, Defendants also filed a counter-claim against our Predecessor alleging breach of contract, negligence, negligent misrepresentation, unfair trade practices and breach of the implied covenant of good faith and fair dealings and seeking unspecified damages. In June, 2006, Defendants paid our Predecessor \$50,000 to settle the matter, our Predecessor dismissed the complaint and the parties executed a mutual general release of claims.

After Horizons 2100, the Master Franchisee in France, terminated plaintiffs’ subfranchise agreements, plaintiffs brought an action in the Commercial Court of Paris (Tribunal de Commerce de Paris, Iere Chambre Affaires Contentieuses) against Horizons 2100 that also named our Predecessor as a defendant. The action was filed in January, 2001, by the Association Les Sous Franchisees de New Horizons, NH Lyon company, NH Toulouse company, NH Bordeaux company, and NH Nice. Horizons 2100 predicated termination on plaintiffs’ contractual defaults including non-payment. Plaintiffs’ action alleged that Horizons 2100 had breached the subfranchise agreements by failing to provide promised support. After a series of proceedings, on January 20, 2003, the Paris tribunal ruled that all subfranchise agreements had been properly terminated for non-payment. While the court did not prohibit the plaintiffs from continuing to operate computer-training businesses, it ordered them to de-identify from the franchise system immediately and cease using all service marks. The plaintiffs appealed the matter to the Court of Appeals of Paris. The plaintiffs appealed the ruling to the Paris Court of Appeals which ruled in favor of our Predecessor in November, 2008, and therefore the matter is concluded.

Other than these 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

We base the “Initial Franchise Fee” on two factors: (1) the Territory’s population on the date that you sign the Franchise Agreement as determined by the most recent census statistics compiled and published by the United States Census Bureau in Washington, D.C., which determines your Territory’s Market Category as either a Small, Medium, Large or Mega Territory; and (2) whether the center will be a “Start Up” or “Conversion” franchise.

We determine the Initial Franchise Fee in a uniform manner according to the following schedule:

Market Category	Population		Initial Franchise Fee	
	Min Band	Max Band	Start Up Franchise	Conversion Franchise
Mega				
M - 1	8,000,000	+	\$150,000	\$93,750
M - 2	6,000,000	7,999,999	\$125,000	\$93,750
M - 3	4,000,000	5,999,999	\$125,000	\$93,750
Large				
L - 1	3,000,000	3,999,999	\$100,000	\$56,250
L - 2	2,000,000	2,999,999	\$100,000	\$56,250
Medium				
Med	1,000,000	1,999,999	\$75,000	\$56,250

Market Category	Population		Initial Franchise Fee	
	Min Band	Max Band	Start Up Franchise	Conversion Franchise
Small				
S - 1	750,000	999,999	\$60,000	\$45,000
S - 2	300,000	749,999	\$60,000	\$45,000

If you qualify as a Conversion franchise, the initial franchise fee for the Territory that we award you will be lower than for a Start-Up, as we show above. A Conversion franchise applies to those who own a computer training business at the time they buy a New Horizons franchise and convert it to the New Horizons system. Otherwise, you are a Start-Up franchise. We determine if you qualify as a Conversion franchise.

We use proceeds from the initial franchise fee for our general business purposes. The initial franchise fee is fully earned by us upon your execution of the Franchise Agreement, is payable in full when you sign the Franchise Agreement, and is not refundable under any circumstances.

ITEM 6. OTHER FEES

OTHER FEES			
Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
Monthly Continuing Royalty Fee (see note 1)	<p>The Monthly Continuing Royalty Fee is the greater of 6% of your monthly Gross Revenues, or the minimum royalty fee shown on Exhibit L. Exhibit L explains that the minimum royalty fee rate is different depending on whether you are signing a Franchise Agreement and beginning an initial 10 year term or beginning your first renewal term or a subsequent renewal term.</p> <p>See Note 1 for the definition of Gross Revenues.</p> <p>You begin paying the Continuing Royalty Fee on the Effective Date of the Franchise Agreement.</p> <p>Start-Up Franchisees are subject to the minimum Continuing Royalty Fee beginning in the 4th month, and Conversion Franchisees are subject to the minimum Continuing Royalty Fee beginning in the 6th month, after the Effective Date of the Franchise Agreement.</p>	The Continuing Royalty is payable on or before the 15th day of each month based on revenues you earned in the prior month. ²	<p>Once you reach Year 5 of the initial term, the minimum Continuing Royalty does not increase for the remainder of the initial term. During the first renewal term, the minimum Continuing Royalty increases at specific intervals shown on Exhibit L. During a subsequent renewal term, it remains at the same rate throughout the 5-year renewal term.</p> <p>The Market Category strata that determines the Initial Franchise Fee that you pay to us also determines the minimum Continuing Royalty Fee that you pay each year during the initial term.</p> <p>If you are entering into the Franchise Agreement in connection with exercising a renewal option, we re-determine the Market Category of your Territory on the first day of the Renewal Term. Otherwise, population changes in your Territory during the initial term or any renewal term will not change the amount that you pay as the minimum Continuing Royalty</p>
eLearning Delivery Fee: Online Live	Greater of (i) \$600/month or (ii) \$1.25 per student per day	Within 30 days of delivery of class. ⁴	See notes 2 and 5.
eLearning Delivery Fee: Mentored Learning	Greater of (i) \$600/month or (ii) \$1.25 per student per day	Within 30 days of delivery of class	See notes 2 and 5.
eLearning Delivery Fee: Mentored Learning Content	\$30 per student per day		See notes 2 and 5.
eLearning Delivery Fee: Labs on Demand	Per day fee varies based on type of class. Can range from \$7-\$40 per student per day.		See notes 2 and 5.
VMware Administration Fee	\$25 per student per VMware class	Within 30 days of delivery of class.	
eLearning Delivery Fee: Online Anytime	50% of our suggested retail sales price	Within 30 days of delivery of class.	While you set the prices for products on the MPL (other than special promotions or ELS

OTHER FEES			
Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
(see note 4)			accounts), we base the delivery fee on our suggested retail prices.
Monthly Marketing and Advertising Fee (see note 3)	1% of Gross Revenues	Payable on or before the 15th day of each month.	In addition to advertising and marketing on behalf of the Network, we use these fees to support Franchisor's Website.
Corporate Sales Manager	\$3,500/week and travel costs	At start of delivery of services.	Only charged if you request the services of an NH Corporate Sales Manager to come out to your Center.
Public or Private Offering Review Fee	\$25,000	Non-refundable fee payable before we review any proposed public offering of Franchised Business or franchisee.	See Franchise Agreement Section 9.4
Transfer Fee	\$5,000	Before completion of transfer.	Payable on transfer; but no charge if transfer is to (i) employee, officer or up to 49% to other owners; (ii) family members; (iii) within 6 months after the Effective Date of the Franchise Agreement to a corporation with the same ownership; or (iv) as a result of a death or disability (section 9.2 of the Franchise Agreement).
CMS.net Usage Fee (optional program) (see note 2)	\$515.40/month (0-10 users) \$1,152/month (11-20 users) \$1,949/month (21-40 users) \$2,920/month (41-60 users) \$3,802/month (61-80 users) + \$45 / additional user over 80 users	You make the first payment before accessing CMS.net.	This fee is payable only if you elect to use CMS.net, which is an optional program.
CMS.net Training (see note 2)	If you elect to use CMS.net, we will provide you with basic software training once without charge before you deploy CMS.net. If you desire additional training in CMS.net after deployment, we schedule additional training by mutual agreement and impose a training fee based on our then-current training fee, which at this time is \$500/day. If you ask us		While we do not require that franchisees that elect to use CMS.net complete our training course, we highly recommend it. We deliver CMS.net training through Online Live and NHU e-Instructor courses, but can offer onsite training if you request it.

OTHER FEES			
Column 1	Column 2	Column 3	Column 4
Type of Fee	Amount	Due Date	Remarks
	to provide CMS.net training at your Center, then we will additionally charge you for our time and travel.		
Audit Fee	Cost of audit (ranges from \$1,500 to \$3,000) plus interest on under-payment at annual percentage rate ("APR") of 10%.	30 days after billing.	Payable only if audit shows an understatement of at least 3% of Gross Revenues or if records require more than 8 hours of work by auditor to be made ready for audit.
COM Fee	\$5,000	Upon demand by us.	Payable only if you lose or destroy the COM
Renewal Fee	\$7,500	When you notify us of your intention to exercise a renewal option.	You must sign our then current form of franchise agreement when you renew.
Annual System Meeting	We may charge reasonable attendance fees, not to exceed \$750 per person.	At time of meeting.	At least your General Manager must attend this meeting.
Extranet License Fee	\$25 monthly	Payable on or before the 15th day of each month.	You will sign the Extranet License Agreement in the form of Exhibit D to the Franchise Agreement
TROC Violation Fine	Not to exceed \$5,000	14 days after receipt of notice.	For breach of Territorial Rules of Conduct. The fine is in addition to the financial resolution that you pay another franchisee (and not us) as part of the resolution of the TROC violation.
Satellite Fee (optional program) (see note 6)	We negotiate the amount	After we approve your request to open a Satellite Center.	Payable only if you request approval to open a Satellite Center in your Territory
Interest	We impose interest on late payments at annual percentage rate ("APR") of 10% (or the highest rate permitted by law, whichever is lower).	Late payment is a material default under the Franchise Agreement. By charging interest, we do not waive our right to terminate the Franchise Agreement on account of late payment.	Applies to all amounts payable to us under the Franchise Agreement. Interest is payable on the entire amount that is past due from the date payment is due until you pay the arrearage and interest in full.

All of the following continuing fees are payable under the Franchise Agreement:

Note 1. At this time, we impose continuing fees in a uniform manner. However, we retain discretion to reduce fees in individual cases in our discretion. All fees are payable to us. All fees are non-refundable.

We define "Gross Revenues" to mean all revenue of the Franchised Business, whether paid in cash or by credit card, that would be recognized as revenue on an accrual accounting basis (including the recognized portion of deferred revenue) following generally accepted accounting principles without adjustment for any of the operating, selling, general or administrative costs or expenses of the Franchised Business. For example, Gross Revenues include amounts that you receive for delivering computer or other training goods or services, room rentals, courseware fees, testing fees, on-site cafeteria revenue, or similar items. Gross Revenues exclude, however: (i) interest income; (ii) capitalized asset sales; (iii) the non-recognized portion of deferred revenue and (iv) receipts from other franchisees for the transferred-in delivery of training services pursuant to an inter-franchise transaction.

If you do not make timely payment of any amounts owed to us 3 times within any period of 12 consecutive months, we may require you to pay us an "Advance Deposit" equal to the highest Monthly Continuing Royalty, e-Learning delivery fees, Advertising Fees, and CMS.net Usage Fees (if you elected to use CMS.net) that are payable during any of the preceding 12 months, from which we may withdraw funds to pay deficiencies without notice to you.

Note 2. CMS.net is an optional program so the CMS.net Usage fees described in this Item 6 are payable only if you elect to use CMS.net, which is an optional program. The CMS.net training fees are mandatory if you elect to use CMS.net. CMS.net Usage fees also appear on Exhibit "A" of the CMS.net Agreement. We offer three types of CMS.net Agreements: (1) a "Conversion CMS.net Agreement," which means a CMS.net Agreement used by a franchisee which is currently using an older version of our CMS software and/or database and converting to our current CMS.net software and/or CMS.net database; (2) a "Multiple Location CMS.net Agreement," which means a CMS.net Agreement used by a franchisee operating from multiple locations and who is designated by us, in our sole discretion, as a "Multiple Location Franchisee," and (3) a "Standard CMS.net Agreement," which means a Center that is using non-CMS software and converting to our current CMS.net software and/or CMS.net database.

Note 3. An additional assessment of Marketing and Advertising fees may be imposed if franchisees owning two-thirds of all franchised Centers agree to such an assessment. (See Franchise Agreement Section 4.4(b)).

Note 4. We may establish reasonable credit limits for amounts due from you and may require that you prepay Delivery Fees to us before we deliver OLA to your customers.

Note 5. Under the ILA (Exhibit G to the Franchise Agreement), we may impose and collect from you reasonable Delivery Fees for delivering eLearning to customers who reside in your Territory. We may modify the Delivery Fee rates upon 30 days' notice by posting the new Delivery Fees on our "Extranet," which refers to the electronic communications device that we utilize to convey information to all Network Members (or on any successor electronic communications device implemented by us serving an equivalent function).

Note 6. If you request permission to open a Satellite Center, we may require you to pay us a fee for that privilege, which we determine through negotiation. We include the Gross Revenues of the

Satellite Center in computing Continuing Royalty Fees and Marketing and Advertising Fees.

You must pay us the amount of any state or local sales, use, gross receipts, or similar tax that the state or local government authority imposes on fees which you pay to us under the Franchise Agreement, without offset or deduction of any kind. Your obligation to reimburse us for these taxes does not extend to income-type taxes which a state or local government imposes on our income.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

START UP FRANCHISES:

YOUR ESTIMATED INITIAL INVESTMENT START UP FRANCHISES				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (see note 1)	\$60,000 - \$150,000	Lump sum; non-refundable (up to 100% may be financed by us at our sole discretion)	When you sign the Franchise Agreement	Us
Travel and Living expenses (see note 2)	\$2,000 - \$5,000	As needed; vendor determines refund conditions	During Initial Franchise Training	Airlines, hotels & restaurants
Computer Hardware and Software (including NH Extranet)	\$85,000 - \$175,000	Lump sum or financed; non-refundable	Before opening	Vendors
Software Vendor Fees (see note 6)	\$0 - \$10,000	Per the agreements with the software vendors; vendors determine refund conditions, if any	Per the agreements with the Software Vendors	Vendors
Furniture and Furnishings	\$30,000 - \$52,000	Lump sum or financed; non-refundable	Before opening	Vendors
Inventory and Supplies	\$1,500 - \$3,000	Lump sum; typically non-refundable	Before opening	Vendors
Student Courseware Fees (see note 7)	\$6,000 - \$83,000	Lump sum depending on terms with courseware vendor	Monthly	Vendors or Us
Leasehold Improvements	\$3,000 - \$13,000	Lump sum or financed; non-refundable	Before opening	Vendors
Exterior Signs	\$2,000 - \$5,000	Lump sum; non-refundable	Before opening	Approved vendors
Rent (including real estate and other taxes) (see note 5)	\$2,500 - \$20,000	Lump sum; non-refundable	Monthly	Landlord

YOUR ESTIMATED INITIAL INVESTMENT START UP FRANCHISES				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Security Deposits	\$2,500 - \$20,000	Lump sum; deposit may be refundable depending on terms of lease	Before opening	Landlord and leasing companies
Business Insurance	\$1,000 - \$4,000	Lump sum; typically non-refundable	As required by insurers	Insurance company
Additional Funds - 1st 3 months (see note 3)	\$100,000	Varies; typically non-refundable	As required	Varies
Training Employees on NH System	\$0 - \$10,000	As needed; non-refundable	Until staff is fully trained	Varies
CMS.net Usage Fee(see note 4)	\$515 - \$3,800	Lump sum; non-refundable	Monthly	Us
TOTALS (see note 8)	\$296,015 - \$653,800			

YOUR ESTIMATED INITIAL INVESTMENT

CONVERSION FRANCHISES:

YOUR ESTIMATED INITIAL INVESTMENT CONVERSION FRANCHISES				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (see note 1)	\$45,000 - \$93,750	Lump sum; non-refundable (up to 100% may be financed by us at our sole discretion)	When you sign the Franchise Agreement	Us
Travel and Living Expenses (see note 2)	\$2,000 - \$5,000	As needed; vendor determines refund conditions	During Initial Franchise Training	Airlines, Hotels & Restaurants
Computer Hardware and Software (including NH Extranet)	\$0 - \$175,000	Lump sum or financed; non-refundable	Before opening	Vendors

YOUR ESTIMATED INITIAL INVESTMENT CONVERSION FRANCHISES				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Software Vendor Fees (see note 6)	\$0 - \$10,000	Per the agreements with the software vendors; vendors determine refund conditions, if any	Per the agreements with the Software Vendors	Vendors
Furniture and Furnishings	\$0 - \$52,000	Lump sum or financed; non-refundable	Before opening	Vendors
Inventory and Supplies	\$0 - \$3,000	Lump sum; typically non-refundable	Before opening	Vendors
Leasehold Improvements	\$0 - \$13,000	Lump sum or financed; non-refundable	Before opening	Vendors
Student Courseware Fees (see note 7)	\$6,000 - \$83,000	Lump sum depending on terms with courseware vendor	Monthly	Vendors or Us
Exterior Signs	\$2,000 - \$5,000	Lump sum; non-refundable	Before opening	Approved vendors
Rent (including real estate and other taxes) (see note 5)	\$2,500 - \$20,000	Lump sum; non-refundable	Monthly	Landlord
Security Deposits	\$0 - \$20,000	Lump sum; deposit may be refundable depending on terms of lease	Before opening	Landlord and leasing companies
Business Insurance	\$0 - \$4,000	Lump sum; typically non-refundable	As required by insurers	Insurance company
Additional Funds - 1st 3 months (see note 3)	\$0 - \$75,000	Varies; typically non-refundable	As required	Varies
Training Employees on NH System	\$0 - \$10,000	As needed; non-refundable	Until staff is fully trained	Varies
CMS.net Usage Fee (see note 4)	\$515 - \$3,800	Lump sum; non-refundable	Monthly	Us
TOTALS (see note 8)	\$58,015 - \$572,550			

YOUR ESTIMATED INITIAL INVESTMENT

SATELLITE CENTER:

YOUR ESTIMATED INITIAL INVESTMENT SATELLITE CENTER:				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (see note 1)	\$0			
Travel and Living Expenses (see note 2)	\$0			
Computer Hardware and Software (including NH Extranet)	\$20,000 - \$50,000	Lump sum or financed; non-refundable	Before opening	Vendors
Software Vendor Fees (see note 6)	\$0 - \$10,000	Per the agreements with the Software Vendors	Per the agreements with the Software Vendors	Vendors
Furniture and Furnishings	\$5,000 - \$15,000	Lump sum or financed; non-refundable	Before opening	Vendors
Inventory and Supplies	\$1,000 - \$2,000	Lump sum; is non-refundable usually	Before opening	Vendors
Student Courseware Fees (see note 7)	\$6,000 - \$83,000	Lump sum depending on terms with courseware vendor	Monthly	Vendors or Us
Leasehold Improvements	\$3,000 - \$10,000	Lump sum or financed; non-refundable	Before opening	Vendors
Exterior Signs	\$2,000 - \$5,000	Lump sum; non-refundable	Before opening	Approved vendors
Rent (including real estate and other taxes) (see note 5)	\$2,500 - \$8,000	Lump sum; non-refundable	Monthly	Landlord
Security Deposits	\$2,500 - \$10,000	Lump sum; deposit may be refundable depending on terms of lease	Before opening	Landlord and leasing companies
Business Insurance	\$1,000 - \$2,000	Lump sum; typically non-refundable	As required by insurers	Insurance company
Additional Funds - 1st 3 months (see note 3)	\$25,000	Varies; typically non-refundable	As required	Varies
TOTALS (see note 8)	\$68,000 - \$220,000			

ITEM 7 NOTES ARE AN INTEGRAL PART OF ITEM 7

Item 7 explains the estimated initial investment to open and begin operating a Center. We separately show the estimated initial investment to open a Satellite Center as of the Issuance Date of this Franchise Disclosure Document. We do not require you to operate a Satellite Center as a condition of the award of franchise rights. Consequently, we have left the initial investment range off of the cover page of this Disclosure Document.

The estimated initial investment covers the initial period of operations, beginning when you sign the Franchise Agreement and continuing through the end of the first 3 months after your Center opens for business to the public. The initial period is not our estimate of the time that we believe it should take your business to “break-even.” The Item 7 charts are accompanied by the following detailed notes that explain each expense category and the variables that influence the low and high initial investment estimates. These notes are an integral part of Item 7.

This Item 7 identifies only incremental costs that you may incur specifically to open a Satellite Center above your costs to open a Center.

If we choose to allow you to open a Satellite Center, you may only use it for teaching and delivery of classes. While we have certain minimum size requirements for a Center, we do not have minimum size or classroom requirements for a Satellite Center. The General Manager of your primary Center may oversee operations at your Satellite Center; your Satellite Center need not have a dedicated General Manager. Any administrative support that your Satellite Center requires must come from your primary Center. Depending on the terms of software vendors, you may be able to negotiate a licensing fee that permits you to use the software at your Satellite Center with minimal or no additional fees. The initial investment ranges take these economies of scale into account in showing incremental costs to open a Satellite Center.

(1) Under limited circumstances and at our sole discretion, we may offer financing of up to 50% of the initial franchise fee. We may also suggest third party sources for financing of equipment and computer hardware. Any interest or other fees received by us from financing or otherwise under the Franchise Agreement are not refundable. See Item 10 for the terms of our financing program.

(2) You pay no additional fee for IFT but are responsible for the travel and living expenses for your trainees. We do not extend IFT or require you to attend additional training in order to open a Satellite Center.

(3) If you are converting your business to New Horizons, you will need additional funds beyond cash flow from operations for various start-up expenses that will enable you to identify and operate your business in accordance with System requirements.

Start-Up franchises will need additional funds to pay start up and operating expenses and to cover potential operating deficits as needed during the initial period. If you choose to open a Satellite Center, your Additional Funds will be higher than shown.

As we note above, we consider the initial phase to be the first 3 months of operations after your Center opens. The initial period is not our estimate of the time that we believe it should take your business to “break-even.” You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We cannot guarantee that you will not have additional expenses, or other categories of expenses, during the initial period. This estimate of additional funds is based on the experiences of our franchisees and our Affiliate-Owned Centers.

(4) Use of CMS.net is optional. If you elect not to use CMS.net, you will have expenses associated with licensing or procuring software programs performing comparable functions as CMS.net and should budget accordingly. These estimates reflect initial investment expenses for using CMS.net. You may need to adjust these estimates to reflect the fees imposed by alternative software vendors that you select.

(5) Your actual rent will depend on the size of your Center or Satellite Center and the location of your market and may include the amortized cost of additional leasehold improvements.

(6) For example: Fees payable to Microsoft and Cisco for Certified Partner for Learning Solutions (CPLS) and Cisco Learning Partner Associates (CLPA) fees respectively and license fees for participation in other vendor programs.

(7) Your actual courseware costs will depend on the size of your Center and the number of students taking courses each month. Generally, courseware costs equal between 7-11% of a Center's gross revenue.

(8) All Item 7 figures are estimates only. Your costs will depend on many factors including your management skill, experience and business acumen; local economic conditions; the local market for our services; prevailing wage rates; competition; your actual sales levels; and similar considerations. Costs may increase over time and due to inflation and similar factors.

The totals do not include any allowance for payments made to a bank or financing company on loans that you may obtain to finance the cost of purchasing the franchise, equipment, or other financing costs, or fees payable to us other than those fees specifically identified in Item 7.

You should review the Item 7 figures and notes carefully with a business advisor before making any decision to purchase the franchise. We cannot guarantee that you will not have additional expenses, or other categories of expenses, to start the Franchised Business. You should not plan to draw income from operations during the start-up and development stage of your franchise, which may be a period exceeding the three month "initial phase" responsive to the franchise disclosure laws. You should have additional funds available in reserve, either in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses, losses or unanticipated events during the start-up and development stage or beyond.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General. In operating your Center, you must follow our comprehensive specifications that govern the products and services you may offer to customers. These specifications cover sales activities (including abiding by the TROC); computer hardware and software that you may use in your Center; signs, trade dress and imaging components; minimum insurance requirements; accounting and contract management software; and similar matters. These specifications strengthen customer confidence in the New Horizons brand. We explain these specifications in the COM and indicate when particular programs and specifications are optional. We may revise our specifications, in our discretion, as frequently as we believe is necessary through written supplements to the COM and communications on the Extranet. You must conform to all changes that we make in our mandatory specifications, at your cost, within the time we allow. Changes in mandatory specifications may include modifications to the New Horizons Service Marks. Our specifications may include requiring you to purchase or lease specific products or services from us, our affiliates, third party suppliers that we designate or suppliers approved by us. We summarize all requirements to purchase from a

designated source in this Item 8.

You must have comprehensive general liability or commercial general liability insurance in effect with minimum coverage of \$1,000,000 that names us as an additional insured. Also, you must carry worker's compensation insurance and automobile insurance with coverage of at least \$100,000 bodily injury per person, \$300,000 bodily injury per accident, \$100,000 property damage per accident or \$300,000 (combined single limit) for bodily injury and property damage or accident. Please refer to section 8.6 of your Franchise Agreement and the COM for specific information regarding insurance.

eLearning. You may only offer NH-Branded eLearning and operate eBusiness on the terms and conditions of the Franchise Agreement and ILA (Exhibit G to the Franchise Agreement). You must execute the ILA when you sign the Franchise Agreement. We may market NH-Branded eLearning on Franchisor's Website and we will also allow you to market approved eLearning curriculum on your individual subpage on our Website, including NH-Branded eLearning, subject to the TROC. In this way, customers who reside in your Territory may purchase and receive NH-Branded eLearning directly from your subpage or from Franchisor's Website. Subject to the terms of the ILA, if an eLearning customer who resides in your Territory purchases NH-Branded eLearning from Franchisor's Website, we credit you with certain revenues from the transaction, but you must pay us the Delivery Fees.

We disclose below the revenue that our Predecessor received on account of our franchisees' NH-Branded eLearning transactions during the 12 months ending 12/31/14.

Under the TROC, there are circumstances when you are not entitled to receive revenue from transactions that customers residing in your Territory have with other NH Centers either in purchasing CBT or eLearning.

Classroom Learning Content. In operating as a New Horizons Computer Learning Center, you will be providing Classroom Learning Content at the start of each class. Classroom Learning Content includes printed materials, Mentored Learning content and eContent. Classroom Learning Content is a critical component of the classroom experience. The students may keep any printed materials at the end of the class, and, depending on the class, may have continued access to eContent after the class for a specific time period.

We have made arrangements to supply the Network with Classroom Learning Content. You may only order NH-Branded eContent and Classroom Learning Content from our approved vendors or us. In return for our commitment to purchase large volumes of Classroom Learning Content and assume the volume purchase and accounts receivable risks, and to reimburse us for our expenses associated with the costs of the research and development of the eBusiness and the eLearning environment, our Predecessor will make a profit on the sale of eContent and Classroom Learning Content to you.

We list all Classroom Learning Content and eLearning courses on our MPL, which we update from time to time and list on the Extranet. The MPL describes all products and courses in detail by course title, number of hours of training, course materials delivered with that course, and by course outline. In addition to purchasing NH-Branded Classroom Learning Content and eContent from us or our approved vendors and us, you may purchase Classroom Learning Content or eContent from other third party vendors, or you may produce these materials yourself if you are not required to use NH-Branded Classroom Learning Content. If you produce Classroom Learning Content or eContent, your course or product must be of the same quality as those that we create or use

throughout our system. Also, we must approve any NH-Branded synchronous web based course or product which you offer, sell or deliver yourself. You can never use materials or products from different sources within the same New Horizons class.

You determine the prices that you will sell Classroom Learning Content and eContent to your customers. You may sell a "Site License" to your customers with multiple users, under certain conditions, using a form agreement approved by us and the copyright holder of the Classroom Learning Content. The Site License will specify the amount payable for the term, which is usually one year. You may not sell a Site License to any customer who plans to resell the Classroom Learning Content to third parties without prior written approval from the content provider.

In providing New Horizons services to your customers, you must use the Learning Catalog classroom schedules in the format we have designed. You may select any vendor you wish to print your Learning Catalogs as long as they offer high quality printing and can reproduce the Learning Catalog accurately.

We may officially approve additional vendors offering the same services as the vendors that we may from time to time designate, and if we do, we will let you know promptly. In order for us to approve another vendor, samples of their products or a detailed description of their services must be submitted to us for our review. We also may ask to see the proposed vendor's recent financial records, and information that will enable us to evaluate the proposed vendor's business reputation, delivery performance, credit rating and other pertinent information. We usually complete this review within 30 days, after which both you and the proposed vendor will be notified of the results.

In situations where we recommend or approve of a vendor, but do not mandate that you purchase products or services or use the vendor, we do not provide material benefits (for example, renewal or granting additional franchises) based on your decision to buy products or services or use the vendor that we recommend or approve. If we designate a vendor from whom you must purchase products or services, your failure to use the vendor is a material breach of the Franchise Agreement.

Revenue From Third Parties on Account of Franchisee Transactions.

During its fiscal year ended 12/31/14, our Predecessor, New Horizons Computer Learning Center, received the following amounts on account of transactions by third party suppliers with our franchisees:

1. \$132,180.70 from the sale of the following classroom learning content published and sold by Logical Operations, a New York corporation: A+, Network +, Project Management, unofficial Microsoft Office courseware, Information Security, Business Skills, Linux, and other computer professional products provided for ILT. You are not required to purchase products from Logical Operations, however, we have negotiated favorable pricing from this vendor.
2. \$28,710.03 from the sale of video based content produced by SONIC Performance Support GmbH, a German Corporation. Our Predecessor paid royalties and fees to SONIC Performance Support from this revenue. You are not required to purchase these products.
3. \$42,300.00 in revenue from the sale of video based content produced by Logical Operations, a New York Corporation. Our Predecessor paid royalties and fees to

Logical Operations from this revenue. You are not required to purchase these products.

4. \$6,193.51 in revenue from the sale of video based content produced by LearnNowOnline, a Minnesota Corporation. Our Predecessor paid royalties and fees to LearnNowOnline from this revenue.
5. \$659,601.55 from the sale of elearning content produced by Skillsoft, formerly Element K, a Republic of Ireland corporation. Our Predecessor paid royalties and fees to Skillsoft from this revenue. You are not required to purchase these products.
6. \$539,826.86 in revenue from the sale of video based content produced by CareerAcademy.com, a Massachusetts corporation. Our Predecessor paid royalties and fees to CareerAcademy.com from this revenue. You must purchase these products.

All figures are taken from our Predecessor's unaudited financial statements. Our Predecessor did not pay us any part of the revenue that it received from franchisee transactions with third party suppliers in 2014. Except as disclosed above, during the 12 months ending 12/31/14, neither we nor our Predecessor nor any other affiliate of ours received payments from any suppliers as a result of purchases by or transactions with New Horizons franchisees.

We estimate that required purchases and leases of goods/services represent approximately 2% to 3% of your total initial investment and 10% to 17% of your monthly operating expenses if you are a startup or conversion franchisee.

Computer Systems. At your cost, you need to purchase and maintain computer hardware and software meeting our specifications.

The Confidential Operations Manual contains the minimum hardware and software requirements for classroom computers or laptops. In order to use our CMS.net service, (Exhibit F to the Franchise Agreement), your computer system must meet minimum technical requirements, which we explain in the Confidential Operations Manual.

Additional Disclosure re: Suppliers. At this time, no officer of the Company owns an interest in any required, recommended or approved supplier other than one officer who owns a nominal interest in Feedback Systems, Inc., a public company which performs survey and market research for us at trade shows.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	III, 7.6	7,11
b.	Pre-opening purchases/leases	8.2, 8.4	8
c.	Site development and other pre-opening requirements	VIII	6, 7, 11
d.	Initial and ongoing training	7.1, 7.4, 7.5	11

	Obligation	Section in Franchise Agreement	Disclosure Document Item
e.	Opening	III, 8.1 and Exhibit F-1 and Exhibit F-2 to the Franchise Agreement	11
f.	Fees	IV, 5.2(a), 7.2, 7.3, 8.2, 9.2(k), Exhibit G and Exhibit L	5, 6
g.	Compliance with standards and policies/Operating Manual	2.3, VI, 8.1, 8.3, 8.4, 8.9, 8.11	11
h.	Intellectual Property, including Trademarks, Patents and proprietary information	II, VI, 7.7, 8.3 Exhibit G	13, 14
i.	Restrictions on products/services requirements	II, 6.2, VIII Exhibit G	16
j.	Warranty and customer service requirements	Not applicable	
k.	Territorial development and sales quotas	Not applicable	
l.	Ongoing product/service purchases	8.2 and Exhibits F and G	8
m.	Maintenance, appearance and remodeling requirements	5.2(d)	11
n.	Insurance	8.6	7, 8
o.	Advertising	4.4, 8.4 and Exhibit G	6, 11
p.	Indemnification	13.2	14
q.	Owner's participation/management/staffing	7.1, 7.3, 8.1	11, 15
r.	Records/reports	8.7, 8.8	6
s.	Inspections/audits	8.7, 8.8	6,11
t.	Transfer	IX	17
u.	Renewal	5.2	17
v.	Post-termination obligations	12.1 and Exhibits F and G	17
w.	Non-competition covenants	8.10, 12.1 and Exhibit G	17
x.	Dispute resolution	XI & Confidential Operations Manual	17
y.	Guarantee	13.3 and Exhibit E	1, 15

ITEM 10. FINANCING

SUMMARY OF FINANCING OFFERED

Item Financed	Source of Financing	Down Payment	Amount Financed	Term (Yrs)	Interest Rate	Monthly Payment	Pre-Payment Penalty	Security Required	Liability Upon Default	Loss of Legal Rights on Default
Initial Fee ¹ (NH)	Us	Varies	Up to 50% of initial franchise fee	1-5	10% not to exceed maximum legal rate	Varies	None	Personal guarantee	Loss of franchise - unpaid loan	Waiver of notice - confess judgment
Land/ Construct Leased Space	None		None							
Equipment Purchase	None		None							
Opening Inventory	None		None							
Other Financing	None		None							

- (1) If you meet our credit standards, we may finance up to 50% of the initial franchise fee payable by a startup or conversion franchisee at an APR of 10% (or the highest rate permitted by law, whichever is lower), using our standard form initial franchise fee promissory note (Exhibit E to this Franchise Disclosure Document). The only security we require for repayment is a personal guarantee of the note by you and your spouse and by all equity owners of the franchisee. The note may be prepaid without penalty at any time during its term. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action becomes necessary. We may also terminate your franchise if you do not make your payments on time more than 2 times during the note's term. You waive your rights to notice of a collection action and to assert any defenses to collection. Although we have no present plans to do so, we may sell these notes at a discount to a third party who may be immune under the law to any defenses to payment you may have against us. Except as we disclose in this Item 10, the note that you sign does not require you to waive your legal right to receive notices, waive defenses against us, or confess a judgment, although you may lose certain defenses against us and others in a collection action brought by a third party to whom we sell the note. We have no plans to sell notes or other commercial paper from franchisees. We do not receive direct or indirect payments for helping to arrange financing or leases from third parties.
- (2) Neither we nor any agent or affiliate of ours guarantees any note, lease or obligation that you may enter into with a third party.

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

Except as disclosed in this Item 11, we are not required to provide you with any assistance.

Before you open the Franchised Business:

1. We will train your designated General Manager and other principals in the New Horizons system at our Initial Franchise Training (IFT), a comprehensive 9-day classroom-based instructional course that combines formal presentations by our instructors and other NH staff with role-play and case studies. (Section 7.1 of the Franchise Agreement.) See additional disclosures in this Item 11 under the heading "Training."
2. During IFT we will lend you for your use during the Franchise Agreement term one copy of the Confidential Operations Manual ("COM") and other instructional manuals, some of which will be reviewed during IFT to familiarize you with the distinctive features and requirements of the NH franchise operating system. (Section 8.3 of the Franchise Agreement.) All manuals are copyrighted. The COM is approximately 109 pages. See Exhibit N to this Disclosure Document for the detailed table of contents and number of pages devoted to each subject.
3. We will provide you with space planning consultation and advice. (Section 7.6 of the Franchise Agreement). We do not provide any other assistance to you to help you identify suitable locations for the business premises of your Center other than to approve the site. See additional disclosures in this Item 11 under the heading "Site Selection Criteria." If you are not converting an existing business to a franchise Center, we may recommend a commercial real estate broker to assist you in selecting a site for your Center subject to our approval.

During your operation of the Franchised Business:

1. We will provide the marketing and advertising support that we describe in this Item 11. (Section 4.4 of the Franchise Agreement.)
2. Once each year, we will hold a conference (typically not more than 3 days in length). Topics may include industry trends, sales techniques, personnel training, accounting and reporting policies, performance standards, advertising programs and merchandising procedures. Attendees must pay the costs incurred for the conference including costs for transportation, accommodations and living expenses. Additionally, we may charge attendees a reasonable fee, not to exceed \$750 per person, to attend. This mandatory conference is held at a hotel at a location that we designate. (Section 7.3 of the Franchise Agreement.) At least one of your principals or the General Manager must attend. Regional meetings and best practice workshops may also be held periodically, and your attendance is highly recommended (although not mandatory).
3. We may provide periodic assistance, but the nature, frequency and duration of this assistance is at our discretion. (Section 7.5 of the Franchise Agreement.) We may assign a Regional Manager to your location to assist you in all phases of operation and make periodic visits to your Center. We are available at no charge by telephone, email, facsimile and via the NH Extranet for guidance concerning the operation and management of your Franchised Business. If you request the services of one of our Corporate Sales Managers, you must pay us a fee for these services, and reimburse us for related travel, lodging and meal expenses.
4. In addition to the COM, we provide you with additional materials involving your Franchised Business. (Section 7.5 of the Franchise Agreement.)
5. We may conduct optional staff training courses and make available to you various materials for you to use in connection with training your own staff members. (Section 7.7 of the Franchise Agreement). We will conduct these courses either online via the internet or at a suitable location that we will select in our discretion. Typically, there is no separate fee to attend these courses, but you will have to pay travel and living expenses. The frequency of these meetings will vary, but your attendance is optional. (Sections 7.3 and 7.4 and of the Franchise Agreement.)

Advertising Services:

We will spend the Marketing and Advertising Fees that we collect from franchisees to support a broad variety of marketing-related services. These services include the following: supporting our company Website and other electronic communications media; our e-Business technologies and services including the support of the marketing-related functionality of the Integrated Learning Manager; public relations, market research, local advertising and marketing kits for franchisees, in-Center merchandising; sales tools for Account Executives; costs to participate in trade shows; costs to conduct Marketing Advisory Council meetings; and other forms of sales support designed to promote and enhance the value of the Network and the New Horizons brand and its general public recognition and acceptance. (See generally Section 4.4 of the Franchise Agreement.)

We determine, in our sole discretion, all matters involving the application of Marketing and Advertising Fees and the content, choice of media and other details pertaining to advertising, public relations and promotional campaigns. Among other decisions, we will decide on the timing and geographical focus of advertising that we place in paid media, including national, regional or local concentration and seasonal exposure. Without limiting the kind of advertising and marketing activities that we may choose to conduct, paid media at this time includes print advertising

(newspapers, trade magazines) and e-mail blasts and we also engage in advertising and marketing at trade shows and the delivery of webinars. We do not promise to spend Marketing and Advertising Fees in any particular way or in any given geographic region nor do we promise that the benefits you receive will be in proportion to the Marketing and Advertising Fees that you pay to us. (Section 4.4(g) of the Franchise Agreement.)

We do not use Marketing and Advertising Fees to recruit prospective franchisees or sell additional NH franchises. (Section 4.4 of the Franchise Agreement.) We deposit Marketing and Advertising Fees into our general operating account and no interest accrues for your benefit. (Section 4.4(f) of the Franchise Agreement.) During the 12 months ending on December 31, 2014, we spent aggregate Marketing and Advertising Fees as follows:

- a) 3.9% to develop and place both print and electronic advertising for the franchise network.
- b) 30.2% for sponsorships and to participate in trade shows.
- c) 54.1% to maintain Franchisor's website and eRevenue local web platform.
- d) 5.9% to develop sales tools and collateral for the franchise network.
- e) 3.9% for vendor specific marketing programs.
- f) 1.4% for public relations.
- g) 0.6% for research, meetings, membership fees and subscriptions.

Currently, NH Centers primarily market for retail customers through direct contact by your AEs with potential customers. We also use print and electronic media marketing that we believe is appropriate and deemed to be cost effective for lead generation. To assist in the development of our advertising and marketing programs we use in-house marketing personnel and an outside advertising agency and public relations firm. In any year, we may reimburse ourselves for our actual administrative expenses to provide advertising and marketing services up to an amount that does not exceed 15% of the annual aggregate Marketing and Advertising Fees for the year. Administrative expenses do not include the actual cost of advertising production. (Section 4.4 of the Franchise Agreement.)

On a national basis, we may impose an additional assessment on all NH franchisees for special advertising or promotional activities if NH franchisees owning 2/3s of all franchised Centers agree in writing to the additional assessment. (Section 4.4(d) of the Franchise Agreement.) NHP may or may not participate in these special activities, in its discretion.

At your cost, you may develop advertising, marketing and promotional materials for use in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites). Upon our request, you must provide us with a copy of all, or specific, advertising, marketing and promotional materials for our review so that we may verify your proper use of the Service Marks and confirm that the particular materials are consistent with the System standards. We may require that you suspend use of any advertising, marketing or promotional materials based on our evaluation that the materials use the Service Marks inappropriately or convey a message that is inconsistent with the System standards. Should we direct you to suspend use of objectionable advertising, marketing or promotional materials, you

must submit the revised materials to us before using them in any manner or media channel. Any discounts or promotions developed for your own use must state clearly that the discount or promotion is only available at your Center and must never imply that the promotion is available at any other NH Center.

We will make available to you upon request a statement of annual receipts and expenditures of Marketing and Advertising Fees during the prior calendar year on or before each March 31. (Section 4.4(h) of the Franchise Agreement.)

In making decisions regarding the application of Marketing and Advertising Fees, we solicit input from the Marketing Advisory Council ("MAC"), which is a subcommittee of our franchisee-elected Franchisee Advisory Council ("FAC") and selected marketing representatives from our franchisee community that interfaces with company owned location representatives and our executive team on marketing issues germane to NH Centers. FAC members serve a specific region or market size and are elected by franchisees in their region on a one vote per franchise agreement basis. MAC members are at large members who do not represent a particular geographic area. While we have the authority to disband the MAC, we have no present intention of doing so.

At this time, we do not require our franchisees to participate in any local or regional advertising cooperative. No local or regional advertising cooperatives exist in the franchise system at this time.

Site Selection Criteria:

If you are a Start-Up franchise, we will review your proposed site plans. We must give final approval within 20 days after you provide us with information regarding the site that you select for your Center, and we will not unreasonably withhold our approval. Factors that we look at when considering whether to approve a site include feasibility of the structure to contain the required minimum number of classrooms, capability for expansion, layout, available parking for students, and neighborhood safety and security for New Horizons students. Each training Center must contain a minimum number of classrooms: (i) Type 1 and Type 2 Centers must have at least 5 classrooms and (ii) Type 3 and Type 4 Centers must have at least 3 classrooms. If we do not approve your site we will work with you to find an alternate site that is acceptable. There is no time limit for you to find your site, but it is very important for you to obtain approval for your site as soon as you can because if you do not open the Center and begin operating the Franchised Business at an acceptable site within 6 months after you sign the Franchise Agreement (if you are a Start-Up), or 4 months after you sign the Franchise Agreement (if you are a Conversion), the minimum Continuing Royalty will thereafter become payable (see Section 4.2 of the Franchise Agreement), even if your Center is not yet open for business. We may also terminate your Franchise Agreement should this occur.

Typical Length of Time Between Signing Franchise Agreement and Opening.

We estimate the typical length of time between signing the Franchise Agreement and the opening of your Center is 6 months. Factors which may affect this time period include the actual time spent to (i) locate a satisfactory site; (ii) negotiate and sign a lease; (iii) complete leasehold improvements, install furniture, computer equipment, décor items, signs and other trade dress elements; (iv) complete initial training; and (v) hire opening employees. The actual time may be longer due to factors like acts of God, material shortages and labor stoppages that are beyond your control.

Computer Systems.

For courses that you offer that require students to use a computer, each of your New Horizons students must be provided a personal computer or laptop for the entire class. Regarding classroom computers, it may be more impressive to students if they were to see a classroom full of “name brand” (for example, Dell or HP computers. However, “image” benefits don’t outweigh additional costs of name brand equipment. Our affiliates and we have experienced no loss of business because we did not have brand name computers, only a loss of potential business because there were not enough computers, or working computers, or properly configured computers. However, computers used for authorized technical training courses must meet the performance specifications of the particular software vendors. You may purchase computers from any source you choose.

Our estimate of your initial cost to lease or purchase all required computer hardware and software, which is: Start-up franchisee (\$85,000 - \$175,000); conversion franchisee (\$0 - \$175,000); and Satellite Center (\$20,000 - \$50,000). Operating a Satellite Center is optional.

We estimate that your annual cost for maintenance, updates, upgrades and technical support for your computer hardware and software systems will range between \$0 to \$10,000.

The Confidential Operations Manual contains the minimum hardware and software requirements for classroom computers. In order to use our CMS.net service, (Exhibit F to the Franchise Agreement), your computer system must meet minimum technical requirements, which we explain in Exhibit F to the Franchise Agreement.

In addition, Microsoft has its own minimum configuration requirements in order to become or remain a Microsoft Certified Partners for Learning Solutions. Microsoft frequently changes its requirements for public classrooms. Generally speaking, all manufacturers of software continuously upgrade their products, which may result in your having to incur periodic expense for hardware upgrades in order to run new applications. We cannot forecast these costs. While few Network members teach Apple classes, if you elect to teach an Apple class you will need to have Apple computers appropriately configured. It is ultimately your responsibility to determine if the hardware you purchase meets the requirements of any authorization program you intend to apply for now or in the future.

There are no contractual limitations on the cost or frequency of upgrades that you may need to make to your computer hardware or software in order to keep your computer system in compliance with our then-current requirements.

If you elect to use CMS.net, you will sign our current form of CMS.net Agreement (which at this time appears as Exhibit F to the Franchise Agreement). The CMS.net Agreement provides that, during the term of the Franchise Agreement, you own the electronic data that you store on our server, but we may make a backup copy of the electronic data and use the electronic data for the specific purposes set forth in Section 4 of Exhibit F. We agree not to use the electronic data to compete with your Franchised Business.

If you sign the CMS.net Agreement (Exhibit F), the following additional conditions apply:

- Upon expiration of the Franchise Agreement (i.e., on the last day of the then-current term of the Franchise Agreement if you do not exercise a renewal option), we automatically become co-owners with you of all electronic data that you store on our server and have equal rights

as you do to use the data after the Franchise Agreement ends when the Franchise Agreement includes an enforceable covenant that forbids you from competing with us for a specified period following expiration. However, when the Franchise Agreement expires, and the covenant not to compete is not enforceable, then you will retain sole ownership of the electronic data on our server provided you abide by the post-expiration duties in the Franchise Agreement, which include paying us all fees and deidentifying your Center.

- If the Franchise Agreement terminates based on your material breach, full ownership of the electronic data stored on our server automatically transfers to us effective upon termination of the Franchise Agreement so that we can arrange for your clients to continue to receive services without disruption.

See additional disclosures regarding our CMS.net service in this Item 11.

Training.

We will train your designated General Manager and other principals in the New Horizons system at our Initial Franchise Training (IFT), a comprehensive 9-day classroom-based instructional course that combines formal presentations by our instructors and other NH staff with role-play and case studies. (See section 7.1 of the Franchise Agreement and Exhibit F to this Disclosure Document for the IFT daily schedule) We usually conduct IFT once each quarter. Like most of our training, IFT is handled through New Horizons University (NHU), at our franchisee training center in Anaheim, California.

TRAINING PROGRAM

INITIAL FRANCHISE TRAINING (IFT) PROGRAM			
Column 1 SUBJECTS	Column 2 HOURS OF CLASSROOM TRAINING	Column 3 HOURS OF ON-THE-JOB TRAINING	Column 4 LOCATION
Subjects include sessions addressing Business Planning, the Role of the General Manager, Sales Managers and Account Executives; Best Practices for Training and Operations; Integrated Learning and Product Mix; and Marketing Strategies.	9 days; 8 hours per day See Exhibit F to this Disclosure Document, for a complete list of the daily schedule and specific subjects included in IFT	None	New Horizons University (NHU), Anaheim, California

Joy Morgan, our Senior Content and Training Specialist, currently supervises our IFT program and training instructors. Ms. Morgan has served in various capacities with our company and our affiliates for the last 14 years, where her duties have included running one of our affiliate-owned centers as a General Manager, managing the sales team of one of our affiliate-owned centers, and, from 2004 through 2006, serving as a content and training specialist with NHU where she was

instrumental in the delivery of IFT. In January 2007, Ms. Morgan assumed responsibility for managing our IFT program and training instructors with oversight for event management, instructor scheduling, content and quality control. Our current team of NHU instructors have an average of 8 years of experience with us or our affiliate in the specific subject matter that they teach, ranging from a minimum of 3 years of experience to 15 or more years of experience in that subject matter.

IFT, which is mandatory for your General Manager and highly recommended for all owners of your company, must be completed to our satisfaction before you begin operating your Franchised Business. You should plan to attend the first available IFT after you sign the Franchise Agreement. We do not charge any fee to attend IFT but you must pay the travel and living expenses for your trainees. (Section 7.2 of the Franchise Agreement.) At IFT we will teach you how to operate the Franchised Business and how to effectively use the NH sales system. We will also provide you with proprietary information and related materials that you can use to train your staff. These materials include manuals, recorded and electronic media and other written materials regarding the different roles at a Center and are our sole property. We may also make available to you archived sessions containing instruction relating to the system and the Franchised Business. These sessions are available through our NHU website (nhu.newhorizons.com). (Section 7.7 of the Franchise Agreement.) Up to 1 week of follow-up training takes place at your Center after you open for business. No additional training programs or refresher courses are required, but optional training programs are available. (Section 7.4 of the Franchise Agreement.)

Continuing Training - see disclosures regarding our mandatory annual conference in this Item 11 under heading "During the Operation of your Franchised Business." We may use the annual conference to deliver continuing training. (Section 7.3 of the Franchise Agreement.)

ITEM 12. TERRITORY

In determining the boundaries of the Territory that we assign to you, we consider the general population count on the date that you sign the Franchise Agreement as determined by the latest census data compiled and published by the United States Census Bureau in Washington, D.C. We describe the boundaries of the Territory that encompasses the population by listing zip codes in an exhibit to the Franchise Agreement. You must locate your Center within the Territory. For as long as you are in compliance with your obligations under the Franchise Agreement, we will not locate another Affiliate Owned or franchisee owned Center within your Territory. Unless your Franchise Agreement terminates or is amended by mutual agreement, we will not alter the boundaries of your Territory regardless of changes in population during the term of your Franchise Agreement.

The territorial rights that we grant to you do not permit you to open additional centers of any kind in your Territory or elsewhere and you may only add additional centers, including a Satellite Center, in your Territory with our prior written approval which we agree not to withhold unreasonably.

Your territorial rights are not subject to achieving a certain sales volume, market penetration or other contingency. We will not terminate the franchise or alter the boundaries of your Territory depending on your performance. However, as a condition to exercising a renewal option, your Center must achieve a minimum market penetration in either one of the last two 12 month periods before the date of your renewal notice indicating your desire to exercise a renewal option. Your Center's market penetration in either one of these 12 month periods must be equal to or greater than the market penetration of at least 25% of the other Centers in the same Market Category (i.e., Small, Medium, Large or Mega) as your Center. We calculate a Center's market penetration by dividing the Center's aggregate Gross Revenues for the 12 month period by the population in the Territory on the preceding December 31. If your Center's market penetration is not above this

threshold, you do not qualify to exercise the renewal option and the franchise will expire at the end of the then-current term.

You must employ a minimum number of AEs depending on the type of Territory that you have, as follows:

Market Category		Population		Classrooms AE's	
		Min Band	Max Band		
Mega					
	M - 1	8,000,000	+	6	12
	M - 2	6,000,000	7,999,999	6	11
	M - 3	4,000,000	5,999,999	6	9
Large					
	L - 1	3,000,000	3,999,999	5	8
	L - 2	2,000,000	2,999,999	5	6
Medium					
	Med	1,000,000	1,999,999	4	5
Small					
	S - 1	750,000	999,999	3	4
	S - 2	300,000	749,000	3	3

The Network is subject to the TROC described in detail in Chapter 5 of the COM. These rules provide specific guidelines for conducting business outside of one's own franchise Territory in order to avoid conflict between franchisees and to maximize business opportunities for the entire Network. Although your Center will be the only Center in your Territory, which means that no other Center will be physically located in your Territory, this does not mean that persons and businesses who reside or work in your Territory will necessarily choose to purchase training services from you. The TROC applies equally to ILT, CBT, and eLearning sales opportunities. In this respect, the TROC imposes restrictions applicable to all franchisees on use of the Internet and other electronic media to deliver services to persons or businesses located outside of the franchisee's franchise Territory.

The TROC also includes a dispute resolution process for disputes that involve violations of the TROC, whereby we, together with members of the franchisee-elected FAC may impose a fine against you if you are found to have infringed TROC. The TROC include a schedule of penalties and guidelines for determining the appropriate penalty based upon the particular violation that the FAC members and we will follow. In 2000 we set the maximum penalty at \$5,000, with the right to increase the maximum penalty annually by an amount not to exceed 10% of the prior year's level. The penalty is payable by the Network member who violates the TROC to the Network member who owns the subject Territory.

Subject to the TROC, you may offer and sell NH-Branded eLearning courses and other approved eLearning courses from the subpage we provide your Center with on Franchisor's Website. You may not offer or sell NH-Branded eLearning courses or any other type of eLearning from any third party website. You may not purchase domain names to promote your business without our prior written approval and no domain names may include the words "New Horizons." We regard all forms of Internet promotional activities as local advertising. Therefore, you may not promote your Center on any third party website without our prior approval.

We reserve all other distribution rights that we do not expressly grant to you. By distribution rights, we mean all forms and channels of distribution, regardless of whether we use the method now or adopt it in the future. Channels of distribution include the Internet, telemarketing or other direct marketing sales. Technology may result in the discovery and identification of additional channels of distribution not presently known at this time and we reserve all rights to those later-developed technologies and channels of distribution.

Among the rights that we reserve, we may deliver NH-Branded eLearning in your Territory on the terms and conditions of the ILA (Exhibit G to the Franchise Agreement). Except as we describe in this Franchise Disclosure Document, we are not required to pay you any share of our revenue or other compensation if we or our affiliates deliver NH-Branded eLearning in your Territory through alternative channels of distribution or engage in any other activities using distribution rights that we reserve.

Within the United States, neither we nor any of our affiliates have established other franchises or company-owned outlets or other channels of distribution selling similar products or services under a different trademark, except for sales by our Predecessor as described in Item 8.

You may not offer or sell any goods or services branded New Horizons not authorized by us, including, without limitation, training programs enabled by the Internet or comparable or enhanced forms of electronic technology that we do not incorporate in the Franchised Business.

The designation of a Territory's boundaries does not give you the exclusive right to enroll students who reside or work in your Territory in your Center's ILT. Subject to the TROC, our Affiliate-Owned Centers, other franchisees, and we may offer or sell training services to persons who reside or work in your Territory. Likewise, under certain circumstances as set out in the TROC, you may offer or sell training services to persons who reside or work outside of your Territory and in the Territory that we assign to an Affiliate-Owned Center or franchisee-owned Center. Nevertheless, we expect you to direct your marketing and solicitation efforts to recruiting students and customers that reside or maintain a place of business in your Territory, and not to actively solicit students and customers who reside or work in a Territory that we have assigned to another Center. As we note, if you offer and sell NH-Branded eLearning courses from your subpage on Franchisor's Website, your activities are subject to the TROC.

You may conduct the Franchised Business only (i) at or from the Center; (ii) at your customers' business premises in the Territory; (iii) through the offer and sale of NH-branded eLearning from the subpage on Franchisor's Website; and (iv) if you obtain our prior written approval, at or from other locations in the Territory. Except as expressly permitted by us and subject to the TROC, you may not operate the Franchised Business outside of the Territory. You must adhere to the COM's procedures in applying for our approval to conduct the Franchised Business at or from locations in the Territory outside of the Center.

We have established an "Enterprise Learning Solutions ("ELS") program, which provides sales expertise and support to negotiate regional, national and global programs for large enterprise clients. The role of ELS is to work with Centers and vendors to secure the potential delivery of training and to support and empower the Centers to sell, penetrate and grow large enterprise clients through expertise, tools, training and service. Our ELS program seeks to accomplish this by selling to new accounts, while providing account management and administration as well as sales training and materials development. We provide administration and billing services on both a centralized and decentralized basis. A description of the centralized and decentralized service models is available on the Extranet.

In order to offer and operate a successful enterprise program that benefits all Centers, we have implemented a fee structure for enterprise accounts which is set forth on the Extranet.

You agree that we may participate in various marketing programs and enter into operating agreements and other types of transactions with Strategic Industry Partners of our choosing for the benefit of the Network. We agree that our activities with Strategic Industry Partners shall not constitute Acting as a Computer Learning Center in your Territory.

Although we and our affiliates have the right to do so, neither we nor our affiliates currently plan to operate or franchise other businesses that sell products or services similar to those offered by Centers under different trademarks.

Because of the rights that we reserve, we must disclose that you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

ITEM 13. TRADEMARKS

You are licensed to operate the Franchise Business under the name “New Horizons Computer Learning Center” and other current or future Service Marks that we designate. By “Service Marks,” we mean all of the service marks, designs and other trademarks, trade names, logos and proprietary marks that we may authorize to identify your Franchised Business. Service Marks are incorporated within the scope of “Intellectual Property Rights.” By “Intellectual Property Rights,” we mean all of our rights under applicable law available under patent, copyright, trademark, service mark, trade name, product configuration, industrial design, or trade secret law or any other statutory provision or common law doctrine with respect to intellectual property.

NHEC owns all of the Service Marks and has filed all documents required to maintain registration of our principal mark on the Principal Register of the United States Patent and Trademark Office. NHEC owns the following registrations:

REGISTRATION NUMBER	TRADEMARK/SERVICE MARK	INTERNATIONAL CLASS AND GOODS/SERVICES	REGISTRATION DATE
1,337,233	NEW HORIZONS	Classes 41 & 42 41 – Educational services – namely, conducting courses dealing with computer operations 42 – Computer services - namely, providing Internet based training	May 21, 1985
2,064,665		Class 41 Educational services – namely, conducting courses dealing with computer operations	May 27, 1997
2,281,596		Class 9 Multimedia software recorded on CD-rom	September 28, 1999

REGISTRATION NUMBER	TRADEMARK/SERVICE MARK	INTERNATIONAL CLASS AND GOODS/SERVICES	REGISTRATION DATE
		containing instructional materials pertaining to the use of computer software and hardware	
2,515,371	NEW HORIZONS	Class 9 Multimedia software recorded on CD-rom containing instructional materials pertaining to the use of computer software and hardware	December 4, 2001
2,616,283	NEW HORIZONS	Classes 16 and 41 16- Printed instructional materials pertaining to the use of computer software and hardware 41- Educational services – namely, conducting courses dealing with computer operations	September 10, 2002
2,726,462		Classes 16, 38, 41 and 42 16 - Printed instructional materials pertaining to the use of computer software and hardware 38 – Providing on-line electronic bulletin boards chat rooms 41- Educational services – namely, conducting courses dealing with computer operations 42 – Computer services - namely, providing Internet based training	June 17, 2003
2,722,250	NEW HORIZONS ONLINE LIVE LEARNING	Classes 16, 38, 41 and 42 16 - Printed instructional materials pertaining to the use of computer software and hardware 38 – Providing on-line electronic bulletin boards chat rooms 41- Educational services – namely, conducting courses dealing with computer operations 42 – Computer services - namely, providing Internet based training	June 3, 2003
2,749,863	NEW HORIZONS ONLINE	Class 16	August 12, 2003

REGISTRATION NUMBER	TRADEMARK/SERVICE MARK	INTERNATIONAL CLASS AND GOODS/SERVICES	REGISTRATION DATE
	ANYTIME LEARNING	16 - Printed instructional materials pertaining to the use of computer software and hardware	
2,836,345	NEW HORIZONS	Classes 38, 41 and 42 38 – Providing on-line electronic bulletin boards chat rooms 41– Educational services – namely, conducting courses dealing with computer operations 42 – Computer services - namely, providing Internet based training	April 27, 2004
3,286,936		Classes 16, 38, 41 and 42 16 - Printed instructional materials pertaining to the use of computer software and hardware 38 – Providing on-line electronic bulletin boards chat rooms 41– Educational services – namely, conducting courses dealing with computer operations 42 – Computer services - namely, providing Internet based training	August 28, 2007
3231684	ONLINE LIVE	Classes 16 and 42 16 - Printed instructional materials pertaining to the use of computer software and hardware 42 – Computer services - namely, providing Internet based training	April 17, 2007
3329061	ONLINE LIVE	Classes 38 and 41 38 – Providing on-line electronic bulletin boards chat rooms 41– Educational services – namely, conducting courses dealing with computer operations	November 6, 2007
3827109	MENTORED LEARNING	Class 41 41– Educational services, namely conducting courses	August 3, 2010

REGISTRATION NUMBER	TRADEMARK/SERVICE MARK	INTERNATIONAL CLASS AND GOODS/SERVICES	REGISTRATION DATE
		related to the use of computer software and hardware, non-technical business skills and professional development and providing training in professional skills in the use of computer software and hardware and distribution of course materials in connection therewith; providing interactive, on-line newsletters that are accessed via a global computer network and featuring information on computers.	

We have filed all affidavits required to preserve and renew our trademark registrations.

In connection with the restructuring of our Predecessor, NHEC has issued us a license to use and sublicense all of the NEW HORIZONS Service Marks in connection with our sale and administration of New Horizon franchises throughout the world. The term of the license agreement is 10 years and then automatically renews for successive one year terms. If the license agreement were to terminate, NHEC would immediately assume all of our obligations to third party franchisees. This does not make NHEC a guarantor of our obligations to franchisees at this time. Our license from NHEC does not significantly limit our right to use or license the use of any of the Service Marks in any manner material to the franchise. No other agreements are currently in effect, which limit our use of the Service Marks in any manner material to the franchise.

You must follow our rules when you use our marks. You cannot use any of the NH names or marks as part of your corporate (or other legal) name, or with modifying words, designs or symbols. You may not use our registered name in the sale of unauthorized products or services or in a manner not authorized in writing by us.

There are no currently effective determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state or any court in the United States, nor any pending infringement, opposition, or cancellation proceeding nor any pending material litigation in the United States of which we are aware involving the Service Marks that could materially affect your use of them.

The "Service Marks" are part of what the Franchise Agreement defines as our "Intellectual Property Rights." Our "Intellectual Property Rights" covers all of the rights that we or our affiliates own under applicable law in all patents, copyrights, trademarks, service marks, trade names, product configurations, industrial designs, trade secrets law and other forms of intellectual property, whether the rights exist on the date you sign your Franchise Agreement or we acquire, develop or create the rights afterwards.

Under the Franchise Agreement, you must notify us immediately when you learn about any threatened or actual claim of infringement or challenge to your use of any of our Intellectual Property Rights. We have sole discretion to decide if we will take any action. If we decide to take action, we, alone, will take the action we think is appropriate and control the handling of any negotiations, settlement or defense of the third party claim. As long as you are using our Intellectual Property Rights in accordance with the Franchise Agreement, at our cost, we will defend you against any claim that challenges your right to use our Intellectual Property Rights. We agree to defend you at our expense and pay any settlement or damages that you are held liable for, and reimburse you for your direct costs to cease using or modify our Intellectual Property Rights if required by a court. However, under no circumstance are we responsible to pay you for consequential or punitive damages or for any lost profits.

You must modify or discontinue the use of any of our Intellectual Property Rights if we modify or discontinue a particular Intellectual Property Rights for any reason. You must not directly or indirectly contest our right to our Intellectual Property Rights or New Horizons business techniques.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no patents material to the operation of the franchise and there are no applications that we have filed that are currently pending seeking to register a patent material to the operation of the franchise.

Although we have not registered with the United States Copyright Office a copy of the COM, the materials available on the Extranet, any of our Classroom Learning Content or eContent, or any of our other proprietary manuals we nevertheless claim that all of these materials are protected as our property under common law copyright doctrines. In some cases third party vendors may own the copyright of portions of the materials that we allow you to use. You must promptly tell us when you learn about any unauthorized use of this proprietary information.

There are no currently effective determinations of the United States Patent and Trademark Office, or a court of any state or any court in the United States, nor any pending infringement, opposition, or cancellation proceeding nor any pending material litigation in the United States of which we are aware involving any matters in which we claim a copyright.

As we explain in Item 13, you must notify us immediately when you learn about an infringement or challenge to your use of our Intellectual Property Rights, including our proprietary information. Although we are not obligated to take any action, we will take the action we think appropriate and control the litigation. As long as you are using our Intellectual Property Rights or our proprietary information and materials in accordance with the Franchise Agreement, at our cost, we will defend you against any claim that challenges your right to use our Intellectual Property Rights and our proprietary information. We agree to defend, pay any damages that the franchisee is held liable, and reimburse the franchisee for its direct costs to cease using the Intellectual Property Rights and proprietary information. However, under no circumstance are we responsible for any of your consequential or punitive damages or lost profits.

If we require you to modify or discontinue your use of our Intellectual Property Rights, you must do so promptly following notice from us. You must not directly or indirectly contest our right to our Intellectual Property Rights.

ITEM 15. OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

While the Franchise Agreement does not specifically require you or your principals to personally participate in the direct operation of the Center, it is our intention to select as franchisees only those persons or business entities whose principals plan to actively participate in the daily operations of the Center. We are not seeking franchisees that merely want a passive investment.

Additionally, you must employ, on a full time basis, at least one General Manager for the Center. (Section 8.1(a) of the Franchise Agreement.) The General Manager, whose name must be disclosed to us, must devote full time during normal business hours to the management and operation of the Center. If the General Manager is replaced, we must be notified in writing on a form provided on the Extranet. The General Manager must successfully complete IFT and must not have an interest in or business relationship with any of our business competitors. Other than requiring the General Manager to successfully complete IFT, to successfully conduct the Franchised Business in a professional manner and not have a business conflict, we place no limitations on whom you can hire as the General Manager.

If you own the franchise through a business entity, each of your owners must sign a personal guaranty form. During the initial term, your owners will sign Exhibit E-1 to our Franchise Agreement (Exhibit A) and during the renewal term, your owners may substitute Exhibit E-2 to our Franchise Agreement (Exhibit A), which is a limited personal guaranty.

We impose a Network-wide non-solicitation policy. This policy forbids each one of us from soliciting the other's employees and employing them without the other party's consent. If either one of us violates the non-solicitation policy, they must pay the other a sum equal to 50% of the employee's new annual salary.

ITEM 16. RESTRICTION ON WHAT FRANCHISEE MAY SELL

All instruction provided at the Center will be according to a published schedule of training which you will prepare and publish on a quarterly or trimester basis. You will provide Classroom Learning Content to students and may sell it to others.

During the term of your Franchise Agreement and any renewal term, you may not engage in activities that fall within the Franchise Agreement's definition of "Acting as a Computer Learning Center" which means directly or indirectly engaging in any business other than the Franchised Business, owning or operating any computer instructional business in any capacity other than the Franchised Business without our prior written consent. Also, you cannot divert business or customers of the Franchised Business to any competitor or do anything which hurts the goodwill associated with our Service Marks or the NH system, nor solicit any employee of any of our affiliates to leave his or her employment. We may terminate the Franchise Agreement if you hire one of our employees or impose a penalty equal to 150% of the employee's annual salary rate. If you are a corporation, a partnership or limited liability company, these restrictions apply to each of your officers, member, partners or equity holders and each shareholder of the corporation. (See section 8.10 of the Franchise Agreement.)

We may add additional optional and mandatory authorized services to your Franchised Business, which you then may or must (if mandatory), offer to your customers.

Except for the TROC that we describe in this Franchise Disclosure Document, there are no limits

as to the customers to whom you may sell computer instructional services.

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	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Length of the franchise term	5.1	Term is 10 years.
b.	Renewal or extension of the term	5.2	We grant you an unlimited number of 5 year renewal options if you are in good standing and achieve a market penetration level equal or greater than 25% of the Centers in your Market Category. Your right to exercise each renewal option is subject to specific conditions set forth in Section 5.2 of the Franchise Agreement.
c.	Requirements for franchisee to renew or extend	5.2	Sign our current form of Franchise Agreement; pay renewal fee of \$7,500; execute release agreement. Our then-current Franchise Agreement may contain materially different terms and conditions than the expiring Franchise Agreement. See Exhibit L which explains the minimum Continuing Royalty fee rate during each renewal term. At your option, your owners may substitute a limited personal guaranty (Exhibit E-2 to the Franchise Agreement) for the personal guaranty they sign covering your obligations during the initial term (Exhibit E-1 to the Franchise Agreement) to limit their maximum exposure to us if you default during the renewal term.
d.	Termination by franchisee	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	10.1 - 10.6	We can terminate only if you default.
g.	“Cause” defined – curable defaults	10.3	You have 10 days to cure breach of applicable law, 14 days to cure non-payment of fees and 30 days to cure any other default not listed in Section 10.2 unless Section 10.3 indicates a shorter cure period.
h.	“Cause” defined - non-curable defaults	10.2	Non-curable defaults: conviction of felony; 3 notices of default during any 24 month period (need not involve the same breach) even if the prior defaults are timely cured; abandonment, trademark misuse, or unapproved transfers.
i.	Franchisee’s obligations on termination/non-renewal	12.1	Obligations include complete removal of the Service Marks, payment of all amounts due to us, and adherence to non-competition agreement (see r. below).
j.	Assignment of contract by franchisor	9.1	No restriction on our right to assign.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
k.	"Transfer" by franchisee – defined	9.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor approval of transfer by franchisee	9.2	We have the right to approve all transfers (we will not unreasonably withhold approval).
m.	Conditions for franchisor approval of transfer	9.2	New franchisee qualifies (including business plan prepared and submitted, new franchisee's principals submit applications and pass background checks), transfer fee paid, purchase agreement approved, training arranged, release signed by you and current franchise agreement signed by new franchisee You must also adhere to non-competition agreement (also see r. below).
n.	Franchisor's right of first refusal to acquire franchisee's business	9.3	We can match any offer for your business.
o.	Franchisor's option to purchase franchisee's business	Not applicable	
p.	Death or disability of franchisee	9.2(e)	Heir or successor may qualify as General Manager and must make adequate provision for the management of the Franchised Business.
q.	Non-competition covenants during the term of the franchise	8.10	No involvement in competing business anywhere in U.S. If you hire one of our employees, a penalty equal to 150% of the employee's annual salary rate must be paid by you.
r.	Non-competition covenants after the franchise is terminated or expires	8.10	Can't compete within 25-mile radius of other franchise owned or Affiliate-Owned Center for 1 year.
s.	Modification of the agreement	14.2 8.3(b)	No modifications generally, but COM subject to change.
t.	Integration/merger clause	14.2 14.5	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	11.1	Except for certain claims, all disputes must be arbitrated or mediated.
v.	Choice of forum	11.1	Arbitration, mediation and litigation are required to take place in Orange County, California. See Exhibit H to this Disclosure Document.
w.	Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to non-competition and amendment of your franchise agreement. California law applies to all other issues. See Exhibit H to this Disclosure Document.
v.	Public Offering	9.4	We have the right to approve or disapprove

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Centers. 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 Center from us or an affiliate of ours, however, we may provide you with the actual records of that Center. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Gregory E. Marsella, Vice President, General Counsel and Secretary, New Horizons Franchising Group, Inc., 1900 S. State College Blvd., #450, Anaheim, California 92806 (telephone: (714) 940-8000; fax: (714) 938-6002), the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE No. 1 – Centers				
Systemwide Outlet Summary For Years ending December 31, 2012 through December 31, 2014				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
FRANCHISED	2012	81	76	-5
	2013	76	75	-1
	2014	75	75	0
COMPANY-OWNED	2012	1	1	0
	2013	1	1	0
	2014	1	1	0
TOTAL OUTLETS	2012	82	77	-5
	2013	77	76	-1
	2014	76	76	0

TABLE No. 2 – Centers
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ending December 31, 2012 Through December 31, 2014

STATE	YEAR	NUMBER OF TRANSFERS
ALABAMA	2012	1
	2013	0
	2014	0
ARIZONA	2012	1
	2013	0
	2014	0
CONNECTICUT	2012	0
	2013	0
	2014	2
FLORIDA	2012	0
	2013	0
	2014	1
MASSACHUSETTS	2012	0
	2013	0
	2014	1
NEW HAMPSHIRE	2012	0
	2013	0
	2014	1
NEW JERSEY	2012	0
	2013	0
	2014	2
NEW MEXICO	2012	1
	2013	0
	2014	0
NEW YORK	2012	1
	2013	1
	2014	4
PENNSYLVANIA	2012	0
	2013	0
	2014	1

TABLE No. 2 – Centers
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years ending December 31, 2012 Through December 31, 2014

STATE	YEAR	NUMBER OF TRANSFERS
RHODE ISLAND	2012	0
	2013	0
	2014	1
SOUTH CAROLINA	2012	0
	2013	0
	2014	2
TENNESSEE	2012	0
	2013	0
	2014	1
WISCONSIN	2012	0
	2013	0
	2014	2
TOTAL	2012	4
	2013	1
	2014	16

TABLE No. 3 – Centers

Status of Franchised Outlets For Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlet at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of Year
ALABAMA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*ARIZONA	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
ARKANSAS	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
*CALIFORNIA	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
*COLORADO	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
CONNECTICUT	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
DISTRICT OF COLUMBIA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*FLORIDA	2012	7	0	2	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
GEORGIA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
HAWAII	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
IDAHO	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0

TABLE No. 3 – Centers

Status of Franchised Outlets For Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlet at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of Year
	2014	0	0	0	0	0	0	0
*ILLINOIS	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
*INDIANA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*IOWA	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
KANSAS	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*KENTUCKY	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
LOUISIANA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
MAINE	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
MARYLAND	2012	1	0	1	0	0	0	0
	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*MASSACHUSETTS	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*MICHIGAN	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
MINNESOTA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

TABLE No. 3 – Centers

Status of Franchised Outlets For Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlet at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of Year
	2014	1	0	0	0	0	0	1
*MISSISSIPPI	2012	1	0	0	1	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
*MISSOURI	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*NEBRASKA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*NEVADA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
NEW HAMPSHIRE	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*NEW JERSEY	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
NEW MEXICO	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*NEW YORK	2012	5	0	0	0	0	0	5
	2013	5	2	0	0	0	0	7
	2014	7	0	0	0	0	0	7
*NORTH CAROLINA	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
NORTH DAKOTA	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
OHIO	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4

TABLE No. 3 – Centers

Status of Franchised Outlets For Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlet at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of Year
	2014	4	0	0	0	0	0	4
*OKLAHOMA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*OREGON	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
*PENNSYLVANIA	2012	5	0	0	0	0	0	5
	2013	5	0	1	0	0	0	4
	2014	4	0	0	0	0	0	4
RHODE ISLAND	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*SOUTH CAROLINA	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	1	2	0	0	0	1
*SOUTH DAKOTA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
TENNESSEE	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
*TEXAS	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
UTAH	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*VIRGINIA	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
*WASHINGTON	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1

TABLE No. 3 – Centers

Status of Franchised Outlets For Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlet at Start of Year	Outlets Opened	Termination	Non-Renewal	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of Year
	2014	1	0	0	0	0	0	1
WEST VIRGINIA	2012	1	0	0	0	0	0	1
	2013	1	0	0	1	0	0	0
	2014	0	0	0	0	0	0	0
*WISCONSIN	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
PUERTO RICO	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
U. S. VIRGIN ISLANDS	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
OTHER U.S. TERRITORIES AND POSSESSIONS	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
TOTALS	2012	81	0	4	1	0	0	76
	2013	76	3	2	1	0	0	76
	2014	76	1	2	0	0	0	75

*The totals for these states do not include existing satellite locations, which are operating under the same franchise agreement as the base location. The satellite locations are included in Exhibit C - List of Existing New Horizons Locations.

TABLE No. 4 - Centers
Status of Company-Owned Outlets for Years ending December 31, 2012 Through December 31, 2014

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
OREGON	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1
TOTALS	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1

*The totals for these states do not include existing satellite locations, which are operating under the same franchise agreement as the base location. The satellite locations are included in Exhibit C - List of Existing New Horizons Locations.

TABLE NO. 5 - CENTERS PROJECTED OPENINGS DURING THE 12-MONTH PERIOD BETWEEN JANUARY 1, 2015 AND DECEMBER 31, 2015			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
CALIFORNIA	0	3	0
TOTAL	0	3	0

Attached as Exhibit C is a list of the names of all franchisees and the address and telephone number of their Center and any Satellite Center as of December 31, 2014.

Attached as Exhibit D is a list of the names, city and state and current business telephone number or last known home telephone of all franchisees who have had a franchise terminated, cancelled, not renewed or who have otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year ending December 31, 2014. Exhibit D also identifies franchisees who have not communicated with us during the 10 weeks before the Issuance Date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed as of the end of our last fiscal year, December 31, 2014, other than our franchisee-elected Franchise Advisory Committee (FAC) and the Marketing Advisory Committee (MAC) subcommittee of the FAC. FAC members serve a specific region, e.g., (North America, APAC, EMEA, etc.) and are elected by franchisee in their region on a one vote per franchise agreement basis. MAC members are a subgroup of FAC members who are appointed by the FAC.

ITEM 21. FINANCIAL STATEMENTS

Exhibit B contains our (i) consolidated audited financial statements for fiscal years ended December 31, 2014, December 31, 2013, and December 31, 2012.

ITEM 22. CONTRACTS

Exhibit A - Franchise Agreement, including the following contracts which are exhibits to the Franchise Agreement:

Exhibit A – Description of the Territory

Exhibit B – Summary of Enterprise Learning Solutions

- Exhibit C – Schedule of Names and Addresses of Sole Proprietor, Shareholders, Partner and/or Principal Officers, as applicable
- Exhibit D – Extranet Licensing Agreement
- Exhibit E – Guarantee (Initial Term) (E-1); Limited Guaranty (Renewal Term) (E-2)
- Exhibit F – CMS.net Agreement
- Exhibit G – Integrated Learning Agreement
- Exhibit H – Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During An Initial and Renewal Term
- Exhibit E – Form of Promissory Note (initial franchise fee)
- Exhibit H – First Addendum To Franchise Agreement for the states of Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Washington and Wisconsin

ITEM 23. RECEIPTS

Attached as Exhibit O, the last 4 pages of this Franchise Disclosure Document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

**EXHIBIT A TO FDD
FRANCHISE AGREEMENT**

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

NAME OF FRANCHISEE: _____

CITY: _____

STATE: _____

CHECK ONE:

This Franchise Agreement is being signed for an Initial Term.

This Franchise Agreement is being signed for a Renewal Term.

NEW HORIZONS FRANCHISING GROUP, INC.

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List of Exhibits to Franchise Agreement:

- Exhibit A – Description of the Territory
- Exhibit B – Summary of Enterprise Learning Solutions
- Exhibit C – Schedule of Names and Addresses of Sole Proprietor, Shareholders, Partner and/or Principal Officers, as applicable
- Exhibit D – Extranet Licensing Agreement
- Exhibit E-1 – Guarantee
- Exhibit E-2 – Limited Guarantee
- Exhibit F – CMS.net Agreement
- Exhibit G – Integrated Learning Agreement
- Exhibit H – Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During An Initial and Renewal Term

**NEW HORIZONS FRANCHISING GROUP, INC.
FRANCHISE AGREEMENT
(CITY, STATE)**

This Franchise Agreement (“Agreement”) is made and entered into on _____, _____ (“Agreement Date”), between New Horizons Franchising Group, Inc., a Delaware corporation (“Franchisor”); _____ a _____ company proposing to do business in the State of _____ (“Franchisee”); and _____ (“Equity Holder”), with reference to the following facts:

Franchisor has developed and is engaged in the ongoing development and operation of a “System” (as defined in Article I hereof) identified to the public by certain “Service Marks” (as defined in Article I hereof) and operated in accordance with the provisions of this Agreement and Franchisor’s “Confidential Operations Manual” (as defined in Article I hereof), as amended from time to time.

New Horizons Education Corp. (“NHEC”), the affiliate of Franchisor, is the owner of the all of the Intellectual Property Rights (as defined in Article I hereof) included in the System now or in the future. NHEC has delegated to Franchisor the right to license others to use the Intellectual Property Rights.

Franchisor is engaged in the business of licensing independent computer training businesses utilizing the Intellectual Property Rights, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and incorporated within the scope of the System. Franchisor’s activities in general, and its computer training programs in particular, are undertaken to develop, maintain and enhance the Intellectual Property Rights and Franchisor’s reputation for total service in all fields of computer training and related services throughout the United States and other countries.

Franchisee desires to be awarded a franchise and license by Franchisor to participate in and use all the System and goodwill of Franchisor to conduct the “Franchised Business” (as defined in Article I hereof) in the manner described in this Agreement. Franchisor is willing to grant to the Franchisee a franchise and license, in accordance with the provisions of this Agreement and the Confidential Operations Manual on the terms and conditions set forth below.

**I.
DEFINITIONS**

In addition to other capitalized terms that may first be defined in the body of this Agreement, the following terms shall have the following meanings when they appear capitalized in this Agreement.

1.1. Abandoned.

The term “Abandoned” shall mean closure of the “Center” (as defined in this Article I) for a period of five consecutive days without Franchisor’s prior written consent, or any shorter period after which it is not unreasonable under the facts and circumstances for the Franchisor to conclude that the Franchisee does not intend to continue to operate the Franchised Business. A repeated pattern of closures of any Center for periods of more than three consecutive business days may result in the Center being deemed Abandoned if in the reasonable judgment

of Franchisor such closure adversely impacts the Franchised Business. The Center shall not be deemed Abandoned if the closure is due to acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that (i) Franchisee gives notice of any such closure to Franchisor within ten days after the initial occurrence of the event resulting in the closure, (ii) Franchisor acknowledges in writing that the closure is due to one of the foregoing causes and (iii) Franchisee re-establishes the Franchised Business and is fully operational in another approved Center within 60 days or such longer period as Franchisor may permit after the initial occurrence of the event which resulted in the closure.

1.2. Acting as a Computer Learning Center.

The term "Acting as a Computer Learning Center" shall include, without limitation: (i) the sale and delivery of ILT; (ii) the sale and/or delivery of CBT and other methods of asynchronous and synchronous online training; (iii) the operation of eBusiness and the sale and delivery of eLearning and other forms of electronic training enabled by the Internet or comparable or enhanced forms of electronic technology now existing or hereinafter developed; (iv) the delivery or performance of other computer and professional skills training services that Franchisor incorporates in the System; (v) the sale and delivery of computer and professional skills classroom training through Mentored Learning; and (vi) the sale of Classroom Learning Content and other training products, including third party content vendors' products, all of which shall be performed or conducted in accordance with this Agreement.

1.3. Affiliate.

The term "Affiliate" shall mean a Business Entity that directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement.

1.4. Applicable Law.

The term "Applicable Law" shall mean and includes the applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Business that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Laws includes, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Center; business licensing requirements; privacy of electronic and other communications; anti-terrorism; hazardous waste; occupational hazards and health; consumer protection; trade regulation; worker's compensation; unemployment insurance; withholding and payment of Federal and State income taxes and social security taxes; federal, state and local education acts and ordinances, collection and reporting of sales taxes; and the American With Disabilities Act.

1.5. Assumed Name.

The term "Assumed Name" shall mean the name (or, with Franchisor's consent, names) under which Franchisee shall conduct the Franchised Business. Unless otherwise agreed by Franchisor, the Assumed Name shall consist of the Service Mark together with the name of the city and the state, punctuated with a comma (for example, "New Horizons Computer Learning Center of Santa Ana, California").

1.6. Business Entity.

The term “Business Entity” means a corporation, LLC, partnership, trust or other form of legal entity capable of owning property and entering into contracts regardless of whether third party consent is required in order for it to act.

1.7. CBT.

The term “CBT” shall mean computer-based training using CD-ROM formatted training products.

1.8. Center.

The term “Center” shall mean the business premises described in Section 3.1 hereof identified to the public by the Service Marks where Franchisee conducts the Franchised Business using the System.

1.9. Classroom Learning Content.

The term “Classroom Learning Content” shall mean all printed materials and eContent provided to customers in ILT and Mentored Learning for use during and after the class.

1.10. CMS.net.

The term “CMS.net” refers to Center Management System, a Web-based software solution hosted by Franchisor that manages contacts, student enrollments, class inventories and accounts receivables. Use of CMS.net is optional, but, if Franchisee elects to use CMS.net, the election is made for the duration of the term of this Franchise Agreement. To elect to use CMS.net, Franchisee must sign Franchisor’s then-current form of the CMS.net Agreement. While Franchisor’s current form of CMS.net Agreement as of the Effective Date of this Agreement is attached to this Agreement as Exhibit F, Franchisor may modify the CMS.net Agreement at any time without notice to Franchisee so that, if Franchisee elects to use CMS.net after the Effective Date, the form of CMS.net Agreement in effect at that time may materially differ from Exhibit F. The CMS.net Agreement requires payment of CMS.net Usage fees to Franchisor.

1.11. Confidential Operations Manual.

The term “Confidential Operations Manual” or “COM” shall mean the confidential and proprietary manual or manuals containing policies and procedures to be adhered to by Franchisee in performing under this Agreement, including all updated versions, amendments and supplements thereto provided to Franchisee by Franchisor at any time, either in hard copy or electronic medium which is incorporated herein by this reference.

1.12. Conversion Franchisee.

The term “Conversion Franchisee” shall mean a Person that, for at least 12 months before the Effective Date, has owned, directly or indirectly, Control of an existing computer training business from specific premises that will be re-branded under the Service Marks and conformed to Franchisor’s design, appearance and operating standards in consideration of the award of franchise rights.

1.13. Control.

The term “Control” shall mean the possession of the direct or indirect power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

1.14. Covered Person.

The term “Covered Person” shall mean: (i) the Person executing this Agreement as Franchisee; (ii) each Franchisee Affiliate; and (iii) each officer, director, shareholder, member, manager, trustee or general partner of Franchisee and each Franchisee Affiliate.

1.15. eBusiness.

The term “eBusiness” shall mean collectively any and all activities related to electronic commerce transactions that occur on any Network website including, without limitation, the collection and use of demographic information, scheduling and course delivery from any Network website, and/or the use of any Network website or electronic system for managing the existing Network business processes. Franchisor anticipates that students will purchase and enroll in classes through eBusiness web technology and helps franchisees engage in eBusiness by offering as an optional program access to CMS.net.

1.16. eContent.

The term “eContent” shall mean any learning content distributed via electronic means, including but not limited to, electronic versions of printed, instructional and support materials in electronic form including electronic materials known as “Labs on Demand”.

1.17. Effective Date.

The term “Effective Date” shall be (i) with respect to a Conversion Franchisee is the date this Agreement is executed or (ii) with respect to a Start-Up Franchisee is the earlier of (A) the date the Center commences the Franchised Business, or (B) the 120th day after completion of Initial Franchise Training at or near the headquarters of Franchisor, as described in Section 7.1 hereof.

1.18. eLearning.

The term “eLearning” shall mean Franchisor’s eLearning programs and all other forms of computer training and professional skills training available over the internet, or electronically behind a firewall, including synchronous and asynchronous classes such as New Horizons Online Live, New Horizons Online Anytime, Labs on Demand and any other form of training delivered in whole or in part electronically.

1.19. Enterprise Learning Solutions.

The term “Enterprise Learning Solutions” shall mean the coordinated delivery of services constituting Acting as a Computer Learning Center to employees of enterprise accounts on the terms summarized in Exhibit B and more specifically defined in the COM.

1.20. Extranet.

The term “Extranet” shall mean that certain electronic communications device implemented by Franchisor for the benefit of Franchisor and the Network, or any successor electronic communications device implemented by Franchisor, for use by Franchisor and the Network.

1.21. Equity Holder.

The term “Equity Holder” shall mean a Person or Business Entity who now, or after the Effective Date, owns 5% or more of the outstanding voting stock or other equity ownership interests of Franchisee that are coupled with voting rights.

1.22. First Renewal Term.

The term “First Renewal Term” shall mean any Renewal Term in which the first day of such Renewal Term commences during the period between April 1, 2008 and March 31, 2018, regardless of how many times the Franchise Agreement may have been previously renewed.

1.23. Franchised Business.

The term “Franchised Business” shall mean Acting as a Computer Learning Center from a Center or other location, utilizing the System.

1.24. Franchisor’s Website.

The term “Franchisor’s Website” shall mean www.newhorizons.com and any other Franchisor owned URL or domain name, which is linked to or leads a customer to www.newhorizons.com.

1.25. General Manager.

The term “General Manager” shall mean the employee or agent of Franchisee who has been designated by Franchisee as the individual responsible for the day-to-day operation of the Franchised Business and who has satisfactorily completed “Initial Franchise Training”.

1.26. Gross Revenues.

The term “Gross Revenues” shall mean all money, credit card payments or other things of value received, recognized on an accrual accounting basis (including the recognized portion of deferred revenue) in accordance with generally accepted accounting principles by Franchisee in payment of, for or on account of, the Franchised Business without deducting Franchisee’s cost of revenues or selling, general and administrative costs or expenses, including all salaries, commissions, bonuses or other fees payable to its employees or contractors. Gross Revenues of the Franchised Business include, but are not limited to, amounts for computer or other training services delivered by the Franchised Business, room rentals, courseware fees, testing fees, on-site cafeteria revenue, or similar items. “Gross Revenues” excludes, however: (1) interest income; (2) capitalized asset sales; (3) the non-recognized portion of deferred revenue; and (4) receipt from other franchisees for the transferred-in delivery of training services pursuant to an inter-franchise transaction.

1.27. Initial Franchisee Training.

The term “Initial Franchisee Training” or “IFT” shall mean training in the System provided by Franchisor to the General Manager, and other responsible management personnel designated by Franchisee, as provided in Article VII of this Agreement.

1.28. Initial Term.

The term “Initial Term” refers specifically to the 10- year period beginning on the Agreement Date and is only applicable to the parties if this Agreement is being entered into in connection with the initial award of Franchise rights.

1.29. ILT.

The term “ILT” shall mean instructor-led computer and professional skills classroom training.

1.30. Integrated Learning Agreement.

The term “Integrated Learning Agreement” shall mean the Integrated Learning Agreement attached hereto as Exhibit “G” and by this reference incorporated herein.

1.31. Integrated Learning Manager or “ILM”.

The term “Integrated Learning Manager” or “ILM” is the name of the NH hosted, Web-based learning management platform that we operate known as “New Horizons LMS” or “LMS” which provides support to deliver and manage online and classroom learning through a single point of access.

1.32. Inter-Franchise Fee.

Subject to the TROC, when one Network member contracts with a customer for the delivery of services in locations both within and outside of the contracting Network member’s territory, the fee that the contracting Network member must pay to other Network members who deliver training services to the customer. The Inter-Franchise Fee shall be set forth in the COM and subject to adjustment according to the procedures set forth in the COM.

1.33. Intellectual Property Rights.

The term “Intellectual Property Rights” means, collectively, all rights under Applicable Law available under patent, copyright, trademark, service mark, trade name, product configuration, industrial design, or trade secret law or any other statutory provision or common law doctrine with respect to intellectual property, including rights in or to designs, formulas, algorithms, procedures, methods, techniques, ideas, know-how, programs, subroutines, tools, inventions, creations, improvements, works of authorship, other similar materials, and all recordings, graphs, drawings, reports, analyses, other writings, and any other embodiment of the above, whether known, existing or in use on the Agreement Date or discovered, created or put into use afterwards, in any form whether or not specifically identified in this Section.

1.34. Labs on Demand.

The term “Labs on Demand” refers to a New Horizons-branded, cloud-based, hands-on lab service we provide to our students so they can practice the knowledge gained during the lecture part of their class in a real world environment.

1.35. Market Category.

The term “Market Category” shall mean the “Small”, “Medium”, “Large” and “Mega” territories set forth on Exhibit H but shall not include any of the subcategories set forth on Exhibit H.

1.36. Mentored Learning.

The term “Mentored Learning” means a premier classroom solution offering the student a multi-dimensional approach to learning which is adaptive to individual learning styles through a mentor who guides and teaches the student by using assessments, reinforcement techniques and content consisting of written courseware and streaming video or other technologies.

1.37. Network.

The term “Network” shall mean, depending on the context, all of the New Horizons franchisees and Affiliates of Franchisor that own Centers, or all of their Centers, or both.

1.38. New Horizons Franchisee.

The term “New Horizons franchisee” shall refer to other franchisees of Franchisor licensed to operate a Franchised Business.

1.39. New Horizons Online Live or Online Live.

The terms “New Horizons Online Live” or “Online Live” refer to Franchisor’s synchronous Elluminate platform, the details of which are available on the Extranet.

1.40. New Horizons Online Anytime or Online Anytime.

The terms “New Horizons Online Anytime” or “Online Anytime” refer to Franchisor’s asynchronous eLearning program, the details of which are available on the Extranet.

1.41. Person.

The term “Person” means a natural person (i.e., an individual) or Business Entity.

1.42. Renewal Term.

The term “Renewal Term” refers specifically to the 5-year period beginning on the day following the expiration of the Initial Term (as it may be extended by Franchisor under the specific circumstances set forth in Article V).

1.43. Satellite Center.

The terms “Satellite” or “Satellite Center” shall mean an additional classroom location that Franchisee opens within the Territory as permitted with Franchisor’s prior written consent that receives administrative support from Franchisee’s Center and which is not required to have either a dedicated General Manager or Account Executives. Instructors of classes held at a Satellite Center shall perform the same check-in, collections and other services typically performed by non-instructor staff members who perform these duties onsite at a Center.

1.44. Service Marks.

The term “Service Marks” shall mean the specific Intellectual Property Rights consisting of the proprietary marks owned by NHEC and registered with the United States Patent and Trademark Office, and all other trademarks, service marks, trade names, logo types, insignias, designs and other commercial symbols which Franchisor now or hereafter designates for use by Network Members and other licensed third parties to identify the Franchised Business whether or not registered with any government agency.

1.45. Start-Up Franchisee.

The term “Start-Up Franchisee” shall mean” shall mean a Person that does not qualify as a Conversion Franchisee.

1.46. Strategic Industry Partner.

The term “Strategic Industry Partner” shall mean a computer software, computer hardware or intellectual property provider which supplies, or makes available, programs, services or intellectual property to Franchisor, or to the Network and customers of the Network, and shall include, by example but not be limited to, Cisco, Microsoft, CompTia and other providers.

1.47. System.

The term “System” shall mean a comprehensive marketing and operational system prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual, as amended from time to time. The System shall include, without limitation, the Service Marks, Classroom Learning Content, eLearning and certain advertising, marketing and sales programs and techniques, the Franchisor’s Website, eBusiness, business processes and methods of operation, knowledge and know-how, trade secrets, training programs, artwork, graphics, layouts, slogans, names, titles, text, and the other Intellectual Property Rights of Franchisor that Franchisor specifically designates and makes available to Franchisee. In its sole discretion, Franchisor may improve and/or change the System from time to time (including without limitation adding to, deleting or modifying elements of the System, establishing categories or classifications of New Horizons Franchisees and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; and/or better serving the public.

1.48. Territorial Rules of Conduct or TROC.

The term “Territorial Rules of Conduct” or “TROC” refer to the rules and guidelines that govern the relationships between and among Network Members and are set forth in the COM.

1.49. Territory.

The term “Territory” shall mean that designated geographic area defined in Exhibit A attached hereto, Franchisee’s rights and limitations in respect of which are set forth in Section 2.3 hereof.

1.50. Transfer.

The term “Transfer” shall mean to sell, assign, transfer, convey, pledge, mortgage, encumber, abandon, eliminate or give away, voluntarily or involuntarily, by operation of law or otherwise.

**II.
THE FRANCHISED BUSINESS**

2.1. Grant of Franchise.

(a) Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a non-exclusive license and franchise (“Franchise”) to operate a Franchised Business in the Territory in strict accordance with this Agreement and the Confidential Operations Manual, starting on the Agreement Date and ending on the last day of the Initial Term or, if this Agreement is being signed in connection with Franchisee’s exercise of a Renewal Option (as hereinafter defined) ending on the last day of the then-applicable Renewal Term, unless this Agreement is sooner terminated. Franchisor grants Franchisee no rights other than the rights expressly stated in this Agreement.

(b) In operating the Franchised Business, Franchisee shall participate in and use the System in the manner authorized or required by this Agreement. Franchisee’s use of the System for any purpose, or in any manner, not expressly permitted by this Agreement shall constitute a breach of this Agreement and infringement of Franchisor’s intellectual property rights.

(c) Except as provided in this Section, Franchisee shall conduct the Franchised Business only (i) at or from the Center; (ii) at Franchisee’s customers’ business premises in the Territory; and (iii) if Franchisee obtains Franchisor’s prior written approval, at or from other locations in the Territory, including at any Satellite Center. Except as expressly permitted by Franchisor and subject to the Territorial Rules of Conduct, Franchisee shall not perform services constituting Acting as a Computer Learning Center outside of the Territory, with the exception that, subject to the Territorial Rules of Conduct, Franchisee may offer and sell eLearning courses to the public from the subpage on Franchisor’s Website, but not from any third party website. Franchisee shall adhere to the Confidential Operations Manual’s (i) standards and specifications for engaging in activities constituting Acting as a Computer Learning Center, including offering and selling eLearning, and (ii) procedures in applying for Franchisor’s approval to conduct the Franchised Business at or from locations in the Territory outside of the Center.

2.2. Territory and Scope of Operations.

(a) Subject to the Territorial Rules of Conduct set forth in the Confidential Operations Manual and Franchisor's retained rights, for as long as Franchisee is not in default under this Agreement, Franchisor shall not provide, or authorize or license any other Person or New Horizons Franchisee to provide, ILT identified to the public by the Service Marks from business premises in the Territory.

(b) Franchisee acknowledges and agrees that, subject to the Territorial Rules of Conduct, Franchisor and other New Horizons Franchisees may offer or sell services constituting Acting as a Computer Learning Center to Persons residing or maintaining a place of business in the Territory.

(c) Franchisee shall perform in a first rate and timely manner all of the duties and services constituting Acting as a Computer Learning Center that Franchisor incorporates in the System and requires New Horizons Franchisees to perform including, without limitation, selling and delivering services in support of Franchisor's eLearning programs. Franchisee has no right to offer or sell any goods or services branded with the Service Marks not authorized by Franchisor, including, without limitation, training programs enabled by the Internet or comparable or enhanced forms of electronic technology that Franchisor does not incorporate in the System. Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to promote and enhance the Franchised Business and the goodwill associated with the System.

(d) Franchisee shall comply with all Applicable Law, and shall obtain and maintain in good standing all required business licenses and other permits.

2.3. Scope of Grant; Franchisor's Retained Rights.

(a) Nothing in this Agreement gives Franchisee (i) any right, title or interest in or to any of the elements of the System other than a license to use the same on the terms and conditions of this Agreement; (ii) the right to object to Franchisor's award of franchises to others or any interest in Franchisor; (iii) the right to participate in Franchisor's business activities, investment or corporate opportunities; or (iv) the right to grant sublicenses of any kind.

(b) Franchisor retains the right, in its sole discretion, to offer and sell, and to license others to offer and sell, goods and services of any kind not constituting Acting as a Computer Learning Center through any channel of distribution, whether now existing or hereinafter developed, that are identified to the public by the Service Marks or by other trademarks or service marks, or utilize other elements of the System, anywhere in the world, including within the Territory, pursuant to terms and conditions that Franchisor deems appropriate.

(c) Except as provided in Section 2.2(a), and pursuant to the Integrated Learning Agreement Franchisor retains the right, in its sole discretion, to offer and sell, and to license others to offer and sell, goods and services of any kind, including, without limitation, services constituting Acting as a Computer Learning Center, through any channel of distribution whether now existing or hereinafter developed, that are identified to the public by the Service Marks or by other trademarks or service marks, or utilize other elements of the System, anywhere in the world, including within the Territory, in which case Franchisee will share in revenues derived from the Territory.

(d) Franchisee acknowledges and agrees that, subject to the Integrated Learning Agreement Franchisor's retained rights include, without limitation, the right to offer eLearning and other forms of electronic training enabled by the Internet or comparable or enhanced forms of electronic technology now existing or hereinafter developed anywhere in the world, including within the Territory.

(e) Except as set forth in Section 8.10 (Non Competition/Acts Prejudicial to the System), nothing in this Agreement forbids Franchisee from engaging in other business activities of any kind.

2.4. Delegation of Duties.

In addition to Franchisor's right to assign this Agreement, Franchisor has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third party designee of its own choosing, whether the designee is Franchisor's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third party designee will perform the delegated functions in compliance with this Agreement. When Franchisor delegates its duties to a third party (in contrast to when Franchisor transfers and assigns all of its rights under this Agreement to a third party that assumes Franchisor's obligations), Franchisor will remain responsible for the performance of the third party to whom Franchisor's duties are delegated.

III. LOCATION OF BUSINESS

3.1. The Center.

Franchisee's Center(s) shall be located at the following address(es):

Address of Center(s): _____

3.2. Satellite Centers.

(a) Except for the duty to have a dedicated General Manager and Account Executives as set forth in Section 8.1, Franchisee's obligations with respect to the performance and operation of a Satellite Center shall be the same as those set forth in this Agreement pertaining to the Center and references in this Agreement to "Center" shall include each Satellite Center.

(b) For each Satellite Center which Franchisee opens, the parties shall assign specific zip codes, which shall be shown on Exhibit A.

(c) Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to open additional centers of any kind in the Territory and Franchisee shall have no right to do so without Franchisor's prior written consent, which Franchisor agrees not to withhold unreasonably. The foregoing does not apply to engaging in services constituting Acting as a Computer Learning Center at or from Franchisee's customers' business premises in the Territory. If Franchisor consents to Franchisee's request to open an additional location, Franchisee's obligations with respect to the additional location shall be the same as those set forth in this Agreement pertaining to the Center and references in this Agreement to "Center" shall include the additional location that Franchisee opens with Franchisor's permission.

3.3. Right to Relocate.

If Franchisee desires or is required to relocate its Center, it must request Franchisor's consent to relocate such Center upon the following conditions:

(a) Not less than 30 days prior to the desired date of relocation (unless prior notice is impractical because of a relocation necessitated by unanticipated occurrences (such as fire, flood, earthquake, etc.) in which event notice shall be made as soon as possible), Franchisee must make a written request for consent to relocate, describing the reasons for the relocation and providing details respecting the proposed new Center.

(b) Within 30 days after receiving Franchisee's request, Franchisor shall either approve or disapprove such new Center in writing in the exercise of its reasonable business judgment (which may be based on consideration of the following types of factors, among others in Franchisor's discretion: alternative locations, proximity of the proposed location to existing and potential locations, increased market penetration expected, quality of location and effect on the System). In the event of disapproval, Franchisee may request an alternative proposed new Center pursuant to the provisions of this Section 3.3.

IV. PAYMENTS BY FRANCHISEE

4.1. Initial Franchise Fee.

Concurrently upon Franchisee's execution of this Agreement, Franchisee shall pay to Franchisor a non-refundable Initial Franchise Fee ("Initial Franchise Fee") in the amount shown on Exhibit H according to the following two factors: (i) the population size of the Territory, which shall be determined according to the latest census data as of the Effective Date that has been compiled and published by the United States Census Bureau in Washington, D.C. (or by any successor government agency responsible for officially compiling census information); and (ii) whether Franchisee is a Conversion Franchisee or Start-Up Franchisee.

4.2. Continuing Royalty During the Initial Term.

(a) If this Agreement is being entered into in connection with the initial award of Franchise rights, Franchisee shall pay to Franchisor during the Initial Term, in addition to the Initial Franchise Fee, a Continuing Royalty equal to 6% of all monthly Gross Revenues generated each month (or portion thereof) from the operation of the Franchised Business after the Effective Date.

(b) Commencing with either the first day of the 4th full calendar month after the Effective Date if Franchisee is a Start-Up Franchisee, or the first day of the 6th full calendar month after the Effective Date if Franchisee is a Conversion Franchisee (the "Minimum Royalty Commencement Date") and continuing each month for the remainder of the Initial Term, Franchisee shall pay to Franchisor a minimum Continuing Royalty equal to the greater of (x) 6% of all monthly Gross Revenues, or (y) the minimum amount shown on Exhibit H according to the type and subclass of the Territory as shown on Exhibit H determined as of the Effective Date. The parties agree that the same type and subclass of the Territory used to calculate the Initial Franchise Fee shall also be used to determine the minimum amount of the Continuing Royalty applicable throughout the Initial Term regardless of changes in the population in the Territory that may later occur during the Initial Term.

(c) Continuing Royalty payments must be received by Franchisor on or before the 15th day (or if this day is not a business day, on the next business day) of each applicable month during the term of this Agreement, and will be computed on Gross Revenues earned by Franchisee in the prior month. Franchisee's Continuing Royalty shall be paid to Franchisor regardless of the type of consideration received by Franchisee. In circumstances involving non-cash Gross Revenues, the method and timing of payment of Continuing Royalty may be varied in Franchisor's sole discretion and these non-cash Gross Revenues will be valued at their then fair market value (in the case of a promissory note, its then fair market value shall be equal to the stated face value of the note). Franchisor shall have the right, in its sole discretion and in extraordinary circumstances (e.g., natural disasters which make it extraordinarily difficult for Franchisee to conduct the Franchised Business), to reduce the Continuing Royalty rate. If Franchisor reduces the Continuing Royalty rate for the benefit of certain of its franchisees, then such reduction (and any related changes in contract terms) shall be made available on the same terms, conditions and qualifications to all similarly situated New Horizons franchisees (for purposes of this Agreement, "similarly situated" shall refer to franchisees of Franchisor who are in the same general condition or subject to the same general business circumstances as Franchisee). Franchisor retains the right, in its sole discretion, upon not less than ten days prior written notice, to partially or totally restore the Continuing Royalty rate to the amount set forth herein.

4.3. Continuing Royalty During the Renewal Term. If this Agreement is being entered into in connection with Franchisee's exercise of a Renewal Option and the first day of such renewal term commences between April 1, 2008 and March 31, 2018 (the "First Renewal Term"), Franchisee shall pay to Franchisor a Continuing Royalty equal to the greater of: (i) 6% of all monthly Gross Revenues generated each month (or portion thereof) from the operation of the Franchised Business during the Renewal Term, or (ii) the minimum amount shown on Exhibit H for a First Renewal Term.

(b) If this Agreement is being entered into in connection with Franchisee's exercise of a Renewal Option and the first day of such renewal term commences on or after April 1, 2018, Franchisee shall pay to Franchisor a Continuing Royalty equal to the greater of: (i) 6% of all monthly Gross Revenues generated each month (or portion thereof) from the operation of the Franchised Business during a Renewal Term, or (ii) the minimum amount shown on Exhibit H applicable to a Renewal Term other than the First Renewal Term.

4.4. Marketing and Advertising Fee.

(a) Commencing on the Effective Date, Franchisee shall pay to Franchisor a Marketing and Advertising Fee equal to 1% of Franchisee's monthly Gross Revenues. Marketing and Advertising Fees are the property of Franchisor and may be deposited by Franchisor into its general operating account.

(b) The Marketing and Advertising Fee shall be computed on Gross Revenues earned by Franchisee in the prior month and shall be payable on the 15th day of each month during the term hereof (unless the 15th day is not a business day in which event it shall be paid on the next business day), and continuing until the date of expiration or termination of this Agreement. Franchisee's Marketing and Advertising Fee shall be paid to Franchisor regardless of the type of consideration received by Franchisee. In circumstances involving non-cash Gross Revenues, the method and timing of payment of Marketing and Advertising Fee may be varied in Franchisor's sole discretion and these non-cash Gross Revenues will be valued at their then

fair market value (in the case of a promissory note, its then fair market value shall be equal to the stated face value of the note). Franchisor shall have the right, in its sole discretion, to reduce the Marketing and Advertising Fee rate. If Franchisor reduces the Marketing and Advertising Fee rate for the benefit of certain franchisees, then such reduction (and any related changes in contract terms) shall be made available on the same terms, conditions and qualifications to all similarly situated New Horizons franchisees. Franchisor retains the right, in its sole discretion, upon not less than ten days prior written notice, to partially or totally restore such Marketing and Advertising Fee rate to the amount set forth herein.

(c) On a national basis, Franchisor may impose an additional assessment upon all of its franchisees for special designated advertising or promotional activities (so long as such assessment is not in substance merely an increase in the general advertising fee referred to in Section 4.3(a) hereof) if New Horizons franchisees owning 2/3 of all franchised Centers agree to such additional assessment by affirmative vote, confirmed in writing by each respective New Horizons franchisee.

(d) Franchisor shall spend the Marketing and Advertising Fees collected from all of its franchisees for the purposes of supporting the Franchisor Website and eBusiness and other electronic communications media, national advertising, market research, public relations and sales support designed to promote and enhance the value of the System (including, without limitation, the Service Marks) and general public recognition and acceptance thereof, and research and development of eBusiness expansion programs (together "Marketing and Advertising") less Franchisor's (A) administrative expenses relating to such Marketing and Advertising not to exceed 15% of the annual aggregate Marketing and Advertising Fees received or receivable by Franchisor, and (B) actual production costs.

(e) No interest on unexpended Marketing and Advertising Fees shall be imputed for the benefit of, or payable to Franchisee and no interest on Franchisor expenditures in excess of Marketing and Advertising Fees collected shall be imputed for the benefit of, or payable to, Franchisor.

(f) Franchisor shall determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure) location and all other matters relating to Marketing and Advertising.

(g) On or before March 31 of each year, Franchisor shall make available to Franchisee, upon request from Franchisee, a statement of receipts and expenditures of the aggregate Marketing and Advertising Fees relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

4.5. CMS.net Usage Fee.

If Franchisee elects to use CMS.net, Franchisee shall pay to Franchisor the CMS.net Usage Fees set forth in Franchisor's current form of CMS.net Agreement. Franchisee understands that while Franchisor's current form of CMS.net Agreement as of the Effective Date of this Agreement is attached to this Agreement as Exhibit F, Franchisor may modify the CMS.net Agreement at any time without notice to Franchisee and the CMS.net Usage Fees that Franchisee must pay may be materially differ from the CMS.net Usage Fees in Exhibit F.

4.6. eLearning Delivery Fees.

Franchisee shall participate in Franchisor's eLearning programs and shall pay to Franchisor eLearning Delivery Fees in accordance with the terms and conditions of the Integrated Learning Agreement.

4.7. Interest on Delinquent Payments.

All delinquent payments of any sums due Franchisor shall bear interest at the rate of (i) 10% per annum or (ii) the highest rate permitted by law, whichever is lower.

4.8. No Accord or Satisfaction.

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction between Franchisor and Franchisee.

4.9. Not Withhold Payment.

Franchisee shall not have any right to withhold payments due to Franchisor or any of its Affiliates on the grounds of Franchisor's or Franchisor's Affiliates' alleged breach of obligations under this Agreement or under any other agreement between the parties or otherwise.

4.10. Advance Deposit.

In addition to all other rights given to Franchisor by this Agreement, if Franchisee shall default in any obligation to make timely payment of any sums due Franchisor under this Agreement three times within any period of 12 consecutive months, Franchisor may require upon not less than 14 days prior written notice that Franchisee deposit with Franchisor an amount equal to the highest monthly Continuing Royalty and Advertising Fees that became payable from Franchisee to Franchisor under this Agreement during any 30-day period designated by Franchisor occurring within the 12 months preceding such notice ("Advance Deposit"). Franchisor shall hold the Advance Deposit in its general funds but shall keep a separate accounting thereof, without allowance for interest, for a period of six months following the date of creation of the Advance Deposit, provided that if Franchisee shall default in any obligation to make timely payment of any sums due Franchisor under this Agreement during such period, Franchisor shall hold the Advance Deposit for a period of six months following the date of Franchisee's latest default. If Franchisee defaults in its obligations to pay any sums due Franchisor under this Agreement while funds are held as an Advance Deposit, Franchisor may withdraw from the Advance Deposit such sums as are necessary to pay deficiencies created by Franchisee's default. Franchisee shall be obligated to replace any sums as may be withdrawn by Franchisor within seven days of such withdrawal. Nothing contained in this Section 4.10 shall in any way affect the amount or manner of payment of sums due Franchisor under this Agreement during any period in which such Advance Deposit is held. Franchisor's right to withdraw the highest monthly Continuing Royalty and Advertising sums from the Advance Deposit does not and will not in any manner act to cure Franchisee's monetary defaults under this Agreement.

4.11. Gross Receipts or Equivalent Taxes.

Franchisee shall pay to Franchisor the amount of any state or local sales, use, gross receipts, or similar tax that Franchisor may be required to pay on payments which Franchisee makes to Franchisor under this Agreement, regardless of whether the state or local tax is imposed directly on Franchisor, is required to be withheld by Franchisee from amounts due to Franchisor under this Agreement, or is otherwise required to be collected by Franchisee from Franchisor. Franchisee's obligation under this Section 4.11 shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision shall not apply to income taxes or comparable taxes measured by income to which Franchisor may be subject.

V. TERM

5.1. Term.

(a) If the parties are entering into this Agreement in connection with the initial award of Franchise rights to Franchisee, the term of this Agreement shall be the Initial Term, unless this Agreement is sooner terminated pursuant to the provisions hereof. Additionally, Franchisee shall have an option to renew the Franchise relationship for consecutive terms of 5 years each (each 5 year period is called the "Renewal Term"). In order to exercise the first renewal option (which is referred to as the "Renewal Option" for purposes of this section), Franchisee shall be required to comply with the conditions for renewal set forth in this section. In order to exercise any subsequent renewal option for an additional five-year Renewal Term, Franchisee shall comply with the conditions for renewal set forth in the successor Franchise Agreement to this one, which may be materially different than this Agreement.

(b) If the parties are entering into this Agreement in connection with Franchisee's exercise of a renewal option granted to Franchisee by the very first Franchise Agreement entered into by the parties, the term of this Agreement shall be the five-year Renewal Term, unless this Agreement is sooner terminated pursuant to the provisions hereof. If the very first Franchise Agreement entered into by the parties granted Franchisee multiple additional renewal options to extend the Franchise relationship after the Renewal Term expires, the parties agree that the conditions for renewal set forth in this section shall only apply to Franchisee's exercise of the next renewal option (which is referred to as the "Renewal Option" for purposes of this section) and shall not apply to any subsequent right which may have been granted to Franchisee to further extend the Franchise relationship. The intention of this section is to protect the renewal rights granted to Franchisee by the very first Franchise Agreement entered into by the parties, but make the exercise of each subsequent renewal right subject to the conditions set forth in the successor form of Franchise Agreement governing the parties' relationship at the time when Franchisee must give notice of its election to exercise the next renewal right, if any.

5.2. Conditions for Exercising Renewal Option.

(a) In order to exercise the Renewal Option, Franchisee must comply with all of the following conditions:

(i) Franchisee must give Franchisor written notice of Franchisee's election to renew (the "Renewal Notice") at least 270 days, but not more than one year before the

expiration of the Initial Term or the then-expiring Renewal Term. Franchisee's rights under this section shall be cancelled if Franchisee does not give timely written notice.

(ii) Franchisee's Renewal Notice shall be accompanied by payment of a renewal fee in the amount of \$7,500. Franchisee understands and agrees that the renewal fee shall not be refundable if Franchisee does not satisfy the conditions for renewal.

(iii) Franchisee recognizes that Franchisor has the absolute right to cease granting new and renewal Franchises at any time, in any area in the world, for any reason without prior notice or compensation to Franchisee and that, as a condition to exercising the Renewal Option, Franchisor must be granting both new and renewal Franchises pursuant to this or any successor form of Franchise Agreement in the state in which the Franchised Business is operating when Franchisee gives the Renewal Notice. If Franchisor has ceased to grant both new and renewal Franchises in the state in which the Franchised Business is operating before receiving Franchisee's Renewal Notice, the Franchise relationship shall end on the last day of the Initial Term or then-expiring Renewal Term, as applicable, and any unexercised renewal rights granted by this Agreement, or by the very first Franchise Agreement entered into by the parties, shall be cancelled without compensation to Franchisee. Franchisor shall notify Franchisee of the cancellation of any unexercised renewal rights at such time, if any, that Franchisee gives a Renewal Notice attempting to exercise the Renewal Option and shall return any renewal fee to Franchisee.

(iv) Franchisee must not be in default under this Agreement at the time it gives the Renewal Notice or on the last day of the Initial Term or the then-expiring Renewal Term, as applicable. Further, Franchisee must not have received more than 3 notices of default during the 24 months before Franchisee gives the Renewal Notice whether or not the notices relate to the same or to different defaults and whether or not each default has each been timely cured by Franchisee.

(v) If the parties are entering into this Agreement in connection with Franchisee's exercise of a renewal option granted by the very first Franchise Agreement entered into by the parties (and not in connection with the initial award of Franchise rights), the parties agree that the following terms and conditions shall apply to them and supersede any provisions of this Agreement to the contrary: (i) the Renewal Term shall be 5 years; (ii) Franchisee's right to further extend the Franchise relationship shall be the rights set forth in the very first Franchise Agreement entered into by the parties in connection with Franchisor's initial award of Franchise rights to Franchisee instead of the Renewal Options described in this Agreement; (iii) Franchisee shall not be required to pay the Initial Franchise Fee stated in this Agreement, but shall instead pay a renewal fee of \$7,500, which is the amount of the renewal fee set forth in the very first Franchise Agreement entered into by the parties; (iv) Franchisee shall not be required to participate in the initial training program described in this Agreement which Franchisor provides to new franchisees; and (v) the parties further amend this Agreement to modify any provisions which, by their nature or terms, do not apply to a renewing franchisee operating an existing Center under the terms of an expiring Franchise Agreement. Franchisee recognizes that this Agreement may be materially different than the expiring Franchise Agreement, including, without limitation, requiring payment of additional or different fees to Franchisor. If, after the exercise of the renewal option, Franchisee still has additional unexpired renewal options granted by the very first Franchise Agreement entered into by the parties, Franchisee agrees that the term of any unexpired renewal option shall be 5 years, but the conditions under which Franchisee may exercise the unexpired renewal option shall be the

same terms and conditions set forth in this section that apply to a Franchisee that executes this Agreement in connection with the initial award of Franchise rights.

(vi) If the parties are entering into this Agreement in connection with the initial award of Franchise rights, the parties agree that the following terms and conditions shall apply to Franchisee's exercise of the first Renewal Option granted by this Agreement: (i) within 30 days after Franchisee gives its Renewal Notice and pays the renewal fee, Franchisor shall deliver a copy of the form of Franchise Agreement which Franchisor is then offering to new or renewing franchisees in the state in which the Franchised Business is operating together with any disclosure document required by Applicable Law; (ii) the term of the new Franchise Agreement shall be 5 years; (iii) the new Franchise Agreement shall supersede this Agreement in all respects except as follows: (a) Franchisee's right to further extend the Franchise relationship shall not be the rights set forth in the new Franchise Agreement, but shall instead be the rights set forth in this section or in the very first Franchise Agreement entered into by the parties, as applicable; (b) Franchisee shall not be required to pay the Initial Franchise Fee stated in the new Franchise Agreement, but shall instead pay the renewal fee set forth in this Agreement; (c) Franchisee shall not be required to participate in any initial training program described in the new Franchise Agreement then offered by Franchisor to new franchisees; and (d) the parties shall further amend the new Franchise Agreement to modify any provisions which, by their nature or terms, do not apply to a renewing franchisee operating an existing Center under the terms of an expiring Franchise Agreement. In accordance with Section 5.1, the conditions for renewal set forth in this subsection shall only apply to Franchisee's exercise of the first Renewal Option and shall not apply to Franchisee's exercise of the second Renewal Option granted by this Agreement. Franchisee recognizes that Franchisor has the absolute right to modify the terms of its Franchise Agreement at any time and for any reason. The parties further agree:

(1) If Franchisor is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state or otherwise under Applicable Law cannot lawfully offer or sell a franchise at the time when this section requires that Franchisor deliver a copy of its then-current form of Franchise Agreement, the term of this Agreement shall be automatically extended on a month-to-month basis for up to 12 months until such time as Franchisor notifies Franchisee that it may lawfully offer or sell franchises. Franchisor shall then deliver to Franchisee the form of Franchise Agreement and disclosure document which Franchisor at that time may lawfully enter into with new or renewing franchisees in the state in which the Franchised Business is operating. Franchisee understands and agrees that the form of Franchise Agreement which Franchisor ultimately delivers to Franchisee may be materially different than the form of Franchise Agreement in effect on the date when Franchisee gives the Renewal Notice.

(2) If Franchisee satisfies all other conditions set forth in this section, but after 12 months, Franchisor still cannot lawfully offer or sell a franchise in the state in which the Franchised Business is operating, the parties agree that this Agreement shall continue in effect during the Renewal Term, which shall begin immediately following the end of the 12-month period.

(vii) Within 30 days after Franchisor delivers the form of Franchise Agreement which Franchisor is then offering to new or renewing franchisees in the state in which the Franchised Business is operating together with any disclosure document required by Applicable Law, Franchisee shall execute and return the Franchise Agreement together with any other

contracts which Franchisor requires that Franchisee execute in order to renew the Franchise relationship. Upon receipt of the executed documents, Franchisor shall execute one copy thereof and return the same to Franchisee. If Franchisee fails or refuses to execute and return to Franchisor all of the documents within the time frame set forth in this subsection, the Franchise relationship shall end on the last day of the Initial Term or then-expiring Renewal Term and any unexercised renewal options shall be cancelled without compensation to Franchisee.

(viii) Franchisee shall satisfy Franchisor's then-current training requirements, if any, for renewing franchisees.

(ix) Franchisee shall execute and deliver a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, Franchisor's Affiliates and their respective officers, directors, shareholders, employees and agents.

(x) Franchisee must have achieved a market penetration in the Territory equal to or greater than the market penetration achieved by at least 25% of other franchisees in the same Market Category as Franchisee. For purposes of this Section 5.2(iii), (y) "market penetration" for a year shall be calculated by dividing the Gross Revenue of Franchisee during a twelve (12) month period by the population of the Territory, and (z) Franchisee must have achieved the required market penetration calculated at the end of either of the twelve (12) month periods for the two (2) years which precede the date of the Renewal Notice.

(b) Subsequent to the execution by Franchisee of a Franchise Agreement for a Renewal Term, and prior to the effective date of the new Franchise Agreement, at Franchisee's sole cost, Franchisee shall bring the Center, and all other authorized business sites from which the Franchised Business is conducted into compliance with the standards then applicable to new Franchises. Franchisor is unable to estimate the costs to comply with this Section 5.2(b).

5.3. Notice of Expiration Required by Law.

Franchisor shall not be required to give Franchisee notice of the expiration of this Agreement before the Initial Term or then-expiring Renewal Term expires unless Applicable Law so requires, in which case, if Franchisor fails to give timely notice of the expiration as required by Applicable Law, this Agreement shall remain in effect on a month-to-month basis only until Franchisee has received such required additional notice unless Franchisee waives the need for such additional notice.

5.4. Failure to Satisfy Conditions.

If Franchisee fails to satisfy any of the conditions set forth in this section in a timely manner, this Agreement will expire on the last day of the Initial Term or then-expiring Renewal Term and any unexercised renewal rights shall be cancelled without compensation to Franchisee and without the requirement of any further notice from Franchisor; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement which expressly, or by their nature, survive the expiration or termination of this Agreement.

5.5. Personal Guarantee.

Upon the exercise of a renewal option, Franchisee may, at its option, substitute the personal guarantee which the Equity Holders had previously executed in connection with the

grant of the initial term with a limited personal guarantee in the form attached to this Agreement as Exhibit E-2, but only if Franchisee fully and completely satisfies each of the conditions set forth in Section 5.2.

VI. INTELLECTUAL PROPERTY RIGHTS

6.1. License.

Franchisor hereby grants to Franchisee the right during the term hereof to use and display the Service Marks and the other elements of Franchisor's Intellectual Property Rights that Franchisor designates in accordance with this Agreement and the Confidential Operations Manual, solely in connection with the operation of the Franchised Business. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services that may be identified by the Service Marks. Franchisee agrees that as between Franchisor and Franchisee, the Intellectual Property Rights are the exclusive property of Franchisor. Franchisee does not now and will not in the future assert any claim to any goodwill, reputation or ownership of the Intellectual Property Rights by virtue of Franchisee's franchised or licensed use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Intellectual Property Rights and the goodwill therein are and, as between Franchisor and Franchisee, shall remain vested solely in Franchisor, and the use thereof is only permitted for the term of this Agreement. Franchisee acknowledges that the material and information now and hereafter provided and/or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so disclosed, both during the term of this Agreement and thereafter. Franchisor and the owner of the Intellectual Property Rights expressly reserve all rights to the Intellectual Property Rights, except for the license granted to Franchisee in this Agreement. Franchisee agrees to be responsible for and supervise all of its principals, officers, directors, partners, employees and agents in order to insure the proper use of the Intellectual Property Rights in compliance with this Agreement. Franchisee shall use the Intellectual Property Rights solely in connection with the Franchised Business and shall not use or display the Service Marks or use any of the other Intellectual Property Rights in connection with the operation of any business, the performance of any other service or the conduct of any activity outside the scope of the Franchised Business. Franchisee shall use the Intellectual Property Rights only in connection with the Franchised Business and agrees that all of Franchisee's use under this Agreement inures to the benefit of Franchisor. Nothing herein shall give Franchisee any right, title or interest in or to any of the Intellectual Property Rights, except a mere privilege and license during the term hereof to display and use the same strictly according to the limitations provided in this Agreement and the Confidential Operations Manual. By its signature below, Franchisee acknowledges that no equity interest in the Intellectual Property Rights or the Franchise or any goodwill associated with either inures to the benefit of Franchisee. Franchisee agrees that all improvements, ideas, know-how, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating any of the Intellectual Property Rights which may be created by Franchisee, its employees, agents and subcontractors and any other party with whom it may contract to have such improvements, ideas or materials produced pursuant to this Agreement shall become the sole property of Franchisor, and Franchisee agrees on its behalf and on behalf of its employees, agents, subcontractors and any other party with whom it may contract to have such improvements, ideas and materials produced, promptly to execute any and all appropriate documents to perfect

Franchisor's rights. If required by Applicable Law, Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Intellectual Property Rights with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee shall consent in writing to the cancellation and shall join in any cancellation petition. The expense of any of the foregoing recording activities shall be borne by Franchisee.

6.2. Acts in Derogation of the Intellectual Property Rights.

Franchisor shall disclose its Intellectual Property Rights, including its trade secrets, to Franchisee by loaning to Franchisee for the term of this Agreement the Confidential Operations Manual and other manuals, videotapes and other recorded and electronic media and written materials containing Franchisor's trade secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that any trade secrets are being imparted to Franchisee because of Franchisee's special status as a franchisee of the System; and that any trade secrets included in the Intellectual Property Rights shared with Franchisee are not generally known to the computer and professional skills training industry or public at large and are not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges that it shall acquire no interest in Intellectual Property Rights, including the trade secrets, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the Intellectual Property Rights, including the trade secrets, except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor shall suffer irreparable injury thereby. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Intellectual Property Rights, either during the term of this Agreement or thereafter, and that it will use same only for the uses and in the manner franchised and licensed in this Agreement. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that materially impair or impugn the name, reputation, market recognition or goodwill associated with the Network or any of the elements of the System.

6.3. Use and Modification of Intellectual Property Rights.

(a) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, regardless of the media or method of use, including use in Franchisee website, on its letterheads, business forms, and at the Center and other authorized business sites, in all of its business dealings related thereto and in communications with the general public, it will identify the Franchised Business under the Assumed Name, in such form, size and style as prescribed in the Confidential Operations Manual. Franchisee shall file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to its Assumed Name in the county or other jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Prior to commencing business under the Service Marks, Franchisee shall supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names. Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) the owner of the Intellectual Property Rights, (iii) a subsidiary, parent, division, shareholder, partner, consultant, joint venturer, agent or employee of Franchisor, or (iv) any of Franchisor's other franchisees. If Franchisee is a corporation,

Franchisee shall not use the Service Marks in its corporate name. Without limiting the scope of the foregoing restrictions, Franchisee agrees not to use any website, domain name or other electronic communication method without conforming to Franchisor's instructions for domain name, content, permitted and required links and other protocol.

(b) Franchisor may add to, substitute or modify any or all of the Intellectual Property Rights, including the Service Marks, from time to time, by directive in the Confidential Operations Manual. Franchisee shall accept, use, display, or cease using, as may be applicable, the modified Intellectual Property Rights, including but not limited to, any modified or additional Service Marks, and shall within 30 days of receiving notification, commence to implement such changes and use its best efforts to complete such changes as soon as practicable. Changes which Franchisor may make to the Intellectual Property Rights shall not modify any of the fees payable to Franchisor under this Agreement. On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Intellectual Property Rights (including, without limitation, the Service Marks) and Assumed Name registrations, and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

6.4. Use of Other Service Marks.

Franchisee shall not use or display or permit the use or display of any other trademarks, trade names, service marks, insignias or logo types other than the Service Marks approved for use by Franchisor (i) in any advertisement that contains the words "New Horizons Computer Learning Center", (ii) in or on any Center or place of business of Franchisee in any manner that is reasonably visible from outside such Center or place of business, (iii) in any computer system used at any Center or place of business of Franchisee, (iv) in answering telephones at the Center or otherwise in connection with the Franchised Business, in any manner that could lead any Person to believe that such other trademarks, trade names, service marks, insignias or logo types or the products or services with which they are associated are owned or offered by Franchisor or its Affiliates, except as otherwise expressly permitted herein or in the Confidential Operations Manual. If Franchisee is a Conversion Franchise, Franchisee may continue to use its existing trade name together with the Assumed Name for a period not to exceed 12 months from the Effective Date.

6.5. Prohibition Against Disputing Franchisor's Rights.

Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the Intellectual Property Rights licensed hereunder, or the rights of Franchisor thereto, or the right of Franchisor or other franchisees of Franchisor to use the same during the term of this Agreement or thereafter.

6.6. Infringement Claims and Defense of Intellectual Property Rights.

If Franchisee receives notice or otherwise becomes aware of any claim, suit or demand ("Third Party Claim") threaten or brought against it by any party other than Franchisor on account of Franchisee's alleged infringement, unfair competition or similar matter arising from Franchisee's use of the Intellectual Property Rights, Franchisee shall promptly notify Franchisor of the Third Party Claim. Franchisee shall have no power, right or authority to negotiate, handle, settle or compromise the Third Party Claim without the prior written consent of

Franchisor. Franchisor shall have the sole discretion to determine whether the intellectual property used by a third party infringes upon, or is confusingly similar to, the Intellectual Property Rights licensed to Franchisee and whether and what subsequent action, if any, it will take with respect to the Third Party Claim. If Franchisor decides to take action in response to the Third Party Claim, Franchisor, alone, shall select legal counsel and decide whether to defend, compromise or settle the Third Party Claim. Franchisee agrees to cooperate fully in Franchisor's handling of the Third Party Claim. As long as the Third Party Claim does not arise directly or indirectly as a result of action or inaction or gross negligence of Franchisee or Franchisee's breach of this Agreement, Franchisor agrees to indemnify, defend and hold Franchisee harmless from and against the Third Party Claim subject to the limitation that Franchisor's indemnity shall be limited to (i) the amount of any settlement, damages or award for which Franchisee is held liable to pay to a third party arising from Franchisee's conduct in accordance with this Agreement, and (ii) reimbursing Franchisee for costs or expenses to cease using or modify the use of any of the Intellectual Property Rights in accordance with a court order or settlement of the Third Party Claim; provided, however, nothing in this Agreement obligates Franchisor to indemnify Franchisee for its lost profits or consequential damages of any kind arising from the Third Party Claim or the duty to adopt new Service Marks.

VII. INSTRUCTION AND OPERATING ASSISTANCE

7.1. Initial Franchise Training.

Franchisor shall provide instruction at IFT to the General Manager and other responsible management personnel designated by Franchisee within a reasonable time after the Effective Date. Persons attending IFT must have a demonstrable relationship to the management and operation of the Center. The General Manager and designated persons must attend the next available IFT after execution of this Agreement except as otherwise provided in writing by Franchisor. IFT consists of (i) ten days of training at or near the headquarters of Franchisor and (ii) one week of training at the Center, under the supervision of Franchisor's personnel; provided that if Franchisee has prior experience in businesses similar to the Franchised Business and both parties agree, IFT may be for less than an aggregate of three weeks. Franchisee shall be entirely responsible for the salaries and expenses of all of its trainees, and Franchisor reserves the right to limit the number of attendees. IFT is usually provided on a quarterly basis at the corporate headquarters of Franchisor or such other suitable location as may be designated by Franchisor. IFT must be completed to the reasonable satisfaction of Franchisor before commencement of operations of the Franchised Business by Franchisee. Upon satisfactory completion of IFT, Franchisee will receive a Certificate of Completion and Franchisee must sign a Receipt for Certificate of Completion - Initial Franchisee Training in the form provided by Franchisor.

7.2. Expenses.

Franchisee shall make arrangements for and pay the travel and hotel room expenses for attendees at IFT. Franchisor reserves the right to assess a reasonable charge (not to exceed \$250 per day) for training more than three attendees from Franchisee.

7.3. Mandatory Meetings.

Not more often than once each year, Franchisor may conduct a system-wide or series of regional meetings to discuss New Horizons business activities or other matters relating to the

Franchised Business. Attendance of the General Manager at these meetings is mandatory (and is highly recommended for other principals of Franchisee). Franchisee must pay all costs incurred as a result thereof including the cost of transportation, accommodations and living expenses. Franchisor may charge Franchisee a reasonable fee to attend such annual meetings. The annual meetings referenced in this Section 7.3 are in addition to any voluntary convention or sales conference which may be coordinated by Franchisor.

7.4. Staff Training Courses.

(a) Franchisor may make available to Franchisee optional staff training courses, other training courses, seminars, conferences or other programs, at a suitable location in Franchisor's discretion.

(b) Attendance at staff or other training courses, seminars, conferences or other programs which are deemed by Franchisor to be relevant or appropriate to the successful operation of the System is highly recommended but not mandatory.

(c) No fees shall be charged by Franchisor for required training courses, seminars, conferences or other programs; however, other costs and expenses incurred by Franchisee in respect of required training courses, seminars, conferences or other programs shall be borne solely by Franchisee.

7.5. Continuing Assistance.

Franchisor shall provide periodic supervision and assistance as it deems appropriate. The nature, frequency and duration of such assistance by representatives of Franchisor shall be in the sole discretion of Franchisor. In addition, Franchisor will be available by telephone, facsimile or email on an ongoing basis for consultation and guidance with respect to the operation and management of the Franchised Business. In addition to the Confidential Operations Manual, Franchisor may from time to time provide Franchisee with additional materials relating to the Franchised Business.

7.6. Site Selection Assistance.

Franchisor provides space planning consultation and advice but does not provide assistance in actual site selection for the Center. Franchisor must approve the proposed site for the Center, which approval shall not be withheld unreasonably.

7.7. Initial Franchise Training Package and Recruiting Materials.

At or before IFT, Franchisor shall provide to Franchisee proprietary information and related materials for use in connection with the training of Franchisee's staff. Such materials may include manuals, videotapes and other recorded and electronic media and written materials. Such items are and shall remain the property of Franchisor. Franchisor may also from time to time make available to Franchisee for purchase manuals, videotapes and other recorded and electronic media and written materials relevant to the System and the Franchised Business. Franchisee shall not, and shall not allow its employees or others to, copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing proprietary information and related materials without Franchisor's express prior written consent.

7.8. Timing.

Franchisee acknowledges that Franchisor's ability to provide IFT, other training, continuing assistance and other services provided for under this Article VII (and Article VIII below) may be affected by various factors including the number of franchisees being incorporated into the System within approximately the same time frame. Franchisor shall establish a reasonable schedule to provide such services taking such factors into account, and shall exercise its best efforts to provide such services within the times otherwise provided hereunder.

**VIII.
OPERATION OF BUSINESS**

8.1. Franchisee Operational Requirements.

(a) Franchisee shall at all times employ or engage the services of, on a full time basis, at least one General Manager who has successfully completed IFT prior to the Effective Date or subsequent IFT as agreed in writing by Franchisor. Each General Manager shall devote his or her full time to the management, operation and development of the Franchised Business.

(b) Franchisee shall employ or retain on a full time basis no fewer than the number of Account Executives ("AEs") shown on Schedule H based on the type of Territory that the parties have used to calculate the minimum Continuing Royalty during the Initial Term or Renewal Term, as applicable.

(c) Franchisee shall at all times ensure that its employees and agents conduct the Franchised Business professionally, courteously and in compliance with Applicable Law.

(d) Subject to the terms and conditions of the Confidential Operations Manual from time to time, at all times Franchisee's Center shall accommodate no fewer than the number of classrooms shown on Exhibit H based on the type of Territory that the parties have used to calculate the minimum Continuing Royalty during the Initial Term or Renewal Term, as applicable. Furthermore, the Center must remain open on a full time and continuous basis, except for closures caused by acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money). Franchisee shall file periodic sales and training activity reports in the frequency specified in the Confidential Operations Manual.

8.2. Operational Systems.

(a) If Franchisee elects to use CMS.net, Franchisee shall execute Franchisor's then-current form of CMS.net Agreement. Once executed, the term of the CMS.net Agreement will be the same as the term of this Agreement so that, upon expiration or termination of this Agreement, the CMS.net Agreement will simultaneously expire or terminate.

(b) Franchisee shall execute the Extranet Licensing Agreement in the form attached hereto as Exhibit D and by this reference incorporated herein.

(c) Franchisee must obtain and maintain adequate quantities of computers and related equipment necessary and appropriate for the conduct of the Franchised Business. Minimum quantities per classroom and type of computer may be prescribed by Franchisor from

time to time in the Confidential Operations Manual as updated from time to time by notice on the Extranet.

(d) Franchisee shall maintain, at its sole cost, computer equipment capable of running any electronic communication services which Franchisor may from time to time require of System members. Franchisor has implemented the Extranet and reserves the right to modify or change the Extranet and to change, increase or impose additional fees, or discontinue or replace the Extranet as improvements in technology occur as Franchisor believes will best benefit the System. Franchisee agrees to comply with all changes in accordance with Franchisor's instructions.

(e) Franchisee shall use the Integrated Learning Manager to participate in eBusiness and to provide students with the full range of Integrated Learning resources. NH-Branded Classroom Learning Content must be used whenever Franchisee delivers a course with a curriculum that incorporates Mentored Learning or eContent.

8.3. Confidential Operations Manual.

(a) Franchisee shall operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which shall be provided to Franchisee at or before Initial Franchise Training. If Franchisee loses or destroys the Confidential Operations Manual, it may be required to pay Franchisor upon demand the sum of \$5,000.

(b) Franchisor shall have the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. Franchisor agrees that although such modifications to the Confidential Operations Manual may be material in that they may have an effect on the operation of the business, they may not conflict with or materially alter the terms of this Agreement. All such additions, deletions or modifications shall be effective three business days after Franchisor has deposited notification to Franchisee of same with the United States Postal Service or one business day after deposit with a reliable overnight courier service or by the next business day after communication (with confirmed receipt) by facsimile or other electronic communications medium to which Franchisor and Franchisee both have access (e.g., the New Horizons Extranet). The Confidential Operations Manual is deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, shall be deemed to mean the Confidential Operations Manual, as amended from time to time. Any breach of the Confidential Operations Manual is a breach of this Agreement.

(c) Other applicable manuals, videotapes, audiotapes, or other printed or recorded media containing information proprietary to Franchisor may be provided to Franchisee at or before Initial Franchise Training. The Confidential Operations Manual, together with all other Franchisor manuals provided to Franchisee, shall at all times remain the sole, confidential, trade secret property of Franchisor. Upon expiration or termination of this Agreement for any reason, Franchisee shall immediately cease using or accessing or return the Confidential Operations Manual to Franchisor. Except as specifically permitted by Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual and shall not disclose the terms thereof to anyone except employees and agents of Franchisee when required in the operation of the Franchised Business.

(d) If Franchisor furnishes the Confidential Operations Manual to Franchisee in electronic form, Franchisee will not share Franchisee's password or other login information necessary to access the electronic version of the Confidential Operations Manual or other information that Franchisor maintains on any system-wide intranet or private computer network maintained by Franchisor for the benefit of all Franchisees. Franchisee will furthermore take steps to ensure that Franchisee's employees do not share their individual passwords or other login information with any other person.

8.4. Signs and Display Materials.

All signs, display materials and other materials shall be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. Said materials may be purchased and procured by Franchisee from Franchisor or suppliers designated or approved by Franchisor in accordance with Confidential Operations Manual guidelines.

8.5. Telephone Numbers.

At its sole expense, Franchisee shall obtain appropriate telephone directory listings in the form, size and content and in accordance with procedures prescribed by the Confidential Operations Manual, in at least one applicable telephone directory of general distribution covering the Center, or such other areas as Franchisor may direct, of its authorized Assumed Name as promptly as possible after the Effective Date of this Agreement, and shall list telephone numbers for the Center. If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any telephone directory listings of such other businesses. Upon termination of this Agreement, for any reason, Franchisee shall comply with the provisions of Article XII of this Agreement and change any listed telephone numbers, including all internet listings carried by any internet search engines relating to the Franchised Business, shall not provide a call forwarding or telephone number referral with respect to any such disconnected telephone number (except to a telephone number designated by Franchisor) and shall not indicate in any manner it was previously Affiliated with Franchisor. Franchisee agrees to execute any applicable supersedure or other telephone transfer forms relating to telephone numbers for the Center. Also, Franchisee hereby irrevocably appoints and designates Franchisor as Franchisee's attorney-in-fact to change any listed telephone numbers, including all internet listings carried by any internet search engines relating to the Franchised Business and to discontinue telephone directory listings, including all internet listings carried by any internet search engines using the Assumed Name, in the event of termination of this Agreement. Franchisee must answer the telephones solely in the manner prescribed in the Confidential Operations Manual.

8.6. Insurance.

Franchisee shall have in effect on the Effective Date and maintain during the term hereof insurance in such types and amounts as specified in the Confidential Operations Manual. All policies of insurance to be maintained by Franchisee shall contain a separate endorsement naming Franchisor, and if required, its Affiliates, as additional insured parties. These policies of insurance shall not be subject to cancellation or modification except with 30 days prior written notice to Franchisor. Franchisee shall cause certificates of insurance showing compliance with

the above requirements to be delivered to Franchisor annually, as a condition of exercise of the Renewal Option, and at such other times as Franchisor may request.

8.7. Records and Rights of Inspection.

(a) Franchisee covenants and agrees that it shall keep and maintain during the term hereof, and for a period of 36 months following expiration or termination for any reason, full, true and complete records of all revenues and expenditures respecting the Center, related to the Franchised Business, in the form and manner specified by Franchisor and shall permit Franchisor or its representatives or agents selected in the sole discretion of Franchisor, during normal business hours, to examine or audit the books of accounts, bank statements, documents, records (including without limitation club memberships, coupon records, paid vendor invoices, customer invoices and cash receipts), papers, class registrations and telemarketing contacts, and federal, state and local tax return records relating to the Franchised Business or individual officers, directors, owners, partners, Affiliates or shareholders (not including (i) shareholders who are not officers or directors or (ii) outside directors). If Franchisor should cause an audit to be made and the Gross Revenues or business transacted as shown by Franchisee's records should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor the additional amount payable as shown by such audit, plus interest thereon at the rate of 10% per annum or the highest rate of interest allowed by law, whichever is lower, computed from the date (or dates) said understated amount (or amounts) were due. If Franchisee's Gross Revenues are found to be understated by 3% or more or if Franchisee's financial records require a substantial effort (as determined in the sole judgment of Franchisor, exercised in good faith) on behalf of Franchisor's auditors to be placed in a condition readily conducive to audit due to a failure to follow reasonable accounting procedures, Franchisee will be required to immediately pay to Franchisor the entire cost of such audit; otherwise, the cost of the audit shall be borne by Franchisor. Franchisee shall furnish Franchisor with a copy of any and all certified financial statements respecting Franchisee's business, without any cost or expense to Franchisor. Franchisee acknowledges and agrees that the remedies for understatement of Gross Revenues setout herein are in addition to, and not in lieu of, Franchisor's rights to terminate this Agreement.

(b) Within 90 days after the end of each of Franchisee's fiscal years, Franchisee shall furnish Franchisor with its most recent federal tax return and a Profit and Loss Statement and Balance Sheet of the Franchised Business for the previous fiscal year. All such financial statements shall be prepared in accordance with generally accepted accounting principles, and shall be attested to with respect to accuracy by Franchisee, or if Franchisee is a Business Entity, by an authorized signatory of that Business Entity, as being true and correct.

(c) Franchisor shall have the right, at any time, to use any financial report or statement, or any information derived there from, relating to the Franchised Business or the Center, for aggregate statistical and marketing purposes. Unless Franchisee notifies Franchisor in writing, Franchisee's monthly revenues will be published for system wide internal purposes, but neither these revenues nor any other financial report or statement to be provided hereunder will be disclosed to any other Person without Franchisee's prior written consent.

(d) Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Franchisor, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

8.8. Review.

Franchisor shall have the right to send representatives at reasonable intervals during normal business hours, into the Center to inspect Franchisee's other records, operations, business methods, service, management and administration, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual. If such other records are not located at the Center, Franchisor's representatives shall have the right to inspect said other records, wherever located.

8.9. Compliance with Laws.

(a) Franchisee shall (i) operate the Franchised Business in compliance with all Applicable Law, (ii) prepare and file all necessary tax returns, and (iii) pay promptly all taxes imposed upon Franchisee or upon its business or property. Franchisee represents and warrants that it shall obtain and at all times maintain all necessary permits, certificates, registrations and/or licenses necessary to operate the Center. Franchisee shall immediately notify Franchisor of any litigation or arbitration, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any Business Entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification shall include all relevant details in respect thereof.

(b) Any forms or materials provided by Franchisor as examples of forms or materials used by Franchisor or others in connection with the Franchised Business do not constitute an assurance or implication that such forms or materials comply with all laws specific to Franchisee. Such forms and materials are used by Franchisee at its own risk, and Franchisor recommends that before such use, Franchisee consult with its counsel to insure compliance with Applicable Law.

8.10. Confidentiality, Non- Competition, Acts Prejudicial to the System.

Franchisee and each Equity Holder hereby acknowledges and agrees that pursuant to this Agreement Franchisee and each Equity Holder will receive valuable specialized training and trade secrets, including without limitation technology, software, trade secrets, strategies and financial, marketing, merchandising, operating, performance, cost and business information, product and business development plans, customer information, outsourcing strategies and information regarding the operational, sales, promotional and marketing methods and techniques of the System and other information concerning the actual or anticipated business, research or development of Franchisor and its Affiliates (the "Confidential Information"). In consideration for the use and license of the Confidential Information, Franchisee and each Person who is now, or in the future, an Equity Holder agrees that:

(a) Franchisee's and Equity Holder's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and Equity Holder and, additionally, grounds for termination of this Agreement.

(b) Franchisee and Equity Holders agree to: (i) confine disclosure of Confidential Information to those of its employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Franchisor to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information.

(c) All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

(d) The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided Franchisee and Equity Holders shall have used their respective best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed.

(e) Franchisee understands and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is obtained by any Person and is used to compete with Franchisor or another New Horizons franchisee or Affiliate or otherwise in a manner adverse to Franchisor's interest. Accordingly, in the event a breach of any provision regarding use of Confidential Information, Franchisee, on behalf of itself and each Covered Person, hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court having proper jurisdiction, without the requirement that Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

(f) Neither Franchisee nor any Equity Holder shall engage in activities that constitute Acting as a Computer Learning Center with respect to any business other than the Franchised Business (i) during the term hereof and (ii) for a period of one year after the termination of this Agreement for any reason either within the Territory or within 25 miles of any Network Center, nor shall it operate, manage, own, consult, assist or hold an interest, direct or indirect (as an employee, officer, director, shareowner, partner, joint venturer or otherwise), in any computer training business other than the Franchised Business.

(i) The parties acknowledge that the restrictions in this section are independent of the other covenants and provisions of this Agreement. If any provision in this section is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Franchised Business is located (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the agreements in this section, but only with respect to those subjects.

(ii) Franchisee expressly authorizes Franchisor to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee and the Equity Holders each expressly agree, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

(g) It is the intention of the parties that Franchisee maximize the Gross Revenues of the Franchised Business for the mutual benefit of Franchisor and Franchisee, and any action of Franchisee which diverts business to another Person or diminishes the Gross Revenues of the Franchised Business is a material breach of this Agreement.

(h) Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any Person, divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or

perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the System.

(i) Neither Franchisee nor Franchisor shall solicit any individual who is at that time employed by the non-soliciting party, or its Affiliates, to leave his or her employment, without the advance prior written consent of the non-soliciting party. If either party violates the above non-solicitation of employee covenant and employs, or if one of its Affiliates employs, the individual so solicited, the soliciting party must pay to the non-soliciting party a sum equal to 50% of the annual salary rate being paid to the employee at the time of the solicitation.

(j) This Section 8.10 shall apply to each individual who is now, or who becomes, an Equity Holder of Franchisee.

Franchisee and each Equity Holder acknowledges that the restrictions contained in this section are reasonable and necessary in order to protect legitimate interests of Franchisor, and in the event of violation of any of these restrictions, Franchisor shall be entitled (i) to terminate this Agreement, (ii) to obtain damages, including without limitation Continuing Royalty and other fees that would have been payable if such business were included in the Franchised Business, and (iii) to require an accounting by Franchisee of all earnings, profits and other benefits arising from such violation. These rights and remedies of Franchisor under this Section 8.10 shall be cumulative and in addition to any other rights or remedies to which Franchisor may be entitled at law or in equity. Notwithstanding the provision of damages, Franchisee also understands and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Section 8.10. Accordingly, if a breach occurs, Franchisee and the Equity Holders, on behalf of itself and each Covered Person, each hereby consents to entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief which may be granted by a court having proper jurisdiction, without the requirement that Franchisor post bond or comparable security. Franchisee and the Equity Holders, on behalf of itself and each Covered Person, each hereby further agree that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

8.11. Enterprise Learning Solutions.

By executing this Agreement, Franchisee agrees to participate in Franchisor's program of coordinated delivery of Franchised Business to regional, national or international accounts (the "Enterprise Learning Solutions Program") summarized in Exhibit B and more specifically defined in the Confidential Operations Manual.

8.12. Transactions with Strategic Industry Partners.

Franchisee agrees that nothing in this Agreement shall preclude Franchisor from participating in marketing programs, executing operating agreements or entering into other transactions with Strategic Industry Partners for the benefit of the Network, provided that such transactions do not involve or result in Franchisor Acting as a Computer Learning Center.

8.13. Local Advertisement.

Franchisee shall comply with Franchisor's written guidelines for advertising, marketing and promotional materials and activities that Franchisee creates or produces for use in any

format or in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites) to promote its Center (“Local Advertising”) as set forth in the Confidential Operations Manual. Upon Franchisor’s request, Franchisee must provide Franchisor with a copy of all Local Advertising for Franchisor’s review according to the procedures set forth in the Confidential Operations Manual. Franchisor may require that Franchisee suspend use of any Local Advertising based on Franchisor’s evaluation that the Local Advertising is inconsistent with System standards or uses the Service Marks in violation of the terms of this Agreement or the Confidential Operations Manual. Should Franchisor direct Franchisee to suspend use of objectionable Local Advertising, Franchisee must submit the revised Local Advertising to Franchisor according to the procedures set forth in the Confidential Operations Manual before using them in any manner or media channel.

IX. ASSIGNMENT

9.1. Assignment by Franchisor.

Franchisor shall have the right to Transfer any or all of its direct or indirect interest in this Agreement (including without limitation the economic benefits derived from this Agreement), and any or all of its rights and privileges hereunder to any other Person, firm or corporation (in such context, “Assignee of Franchisor”); provided that, in respect to any Transfer (in such context, “Assignment by Franchisor”) resulting in the subsequent performance by such Assignee of Franchisor of the functions of Franchisor, (i) at the time of Assignment by Franchisor, Assignee of Franchisor is financially responsible and economically capable of performing the obligations of Franchisor hereunder, (ii) the Assignee of Franchisor expressly assumes and agrees to perform such obligations, and (iii) Franchisor shall be relieved of all obligations or liabilities then existing or thereafter assertable under this Agreement (except that if Franchisee continues to comply with all terms and conditions of this Agreement, including but not limited to Articles II, VI and VIII hereof, then Franchisee shall be entitled during such continued compliance to use the Intellectual Property Rights licensed hereunder until the end of the then current term of this Agreement. At the end of such period of continued compliance and use of the Intellectual Property Rights, Franchisee shall comply with the terms of Section 12.1 below).

9.2. Assignment by Franchisee.

(a) Restriction on Transfer. This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and/or principals and the trust and confidence placed in them by Franchisor. Therefore, except as otherwise provided in this Article IX, neither Franchisee nor any immediate or remote successor to Franchisee, nor any Person that directly or indirectly owns an equity interest (as that term is defined herein) in Franchisee, shall Transfer any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived there from, or any equity interest in Franchisee, in whole or in part, in any manner (in such context, “Assignment by Franchisee”), except as permitted by this Agreement. Any purported Transfer of any interest in this Agreement, the Franchised Business or an equity interest in Franchisee not in accordance with this Agreement shall be void and shall constitute a material breach of this Agreement, for which Franchisor may terminate this Agreement without prior notice or opportunity to cure, pursuant to Section 10.2 of this Agreement.

(b) Transfers to Employees, Officers, Owners. Except as otherwise provided in this Agreement, without Franchisor's prior written consent, (i) Franchisee or any Equity Holder may Transfer or issue in any single transaction less than 49% of the equity interest in Franchisee to an employee or officer of Franchisee who has been directly involved in the operation of the Franchised Business on a full-time basis (working an average of 35 or more hours per week) for at least one year as of the time of such Transfer or issuance, and (ii) an Equity Holder may receive a Transfer of up to 49% of the equity interest in Franchisee from other Equity Holders; provided (in either case) that such Transfer, when combined with all other Transfers that have occurred since Franchisee shall have been a franchisee of Franchisor, does not exceed 49.9% of the equity interest or otherwise effect a change in Control of Franchisee. Any transfer under this section is not subject to Franchisor's right of first refusal under Section 9.3 nor is payment of the Transfer Fee set forth in Section 9.2(k) required.

(c) Transfers to Family Members. Franchisee or an Equity Holder, if a natural person, may with Franchisor's consent, which will not be withheld unreasonably, Transfer the Franchised Business or an equity interest in Franchisee to such natural person's spouse, parent, sibling, niece, nephew, descendant or spouse's descendant provided that (i) adequate provision is made for the management of the Franchised Business, (ii) any successor General Manager has successfully completed Initial Franchise Training, and (iii) a transferor who has demonstrated adequate financial capacity guarantees in form and substance satisfactory to Franchisor the performance of the transferee's obligations under this Agreement. Any transfer under this section is not subject to Franchisor's right of first refusal under Section 9.3 nor is payment of the Transfer Fee set forth in Section 9.2(k) required.

(d) Transfers to Corporations with Same Ownership. At any time within six months after the Effective Date, Franchisee or an Equity Holder, if a natural person, sole proprietorship or partnership, may without the consent of Franchisor, but upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a corporation entirely owned by such natural person, sole proprietorship or partnership, as the case may be, in the same proportionate amount of ownership as prior to such Transfer, provided that (i) adequate provision is made for the management of the Franchised Business, (ii) any successor General Manager has successfully completed Initial Franchise Training, and (iii) the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's corporation's obligations under this Agreement. Any transfer under this section is not subject to Franchisor's right of first refusal under Section 9.3 nor is payment of the Transfer Fee set forth in Section 9.2(k) required.

(e) Transfers Upon Death, Incapacity. In the event of the death or legal incapacity of Franchisee or an Equity Holder, if a natural person, Franchisor will recognize that such natural person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with such person's will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person's estate, provided that (i) adequate provision is made for the management of the Franchised Business, (ii) any successor General Manager has successfully completed Initial Franchise Training, and (iii) the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants or spouse's descendants. Any transfer under this section is not subject to Franchisor's right of first refusal under Section 9.3 is payment of the Transfer Fee set forth in Section 9.2(k) required.

(f) Restrictions on Granting Security Interests and Subfranchising. Except as otherwise set forth below, Franchisee shall not have the right to pledge, encumber, hypothecate

or otherwise give any third party a security interest in this Agreement, nor subfranchise or otherwise Transfer, or attempt to subfranchise or otherwise Transfer the Center so long as it is operated as a Center, or to Transfer or subfranchise a portion but not all of Franchisee's rights hereunder without the express prior written permission of Franchisor, which permission may be withheld for any reason in Franchisor's sole discretion. However, without the prior written consent of Franchisor and for the sole purpose of obtaining financing for the operation of the Franchised Business and provided Franchisee is in full compliance with all of the terms and conditions of this Agreement, and any other agreement, arrangement or understanding with Franchisor, (i) Franchisee shall have the right to enter into a commercial, third party equipment lease or financing arrangement for the provision of equipment for use in the Franchised Business, (ii) Franchisee shall have the right to pledge its accounts receivable and (iii) shareholders of Franchisee (if a corporation) may pledge their shares of stock in Franchisee as additional collateral security provided that such pledge if foreclosed upon would not result in a transfer of Control or Transfer of Franchisee to another Person.

(g) Other Transfers. Except as otherwise provided in this Agreement including Section 9.4 below, and subject to Franchisor's right of first refusal under Section 9.3 hereof, Franchisee or an Equity Holder may effect any Transfer of a direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived there from, or any equity interest in Franchisee, not permitted by the preceding Sections 9.2(b) through 9.2(f), only after written notice to Franchisor and only with Franchisor's written consent, which may not be withheld unreasonably. Franchisor must exercise its good faith business judgment in determining whether to give or withhold its consent to a Transfer under this Section 9.2(g). In exercising good faith business judgment, Franchisor must consider skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation the following: (i) entrepreneurial and managerial abilities; (ii) financial and operational skills; (iii) qualifications, financial resources, reputation and character of the prospective transferees; (iv) the ability of the prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and (v) the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System, Network, Franchisor or any of Franchisor's Affiliates.

(h) Equity Interest Defined. An "equity interest" in a Business Entity shall mean any stock, partnership, membership, or other direct or indirect beneficial interest in the Business Entity or in the economic benefits derived there from. "Equity interest" in Franchisee shall also include any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived there from or in the assets of the Franchised Business if such assets are Transferred in connection with a Transfer of a substantial portion of such assets.

(i) Computing Equity Interests. In computing the percentages of equity interests in Franchisee, limited partners will not be distinguished from general partners and Franchisor's judgment will be final if there is any question of the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being: (i) direct and indirect power to exercise control over the affairs of Franchisee; (ii) direct and indirect right to share in Franchisee's profits; and (iii) amounts directly or indirectly exposed to risk in Franchisee's business. Equity interests may be Transferred only if the Transfer is registered or exempt from registration under federal securities laws.

(j) Registration of Proposed Transfer. If a proposed Transfer of an equity interest in Franchisee requires registration under any federal or state securities law, Franchisee shall: (i) request Franchisor's consent at least 45 days before the proposed effective date of the registration; (ii) accompany such requests with payment of the non-refundable transfer fee set forth in Section 9.2(k) below; (iii) reimburse Franchisor for expenses incurred by Franchisor in connection with review of materials concerning the proposed registration, including without limitation attorneys fees and travel expenses; and (iv) together with all participants in the proposed offering subject to registration, agree (A) to fully indemnify Franchisor against any costs or liabilities in writing (in form and substance satisfactory to Franchisor) in connection with the registration, (B) to furnish Franchisor all information requested by Franchisor, (C) avoid any implication of Franchisor's participating in or endorsing the offering, and (D) to use the Intellectual Property Rights only as directed by Franchisor.

(k) Transfer Fees. Excepting transfers pursuant to Sections 9.2(b), 9.2(c), 9.2(d) or 9.2(e) hereof, in the event of any Transfer pursuant to this Article IX, Franchisee shall pay to Franchisor a non-refundable transfer fee of \$5,000.

(l) Conditions Precedent to Transfer. Franchisor may impose certain conditions precedent to its consent to a Transfer including without limitation the following:

(i) the proposed transferee (or the principal equity holders thereof) presents himself, herself or themselves for a personal interview at Franchisor's corporate office, or such other location designated by Franchisor, at such date and time reasonably requested by Franchisor, without expense to Franchisor and prior to such Transfer;

(ii) Franchisee shall have complied fully as of the date of any such Transfer with all of its obligations to Franchisor under this Agreement, or any other agreement, arrangement or understanding with Franchisor and Franchisee and all Equity Holders shall execute and deliver a general release in a form satisfactory to Franchisor of any and all claims against Franchisor, Franchisor's Affiliates, and their respective officers, directors, shareholders, employees and agents;

(iii) the proposed transferee agrees that all of Franchisor's training and orientation programs then required by Franchisor shall be satisfactorily completed by transferee's necessary personnel within 30 days after the effective date of such Transfer or at the completion of the first available training and orientation programs if that date is later, and such transferee agrees to pay for all of its expenses incurred in connection therewith, including travel, hotel and meal expenses; and

(iv) in the sole discretion of Franchisor, the assignee executes Franchisor's then current form of Franchise Agreement for a term equal to the term remaining under Franchisee's Franchise Agreement.

(m) No Waiver. Franchisee acknowledges that (i) any consent granted or withheld by Franchisor under this Article IX shall not serve to waive Franchisor's right to grant or withhold consents thereafter and (ii) Franchisor may consider the effect (cumulative or otherwise) of prior Transfers in determining whether to grant or withhold its consent to any Transfer.

(n) Notice. If a Transfer occurs that is permitted without Franchisor's prior written consent pursuant to this Section 9.2, Franchisee and the transferor shall give Franchisor notice

of such Transfer within ten days after such Transfer and shall provide all related information reasonably requested by Franchisor.

9.3. Right of First Refusal.

(a) Except as otherwise provided in Section 9.2 hereof, the right of Franchisee and Equity Holders to Transfer any equity interest in Franchisee or any direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived there from, or in the assets of the Franchised Business (if the Transfer of these assets would result in a transfer of a substantial portion of Franchisee's assets), shall be subject to Franchisor's right of first refusal with respect thereto if such Transfer (i) is in excess of 49.9% of such equity interest in any single transaction (or series of related transactions) or (ii) otherwise effects a change in Control of Franchisee, unless the transferee is an Equity Holder. Franchisor's right of first refusal may be exercised in the following manner:

(i) Franchisee or the Equity Holder shall serve upon Franchisor a written notice setting forth (A) all of the terms and conditions of any bona fide offer relating to a proposed Transfer, and (B) all available information concerning the proposed transferee.

(ii) Within ten business days after Franchisor's receipt of such notice (or if it shall request additional information, within ten business days after receipt of such additional information), Franchisor shall notify the proposed transferor of one of the following:

(A) Franchisor will be exercising its right of first refusal as provided herein; or

(B) Franchisor grants its consent to the Transfer under the terms stated in the notice; or

(C) Franchisor will not be exercising its right of first refusal but for other reasons within its discretion (Franchisor's right of first refusal in no way modifies or diminishes its right to withhold consent to a Transfer), Franchisor does not consent to the Transfer.

(b) If Franchisor elects to exercise its right of first refusal, it shall purchase the equity interests or assets proposed to be Transferred on the same terms and conditions as set forth in the bona fide offer. If Franchisor elects not to exercise its right of first refusal and consents to the Transfer, the proposed transferor shall for a period of 90 days be free to Transfer to the proposed transferee upon the terms and conditions specified in said notice. If, however, the terms of the offer are materially changed, or if the 90-day period expires, Franchisor shall again have a right of first refusal with respect thereto and the proposed transferor shall again be required to comply with Section 9.3(a) above.

9.4. Franchisor Consent to Offerings.

Securities, units or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of Franchisor (whether or not Franchisor's consent is required under Section 9.2 of this Agreement), which consent Franchisor may grant or withhold in its sole discretion based solely upon what Franchisor deems to be in its best interests. All materials required for such offering by the laws applicable to the jurisdiction where Franchisee makes its offering shall be submitted to Franchisor for

review prior to their being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No Franchisee offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of Franchisee of Franchisor securities, and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. Prior to Franchisor's commencing its review of any proposed public offering and for each proposed public or private offering, Franchisee shall pay to Franchisor a nonrefundable fee of U.S. \$25,000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing and approving or disapproving the proposed public or private offering. Franchisee shall give Franchisor written notice at least 90 days prior to the date of commencement of any offering or other transaction covered by this section.

X. DEFAULT AND TERMINATION

10.1. General.

(a) This Agreement may be terminated unilaterally by Franchisor only for good cause, which for purposes of this Agreement means a material violation of this Agreement, including any failure by Franchisee to substantially comply with any obligation, duty or promise under the Agreement. Franchisor shall exercise its right to terminate this Agreement in the manner described in this Article X.

(b) If Franchisor gives Franchisee written notice to cure a violation of Article VI of this Agreement (which may include a statement of the method of cure to be employed), Franchisee shall commence such cure within 24 hours and must effect a complete cure and remedy the damage caused by such violation as fully as possible in the shortest possible time, but in no event more than seven days; and Franchisee shall take suitable actions to prevent recurrence of the same type of violation.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances in which Franchisor has a right to terminate this Agreement, Franchisor or Franchisee shall have the right to exercise any and all remedies available to either of them at law or in equity, including specific performance and damages. All rights and remedies provided herein shall be in addition to and not in substitution of other rights and remedies available to a party at law or in equity. Franchisor may elect to pursue any remedy it may choose in its sole discretion.

10.2. Termination Without Right to Cure.

Franchisor has the right to terminate this Agreement effective immediately upon written notice to Franchisee upon the occurrence of any or all of the following events, each of which shall be deemed an incurable breach of this Agreement:

(a) If Franchisee fails to open the Center within six months after execution of the Franchise Agreement without Franchisor's written agreement to an extension of time to open.

(b) If Franchisee Abandons its Center.

(c) To the extent permitted by law, if (i) Franchisee or a general partner thereof becomes insolvent (as revealed by its records, its inability or failure to pay its debts to third parties when due or otherwise), or (ii) Franchisee or a general partner thereof files a voluntary petition and is adjudicated bankrupt, or an involuntary petition is filed against Franchisee or general partner thereof and such petition is not dismissed within 30 days, or (iii) Franchisee or a general partner thereof shall make an Assignment by Franchisee for the benefit of creditors, or (iv) a receiver or trustee in bankruptcy or similar officer, temporary or permanent, be appointed to take charge of Franchisee's affairs or any of its property, or (v) dissolution proceedings are commenced by or against Franchisee (if a Business Entity) and are not dismissed within 30 days thereafter, or (vi) any final judgment against Franchisee from which no further appeal is available and which is not currently on appeal remains unsatisfied or unbonded of record for 30 days after receipt by Franchisee of actual or constructive notice thereof, with the amount of such judgment exceeding \$10,000 or 10% of Franchisee's Gross Revenues for the preceding 12 consecutive months, whichever is less (Franchisee shall forward to Franchisor within one business day after Franchisee's receipt thereof copies of all summons, complaints or other documents relating to proceedings naming Franchisee which may have any material impact on the Franchised Business).

(d) If (i) Franchisee has knowingly either inaccurately reported or withheld the reporting of any Gross Revenues, or (ii) an Equity Holder having a 10% or greater equity interest in Franchisee has knowingly and directly caused or authorized Franchisee to either inaccurately report or withhold the reporting of any Gross Revenues, or (iii) if either Franchisee or an Equity Holder having a 10% or greater equity interest in Franchisee makes materially false statements or representations to Franchisor in connection with Franchisee obtaining its New Horizons franchise.

(e) If Franchisee Transfers or attempts to transfer this Agreement without the prior written consent of Franchisor as provided in Sections 9.2 and 9.4 hereof.

(f) If Franchisee defaults in any material obligation in respect of which Franchisee twice previously within the preceding 12 months has received a notice of default from Franchisor respecting the same or similar breach.

(g) If Franchisee defaults in its obligation to permit Franchisor or its representative or agents to examine or audit books of accounts, bank statements, documents, records, papers or tax return records under Sections 8.7 or 8.8 hereof.

(h) If Franchisee fails, for a period of ten (10) days after Franchisee receives notification of non-compliance from any Person, to comply with Applicable Law.

10.3. Termination With Right to Cure.

(a) As provided in Section 10.1(b) hereof, if Franchisee fails to cure a violation of Article VI of this Agreement (which may include a statement of the method of cure to be employed), Franchisee must commence such cure within 24 hours and must effect a complete cure and remedy the damage caused by such violation as fully as possible in the shortest possible time, in no event more than seven days, Franchisor may terminate this Agreement immediately upon written notice to Franchisee.

(b) Franchisor may terminate this Agreement if Franchisee uses the Intellectual Property Rights in any manner not permitted by this Agreement, or takes any action that

incorrectly indicates that certain products or services are associated with the Intellectual Property Rights, and Franchisee fails to cure such violation within 24 hours of receipt of written notice by Franchisor to cure.

(c) Franchisor may terminate this Agreement if Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or System.

(d) With respect to any default by Franchisee of an obligation to pay any sums due Franchisor under this Agreement, Franchisor may terminate this Agreement upon 14 days written notice of such default.

(e) Franchisor may terminate this Agreement if Franchisee fails to cure a violation of any other agreement entered into with Franchisor within the cure period specified in that agreement.

(f) Except for (i) incurable violations referred to in Section 10.2, (ii) Service Mark violations referred to in Sections 10.3(a) and 10.3(b), or (iii) as otherwise expressly provided herein, Franchisor may terminate this Agreement upon 30 days prior written notice to Franchisee setting forth the breach complained of in this Agreement or any other agreement to which both Franchisor or any of its Affiliates and either Franchisee or any of its Affiliates or Equity Holders are party. Upon receipt of such notice, Franchisee shall immediately commence diligently to cure said breach, and if Franchisee cures the breach during such period, Franchisor's right to terminate this Agreement shall cease; provided, however, that if, because of the nature of said breach, Franchisee is unable to cure the same within said 30 day period, Franchisee shall be given additional time as Franchisor determines is reasonably necessary within which to cure the breach (not to exceed an additional 30 days) on condition that Franchisee immediately commences to cure the breach upon receipt of a notice of extension from Franchisor and continues to use its best efforts to do so.

10.4. Description of Default.

The description of default in any notice served by Franchisor hereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination thereof.

10.5. Statutory Limitations.

Notwithstanding anything to the contrary in this Article X, in the event any valid, Applicable Law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth herein, this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation.

XI. MEDIATION, ARBITRATION AND OTHER RELIEF

11.1. Mediation

(a) Agreement to Mediate Disputes. Except as otherwise provided in subparagraph (b) of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(i) The mediation shall be conducted pursuant to the rules of the National Franchise Mediation Program, a dispute resolution program for franchising administered under the auspices of the CPR Institute for Dispute Resolution (“the Mediation Service”). Either party may initiate the mediation (the “Initiating Party”) by notifying the Mediation Service in writing, with a copy to the other party (the “Responding Party”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(ii) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that mediator and Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(iii) The fees and expenses of the Mediation Service, including, without limitation, the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorney’s fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(iv) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company’s headquarters at the time, unless the parties otherwise required by applicable Law.

(v) The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not be binding on the parties.

(vi) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(vii) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(viii) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs; (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(b) Exceptions to Duty to Mediate Disputes.

(i) The obligation to mediate shall not apply to any disputes, controversies or claims (a) where the monetary relief sought is under \$10,000 or (b) any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond.

(ii) Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security.

11.2. Arbitration.

Except as specifically modified by this Article XI, and excepting matters involving provisional remedies as set forth in Section 11.2 below, any dispute between (i) Franchisor and its Affiliates and (ii) Franchisee, Equity Holders or their respective Affiliates, arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, will be resolved by

submission to binding arbitration before an arbitrator referred by the American Arbitration Association (“AAA”), in accordance with its Commercial Arbitration Rules. If all parties to the dispute agree, the dispute may be arbitrated by any other arbitration organization. All arbitrations must be conducted on an individual (and not class-wide or multiple plaintiff) basis. All hearings and other proceedings shall take place in Orange County, California, or, at Franchisor’s sole discretion and if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

(a) The arbitrators of any dispute hereunder are hereby affirmatively instructed to apply the appropriate law as provided in Section 14.1 hereof. Specifically excepting the location of the arbitration, all issues relating to the arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. California discovery law will apply to provide all discovery available in California Superior Court cases. California evidence law shall apply.

(b) At the arbitration hearing, either party may present briefs and deposition testimony of witnesses who are unable to attend the hearing in person, regardless of where such witnesses reside. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be binding, final and non-appealable.

(c) No punitive or exemplary damages shall be awarded against either Franchisor or Franchisee, their respective Equity Holders or Affiliates, in an arbitration proceeding (or other proceeding) and are hereby waived.

(d) Prior to any arbitration proceeding taking place, either party may, at its option, elect to (i) have the arbitrator conduct, in a separate proceeding prior to the actual arbitration, a preliminary hearing, at which hearing testimony and other evidence may be presented and briefs may be submitted, including without limitation a brief setting forth the then applicable statutory or common law methods of measuring damages in respect of the controversy or claim being arbitrated, or (ii) conduct non-binding mediation in Orange County, California, before AAA or other mutually agreeable mediator, in which event the parties shall execute a confidentiality agreement.

(e) This arbitration provision shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(f) The provisions of this Section 11.1 shall be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court shall modify or interpret such provisions to the minimum extent necessary to comply with the law.

11.3. Injunctive or Extraordinary Remedies.

Notwithstanding the provisions of Section 11.1 above, Franchisor may bring an action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting any bond (and if bond shall nevertheless be required by a court of competent jurisdiction, the parties agree that the sum of \$100 shall be sufficient bond), as Franchisor deems necessary or appropriate (i) to compel Franchisee to comply with its obligations hereunder respecting Franchisor’s rights to examine or audit books and records

under Sections 8.7 or 8.8 hereof, or respecting violations of Franchisee's obligations under Section 8.10 hereof, or (ii) respecting the use or display of the Intellectual Property Rights, or (iii) to otherwise compel Franchisee to take steps reasonably necessary to preserve Franchisor's reputation, goodwill and proprietary rights. Franchisee acknowledges that it is one of a number of licensed franchisees using the Intellectual Property Rights and that failure on its part to comply fully with any of the terms of this Agreement respecting the foregoing obligations regarding examinations, audits and the Intellectual Property Rights could cause irreparable damage to Franchisor or other franchisees of Franchisor. Therefore, Franchisor shall have the immediate right to seek a preliminary order or injunction enforcing the foregoing obligations during the pendency of all arbitration or other proceedings, without the necessity of posting a bond. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which Franchisor may have.

XII. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION

12.1. Franchisee's Obligations.

(a) Except as otherwise set forth in Section 9.1 respecting Assignment by Franchisor of any or all of its interest in this Agreement, in the event of termination or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other monetary and non-monetary obligations provided for in this Agreement, Franchisee shall forthwith discontinue the use and/or display of the Intellectual Property Rights including, without limitation, the Service Marks and cease distributing any and all materials containing or bearing the Intellectual Property Rights including, without limitation, the Service Marks, and shall not thereafter operate or do business under the Assumed Name or any other name or in any manner that might tend to give an average person the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by it or the owner of the Intellectual Property Rights. In such event, Franchisee also shall comply with Section 12.2 respecting the return to Franchisor of certain materials and shall not thereafter use in any manner or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including without limitation (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, marks, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business. As and when requested by Franchisor, Franchisee shall make its books and records available to Franchisor's representatives for a termination audit.

(b) In the event of termination or expiration as described in Section 12.1(a) above, Franchisee shall promptly:

(i) remove at Franchisee's expense all signs erected or used by Franchisee which bear the Service Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

(ii) erase or obliterate from letterhead, stationery, printed matter, website, advertising or other forms used by Franchisee the Service Marks and any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

- (iii) cease using all other elements of the Intellectual Property Rights;
- (iv) permanently discontinue any advertising of Franchisee which indicates directly or indirectly that Franchisee is associated or affiliated with Franchisor; and
- (v) refrain from doing anything which would indicate that Franchisee is or ever was an authorized Franchisee including without limitation indicating (directly or indirectly) that Franchisee was licensed to use the Intellectual Property Rights or any other distinctive System features or that Franchisee at any time operated under any name, word or mark associated or affiliated with Franchisor.

(c) If Franchisee engages in any business thereafter, it shall (i) use trade names, service marks or trademarks (if any) which are significantly different from the Intellectual Property Rights; (ii) use sign formats (if any) which are significantly different in color and type face; and (iii) take all necessary steps to ensure that its present and former employees, agents, officers, shareholders and partners observe the foregoing obligations.

(d) In the event of such termination or expiration, Franchisee shall assign to Franchisor all of its interest in and rights to all telephone numbers and all telephone directory listings applicable to the Franchised Business in use at the time of such termination to Franchisor and take all actions necessary to change immediately all such telephone numbers and telephone directory listings.

(e) If Franchisee fails or omits to make or cause to be made any removal or change described in Section 12.1(b), 12.1(c) or 12.1(d) above, then Franchisor shall have the right within 15 days after written notice to Franchisee to enter upon Franchisee's premises where the Franchised Business was being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at the sole expense of Franchisee, which expense Franchisee agrees to pay to Franchisor promptly upon demand. Franchisee hereby irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the Assumed Name and any of the Intellectual Property Rights.

(f) If the Center is Abandoned or otherwise closed for a period of ten consecutive business days without Franchisor's prior written consent, Franchisee must promptly take action to remove any indication that the Center is associated or affiliated with either Franchisee or Franchisor, and remove at Franchisee's sole expense all signs erected or used by Franchisee in connection with such Center and bearing either the Service Marks or any word or mark indicating that the Center is associated or affiliated with either Franchisee or Franchisor, except as otherwise prohibited by law.

12.2. Rights of Parties.

(a) If Franchisee is in material default of its lease for the premises on which the Center is located (the "Lease") or upon termination of this Agreement for any reason, Franchisor has the right to directly assume the Lease, and thereafter operate the Center directly or through an affiliate or other franchisee. Franchisee shall cooperate in preparing any addendum or amendment to the lease to reflect this assumptive right of Franchisor.

(b) The expiration or termination of this Agreement shall be without prejudice to any rights of either party against the other and such expiration or termination shall not relieve either party of any of its obligations to the other existing at the time of expiration or termination or terminate those obligations of either party which, by their nature, survive the expiration or termination of this Agreement. Upon expiration or termination, Franchisee is obligated to return, at no expense to the Franchisor, any and all copies of the Confidential Operations Manual, other New Horizons manuals, software manuals and documentation, and any other communications media and material provided for Franchisee's use without additional charge in connection with the operation of the Franchised Business.

12.3. Franchisor's Right to Cure Defaults by Franchisee.

In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement involving third parties, Franchisor may at its election immediately or at any time thereafter, without waiving any claim for breach hereunder and after ten business days written notice to Franchisee, cure such default for the account of and on behalf of Franchisee, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof shall be due and payable by Franchisee to Franchisor on demand.

12.4. Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual, shall constitute a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its rights at any time hereafter to require exact and strict compliance with the provisions thereof.

12.5. Attorneys' Fees and Expenses.

If any party hereto commences any action or proceeding to enforce or prevent the breach of any provision hereof, whether by arbitration, judicial or quasi-judicial action or otherwise or any appeal there from or for damages for any alleged breach of any provision hereof or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including without limitation reasonable attorney's fees for services rendered to the prevailing party.

XIII. GENERAL CONDITIONS AND PROVISIONS

13.1. Relationship of Franchisee to Franchisor.

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner, fiduciary or co-venturer of or with the

other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor or the owner of the Intellectual Property Rights. All employees or agents hired or engaged by or working for Franchisee shall be only the employees or agents of Franchisee and shall not for any purpose be deemed employees or agents of Franchisor or the owner of the Intellectual Property Rights, nor subject to Franchisor's control; and in particular, Franchisor shall have no authority to exercise control over the hiring or termination of such employees, independent contractors or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of such persons, except to the extent necessary to protect the Intellectual Property Rights. Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor or the owner of the Intellectual Property Rights in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

13.2. Indemnity.

Except as otherwise expressly provided in Section 6.6 hereof, Franchisee hereby agrees to protect, defend and indemnify Franchisor and its Affiliates and designees, and hold them harmless from and against any and all costs and expenses actually incurred by them or for which they are liable, including attorney's fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, and including those incurred pursuant to a settlement entered into in good faith, arising out of or in connection with the Franchised Business, including specifically without limitation any claim or controversy arising out of (i) any Transfer by Franchisee referred to in Section 9.2 hereof, (ii) acts or omissions of Franchisee which are not in strict compliance with this Agreement and the Confidential Operations Manual in respect of use or display of the Intellectual Property Rights, or (iii) acts or omissions of Franchisee which tend to create an impression that the relationship between the parties hereto is other than one of franchisor and franchisee. Notwithstanding the foregoing, Franchisee shall have no obligation to protect, defend or indemnify Franchisor, or Franchisor's Affiliates or designees, from and against any such costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent. In any proceeding in which Franchisor has been found to have been actively negligent (as opposed to passively negligent or vicariously liable), Franchisor and Franchisee shall each bear all of such costs and expenses either in proportion to any finding of comparative negligence made in such proceeding or, if no such finding has been made, as shall be determined in an arbitration proceeding pursuant to Section 12.1 hereof, based on application of comparative negligence standards.

13.3. Guarantee.

The Equity Holders of Franchisee shall each guarantee the obligations of Franchisee in this Agreement and shall execute a form of continuing guarantee as attached hereto as Exhibit "E" and incorporated herein by this reference.

13.4. Survival of Covenants.

The covenants contained in this Agreement which by their terms require performance by the parties after the expiration or termination of this Agreement shall be enforceable

notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

13.5. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Franchisor and shall be binding upon and inure to the benefit of the Franchisee and its heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment by Franchisee contained herein in Article IV.

13.6. Joint and Several Liability.

If Franchisee consists of more than one Person, or a combination thereof, the obligation and liabilities to Franchisor of each Person are joint and several.

13.7. Counterparts.

This Agreement may be executed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

13.8. Notices.

(a) All notices which the parties hereto may be required or may desire to give under or in connection with this Agreement shall be in writing and shall be actually delivered or sent by (x) certified mail, return receipt requested, postage prepaid, (y) reliable overnight delivery service, or (z) facsimile with confirmation copy sent by first-class mail, addressed as follows:

If to Franchisor, to:

New Horizons Franchising Group, Inc.
Attention: Legal Department
1900 S. State College Blvd., Suite 450
Anaheim, CA 92806
Facsimile: 1-714-938-6007

If to Franchisee, to:

Facsimile: _____

(b) The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices shall be deemed given (i) when delivered in person, (ii) three business days after deposit with the United States Postal Service, (iii) on the next business day after deposit with a reliable overnight delivery service, or (iv) on the next business day after being sent (with confirmed receipt) by facsimile transmission.

13.9. Further Assurances.

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

**XIV.
CONSTRUCTION OF AGREEMENT**

14.1. Governing Law.

To the extent applicable, procedural and jurisdictional issues respecting arbitration of disputes under this Agreement shall be governed by the United States Arbitration Act (9 U.S.C. §1 *et seq.*). To the extent applicable, any issue involving the Intellectual Property Rights shall be governed by the applicable common law and either the Lanham Act (15 U.S.C. §1051 *et seq.*) or comparable statutes specifically addressing intellectual property. All issues involving (i) non-competition after termination or assignment of this Agreement and/or (ii) modification of this Agreement while it is in effect shall be governed by the laws of the state in which Franchisee is domiciled. Except as otherwise provided in Article XI hereof and this Section 14.1, this Agreement and the totality of the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

14.2. Entire Agreement; Modification.

This Agreement, together with any and all exhibits, addenda or attachments, contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. To the fullest extent permitted by Applicable Law, no other agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. However, nothing in this Agreement or any related agreement is intended to disclaim the Franchisor's representations made in the Franchise Disclosure Document. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement. Franchisee agrees that it has executed this Agreement without reliance upon any such unauthorized representation or promise. This Agreement cannot be modified or changed except by (i) written instrument signed by all of the parties hereto, or (ii) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent (except as restricted by Applicable Law) and which is effective immediately upon notice.

14.3. Titles for Convenience Only.

Section titles used herein are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions hereof.

14.4. Gender.

All terms used in any one number or gender shall be extended to mean and include any other number and gender as the facts, context or sense of this Agreement or any article or section may require.

14.5. Severability.

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Confidential Operations Manual and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter shall prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any article, section, sentence or clause of this Agreement or the Confidential Operations Manual shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining parts thereof shall continue in full force and effect, unless said provision pertains to the payment of fees pursuant to Article IV hereof, in which case this Agreement shall terminate.

14.6. No Third Party Beneficiaries.

This Agreement is not intended to benefit any other Person except the named parties hereto and no other Person shall be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

**XV.
SUBMISSION OF AGREEMENT**

The submission of this Agreement to Franchisee does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN OFFICER OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY FRANCHISOR WITH ANY DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER APPLICABLE LAW.

**XVI.
ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE**

16.1. Certain Acknowledgments and Representations of Franchisee.

Franchisee represents and warrants that the following statements are true and accurate:

(a) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business and/or the Franchise.

(b) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with the standards of Franchisor.

(c) If Franchisee is a Business Entity, Franchisee is duly incorporated or organized and qualified to do business in the state and any other applicable jurisdiction within which the Center is located.

(d) The execution of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(e) Any individual executing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement shall constitute a valid and binding obligation of Franchisee.

(f) Franchisee, and, if Franchisee is a Business Entity, its owners, officers, directors, managers and general partners (i) have carefully read this Agreement and all other related documents to be executed by it concurrently or in conjunction with the execution hereof; (ii) have had the opportunity to obtain the advice of counsel in connection with this Agreement; (iii) understand the nature of this Agreement; and (iv) intend to comply herewith and be bound hereby.

16.2. Additional Information Respecting Franchisee.

(a) Attached hereto as Exhibit C is a schedule containing complete information respecting the owners, partners, officers and directors, as the case may be, of Franchisee.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to Section 13.7 hereof) where Franchisee's financial and other records are maintained is:

(c) The name, business address and facsimile number (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to Section 13.7 hereof) of Franchisee's "General Manager" is:

Name: _____

Address: _____

Facsimile Number: _____

(d) Upon request by Franchisor, Franchisee shall deliver to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including without limitation all partnership agreements, limited liability company operating agreements, articles or certificates of incorporation, by-laws and shareholder agreements, and any amendments, side letters and other items modifying such documents.

(e) The term of this Agreement (whether an Initial Term or a Renewal Term as indicated on the cover page of this Agreement, whichever is applicable) expires on _____, 20 ____.

16.3. Integration.

Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of their business relationship defined in this written Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreement executed by the parties contemporaneously herewith, supersede and cancel any prior and/or contemporaneous discussions (whether described as presentations, inducements, promises agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on his or her behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and will place, no reliance on any such discussions. This Agreement, together with any other documents or agreements executed by the parties contemporaneously herewith, constitutes the entire agreement between the parties and contains all terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No future franchise rights or offer of franchise rights have been promised to Franchisee and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by an officer of Franchisor or such other Business Entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by the party to be charged.

16.4. Acknowledgements.

Franchisee understands and agrees and represents to Franchisor, to induce Franchisor to enter into this Agreement, that:

(a) Acceptance of Conditions. Franchisee has read this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards in all Franchised Business in order to protect and preserve the System and the goodwill of the Intellectual Property Rights;

(b) Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Franchise Business may evolve and change over time; that an investment in this franchise involves business risks; and that the success of the investment depends upon Franchisee's business ability and efforts;

(c) Reliance. Franchisee has not received or relied upon any promise or guaranty, expressed or implied, about the revenues, profits or success of the business venture contemplated by this Agreement;

(d) No Representations: Status of Franchisee.

(i) No representations have been made by Franchisor, Franchisor's Affiliate or their respective officers, directors, shareholders, employees or agents that are contrary to statements made in the Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement; and

(ii) Franchisee (if an individual) or each Person executing a guaranty of Franchisee's obligations, is a United States citizen or a lawful resident alien of the United States; if Franchisee is a Business Entity, it shall remain duly organized and in good standing for as long as this Agreement is in effect and it owns the franchise rights; and all financial and other information provided to Franchisor in connection with Franchisee's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

[End of Page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be effective as of the Agreement Date first written above.

FRANCHISOR:
NEW HORIZONS FRANCHISING
GROUP, INC.

By: _____
Earle Pratt
President

FRANCHISEE:

By _____
*

*

EQUITY HOLDERS:

_____, an individual

_____, an individual

EXHIBIT A TO FRANCHISE AGREEMENT

DESCRIPTION OF TERRITORY; PERFORMANCE REQUIREMENTS

1. The Territory licensed to Franchisee is described as follows:
 - a. The name of the area defined in this exhibit is
 - b. The territory consists of:
2. The size of the area defined in this exhibit is:

MARKET CATEGORY	TERRITORY POPULATION AS OF EFFECTIVE DATE OF FRANCHISE AGREEMENT

EXHIBIT B TO FRANCHISE AGREEMENT

SUMMARY OF ENTERPRISE LEARNING SOLUTIONS

The Enterprise Learning Solutions (or “ELS”) has been established by Franchisor to obtain and administer computer-training business relating to “Enterprise Accounts”. Enterprise Accounts are defined as a large account usually national or global.

Under the ELS program, Franchisor is responsible for the following:

- (a) Using its best efforts to negotiate the most favorable pricing obtainable for Centers from Enterprise Accounts with consideration for volume and competitive conditions;
- (b) Making available information concerning the agreed scope and pricing of training and materials for each Enterprise Account via ELS Announcements delivered on the Extranet;
- (c) Administering a program for Enterprise Accounts under which credits can be issued by ELS and sold to Enterprise Accounts for redemption at Centers;
- (d) Coordinating the delivery of training services and materials to Enterprise Accounts from any Center;
- (e) Billing and collecting from the Enterprise Account; and
- (f) Paying each Center the Fees in accordance with the ELS fee structure as posted on the Extranet from time to time.

Each Center is responsible for the following:

- (a) Providing services and materials to each Enterprise Account in accordance with the terms of the applicable Enterprise Account contract;
- (b) Honoring credits for Enterprise Accounts issued by ELS;
- (c) Working with ELS or the Enterprise Account to coordinate the scheduling of the delivery of training services and materials to the Enterprise Account;
- (d) Billing ELS for training and materials provided pursuant to an Enterprise Account within 10 days after such training and materials were rendered and providing, as a condition of payment, such documentation as may be required by ELS or the Enterprise Account; and
- (e) Providing high quality training to Enterprise Accounts pursuant to the schedules committed to by the Center and permitting representatives of ELS to periodically monitor such training; and

- (f) Working with Enterprise Account in local market to penetrate and identify training opportunities. This should be done using a consultative sales approach. All training must be run through the ELS process for billing and reporting as noted on the ELS announcements.

The terms of the operation of ELS from time to time are contained on the Extranet, access which will be provided to Franchisee at IFT.

EXHIBIT C TO FRANCHISE AGREEMENT

SCHEDULE OF NAMES AND ADDRESSES OF SOLE PROPRIETOR, SHAREHOLDERS, MANAGERS, MEMBERS, PARTNERS AND/OR PRINCIPAL OFFICERS, AS APPLICABLE

1. If the prospective franchisee is a sole proprietorship, list below the name and residence address of the owner:

2. If the prospective franchisee is a partnership, list below the names, residential addresses and respective percentage ownership interests in the partnership of each partner (and whether any partner is a managing partner) and submit a copy of the partnership agreement, if any, to Franchisor (if more space is required, attach additional sheets):

3. If the prospective franchisee is a corporation, list the names, residential addresses and percentage ownership of each shareholder (if more space is required, attach additional sheets):

4. If the prospective franchisee is a corporation, list the names and residential addresses of each director of the corporation, if not previously provided (if more space is required, attach additional sheets):

5. If the prospective franchisee is a limited liability company, list the names, residential addresses and percentage ownership of each equity owning member (if more space is required, attach additional sheets):

6. If the prospective franchisee is a limited liability company, list the names and residential addresses of the manager (or each co-manager) of the limited liability company, if not previously provided (if more space is required, attach additional sheets):

7. If the prospective franchisee is a corporation or a limited liability company, list the names, residential addresses and respective offices of each executive officer, if not previously provided in section 4 (if necessary, list other corporate executive officers on additional sheets attached):

EXHIBIT D TO FRANCHISE AGREEMENT

NEW HORIZONS FRANCHISING GROUP, INC. EXTRANET LICENSE AGREEMENT

(Note: This is an example of the Extranet License Agreement which you must execute either in concurrently with the Franchise Agreement or on the New Horizons Extranet site)

This Extranet License Agreement (“Agreement”) is made between New Horizons Franchising Group, Inc., (“Franchisor”) and the owners and general managers of its franchisees and company owned computer learning centers, (the “Network Member”).

A. This Agreement describes the terms and conditions upon which Franchisor shall allow Network Member to subscribe to the Extranet Services as described below. As used in this Agreement the term “Extranet Services” shall include but are not limited to access to an administration tool for the input of names and email addresses to effect mail forwarding, global contact lists, online discussion forums, file libraries, access to the Extranet, and the publishing of such data and other information as Franchisor may provide from time to time in its sole discretion.

B. If you agree to each term and condition please click on “Agree” below, or use such other method to indicate your agreement as may be presented. Agreement to these terms is required for admission to the Extranet Services. Agreement to these terms by all Network Members is necessary to protect and serve the interests of all Network Members using the Extranet Services.

1. EXTRANET SERVICE

In consideration of the payment of the monthly fee to Franchisor by Network Member, and the compliance with the other terms and conditions of this Agreement, Franchisor shall provide to Network Member the Extranet Services and information and other content that may be provided by third parties (“Third Party Material”).

2. RULES OF CONDUCT ON THE EXTRANET

Network Member agrees not to upload, post or otherwise publish on or over the Extranet Service, and not to seek on or over the Extranet Service, any software, file, information, communication or other content: (a) which violates or infringes upon the rights of any other; (b) which, under the circumstances and in Franchisor’s good faith judgment, is, or is likely to be perceived by an intended recipient or target as, defamatory, deceptive, misleading, abusive, profane, offensive or inappropriate, (c) which constitutes a threat to, harassment of, or stalking of another; (d) which adversely affects the performance or availability of the Extranet Service; (e) which contains any virus, worm, Trojan, harmful component or corrupted data; or (f) which, without the written approval of Franchisor, contains any advertising, promotion or solicitation of goods or services for commercial purposes. This paragraph shall not be interpreted to restrict Network Member from utilizing mail services in conducting legitimate franchise business. Network Member may not, without the written approval of Franchisor, send unsolicited

advertising or promotional material. Network Member shall comply with the mail forwarding policies posted on the Extranet from time to time.

3. LEGAL REQUIREMENTS

Network Member agrees to comply with the terms and conditions of its Franchise Agreement and the Confidential Operations Manual, all applicable laws, rules and regulations in connection with the use of the Extranet Service and this Agreement. If there is conflict between the terms and conditions of this Agreement and the terms and conditions of the Franchise Agreement then the terms and conditions of this Agreement shall prevail. Network Member is responsible for reading and paying appropriate attention to warnings, notices and instructions presented in various areas of the Extranet Service, and shall also comply and ensure that its employees and representatives comply with any other rules and restrictions relating to the use of the Extranet Service.

4. DISCLAIMER AS TO CONTENT

Franchisor does not and shall not be deemed to verify, endorse or in any way vouch for the accuracy, completeness, truthfulness or reliability of any service, opinion, advice, communication, information or other content on or made available through the Extranet Service.

5. OWNERSHIP OF CONTENT

Network Member acknowledges and agrees that any information posted in the libraries or forums shall be the property of Franchisor and Franchisor may reproduce, distribute, transmit, publish or otherwise transfer, or commercially exploit, any software, file, information, communication or other content received or accessed in the libraries and forums through the Extranet Service.

6. MISUSE OF ACCOUNTS

No User shall use another User's account. No Network Member shall use another Network Member's account.

7. NETWORK MEMBER RESPONSIBILITY

Network Member shall be responsible for all access to and use of the Extranet Service through Network Member's account or password(s). Network Member agrees that only Network Member and its owners and employees ("Users") shall be granted access to the Extranet Services. When any employee or agent of Network Member leaves the employment or agency of Network Member, Network Member shall immediately terminate that person's access to the Extranet.

8. ONGOING RELATIONSHIP

8.1. Franchisor may at any time by notice published electronically using the Extranet Service modify this Network Member Agreement, including, without limitation, pricing and billing terms. It is Network Member's responsibility to review from time to time and stay familiar with this Network Member Agreement.

- 8.2. Franchisor, in its sole discretion and without notice, may (i) discontinue, add to or revise any part of the Extranet Service and (ii) modify, supplement, delete, discontinue or remove any software, file, publications, information, communication or other content appearing on or transmitted through the Extranet Service (a "Modification"). This may be amended in the manner expressly provided for in this Agreement. If any term of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, the term shall be considered to be stricken from this Agreement as if it had not been included from the beginning.
- 8.3. If Franchisor makes a Modification, Network Member may immediately terminate its Network Member account and this Agreement. Network Member may terminate its Network Member Account at any other time and for any reason or for no reason. Network Member shall carry out any termination in accordance with the methods established by Franchisor. Instructions for termination are provided online.
- 8.4. Franchisor may terminate your account and this Agreement if Network Member or any of its Users breach any term or condition of this Agreement. Franchisor may terminate the Network Member's account and this Agreement or may suspend (with or without notice) access to the Extranet Service, in whole or in part at any time. If Franchisor has not determined in its sole discretion that there has been a breach of this Agreement then any such termination or suspension shall require 30 days advance notice.
- 8.5. After termination of this Agreement or any Network Member's account, and after suspension of access to the Extranet Service, Network Member remains responsible for any obligations accrued to that date. Network Member shall pay all fees due to Franchisor through the end of the month in which suspension or termination occurs. Except as specifically provided for in this Agreement, neither Franchisor nor Network Member shall have any obligation whatsoever to the other after any cancellation or termination of this Agreement.
9. FEES AND PAYMENT
- 9.1. The monthly fee shall be payable by Network Member at the same time that it pays its royalties and other fees payable pursuant to its franchise agreement with Franchisor. The initial monthly fee shall be twenty five dollars (\$25.00) per Network Member. Network Member shall pay any and all applicable taxes related to use of the Extranet Service by Network Member or by Users of Network Member's account. Network Member acknowledges that Franchisor incurs substantial costs in maintaining the Extranet Service and that Franchisor may adjust the monthly fee from time to time in its sole discretion by notice over the Extranet.
- 9.2. Network Member acknowledges that a monthly Network Membership fee will apply for each month (or portion thereof) that Network Member's shall require access to the Extranet Service. The Extranet Service shall be provided until either party terminates the Network Member's account and this Agreement.

10. HARDWARE AND OTHER EQUIPMENT

Network Member is responsible for and must purchase or otherwise provide all telephone and other equipment and services necessary to access and use the Extranet Service.

11. COPYRIGHT AND LICENSES

11.1. Franchisor reserves all copyrights and other rights in and to any content available through the Extranet Service and which is identified as, claimed by Franchisor as, or known by Network Member to be, proprietary to Franchisor (or its licensors). The content on the Extranet Service is protected under applicable copyright law, including as a collective work. All copying, modification, distribution, publication or other use by Network Member, or by any user of Network Member's account, of any such content or other works is prohibited, except as expressly permitted by Franchisor.

11.2. Each Network Member, and User grants to Franchisor and its affiliates a non-exclusive, paid-up, perpetual and worldwide right to copy on any medium, distribute, display, perform, translate, adapt, modify and otherwise use in connection with the business of Franchisor and its affiliates any and all software, files, information, communications and other content which it places on the Extranet. Each Network Member who places software, files, information, communications or other content on the Extranet Service retains any proprietary rights Network Member may have in such content, and the license granted under this paragraph shall not be construed as a conveyance of such proprietary rights to Franchisor or its affiliates.

12. USE OF DATA, INFORMATION, AND COMMUNICATIONS

Network Member acknowledges and agrees that Franchisor may, at its sole discretion and on a worldwide basis, distribute, transfer, loan, sell or otherwise share with other persons or entities user lists. "User lists" includes name and address data and other identifying data of Network Members and Users.

Network Member acknowledges that User lists may be used for:

- a. Directing e-mail or other communications from Franchisor to the Network Member.
- b. Sharing User Lists with Franchisor franchises and affiliates.
- c. Directing limited commercial or promotional communications to Network Members pursuant to Franchisor's Referred and Preferred Vendor Programs.
- d. Other uses as deemed appropriate solely by Franchisor for its internal information and records and for the conduct of business between Franchisor and its franchises and affiliates.

Network Member has the right and the obligation to correct errors in Network Member records through the use of the remote administration facilities provided by Franchisor. Network Member acknowledges and agrees that User lists may be (i) collected directly from Network

Members, (ii) derived from Network Member and User access to or use of the Extranet Service and, (iii) obtained, stored, distributed and otherwise managed by Franchisor, its affiliates, and contractors.

Franchisor, in its reasonable and good faith discretion and without notice, may provide information and records relating to Network Member and Users to courts, law enforcement agencies, or others involved in prosecuting claims or investigations for conduct or conditions alleged or believed to be illegal or to violate or threaten the rights of any person or entity.

Information generated by or in connection with the administration of the Extranet Service shall be and remain the exclusive property of Franchisor.

Network Member acknowledges that advertising and promotion may occur on the Extranet Service and that neither Network Member nor any User shall have any claim with respect to any proceeds from such activities.

13. DISCLAIMER OF WARRANTIES AND EXCLUSION OF LIABILITY

13.1. NETWORK MEMBER EXPRESSLY AGREES THAT USE OF THE SERVICE IS AT NETWORK MEMBER'S SOLE RISK. THE SERVICE IS PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES THAT THE SERVICE WILL BE UNINTERRUPTED OR ERROR FREE, WARRANTIES OF TITLE OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE.

13.2. NEITHER FRANCHISOR NOR ANY OF ITS AFFILIATES, INFORMATION OR CONTENT PROVIDERS, SERVICE PROVIDERS, LICENSORS, EMPLOYEES OR AGENTS ("FRANCHISOR GROUP") SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF USE OF THE EXTRANET SERVICE OR INABILITY TO USE THE EXTRANET SERVICE OR OUT OF ANY BREACH OF ANY REPRESENTATION OR WARRANTY. NONE OF THE FRANCHISOR GROUP SHALL HAVE ANY LIABILITY WHATSOEVER IN CONNECTION WITH THIS AGREEMENT IN EXCESS OF AN AMOUNT EQUAL TO THE COST OF ONE YEARS EXTRANET SERVICE. EXCLUDED FROM THIS LIMITATION OF LIABILITY IS LIABILITY DIRECTLY ARISING OUT OF (i) A BREACH BY FRANCHISOR OF A BASIC OBLIGATION TO OFFER AN EXTRANET SERVICE AS PROVIDED FOR UNDER THIS AGREEMENT, AND (ii) FRANCHISOR KNOWINGLY ACTING TO INTENTIONALLY BREACH ITS CONTRACTUAL OBLIGATIONS UNDER THIS AGREEMENT. THESE PROVISIONS SHALL APPLY REGARDLESS OF ANY ALLEGATION OR FINDING THAT A REMEDY FAILED OF ITS ESSENTIAL PURPOSE, REGARDLESS OF THE FORM OF ACTION OR THEORY OF LIABILITY (INCLUDING, WITHOUT LIMITATION, ANY FORM OF NEGLIGENCE) AND EVEN IF ANY MEMBER OF THE FRANCHISOR GROUP WAS ADVISED OR AWARE OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES OR LIABILITY.

13.3. IF FRANCHISOR SHALL MISTAKENLY OR WRONGFULLY OVERCHARGE NETWORK MEMBER, NOTHING IN THIS AGREEMENT SHALL LIMIT FRANCHISOR'S OBLIGATION TO REFUND SUCH OVERCHARGE PLUS INTEREST.

13.4. NETWORK MEMBER EXPRESSLY ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION SHALL ALSO APPLY TO ANY AND ALL CLAIMS RELATING TO "THIRD PARTY MATERIAL" (DEFINED ABOVE) AND ANY OTHER CONTENT AVAILABLE THROUGH THE EXTRANET SERVICE. NETWORK MEMBER AGREES THAT IT WILL NOT IN ANY WAY HOLD FRANCHISOR RESPONSIBLE FOR ANY SELECTION OR RETENTION OF, OR THE ACTS OR OMISSIONS OF, THIRD PARTIES IN CONNECTION WITH THE EXTRANET SERVICE.

13.5. SOME STATES OR JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF CERTAIN WARRANTIES. THEREFORE, THE ABOVE EXCLUSIONS OR LIMITATIONS MIGHT NOT APPLY TO THAT EXTENT, AND NONE OF THE ABOVE SHOULD BE CONSTRUED AS EXCLUDING OR LIMITING ANY WARRANTY BEYOND WHAT IS PERMISSIBLE UNDER APPLICABLE LAW.

14. INDEMNITY

Network Member hereby indemnifies and holds harmless the Franchisor Group against all claims, liability, damages, costs and expenses, including but not limited to reasonable attorneys' fees, arising out of or related to any and all use of Network Member's account. This includes, without limitation, responsibility for all such consequences of Network Member's and User's violations of this Agreement or placement on or over, or retrieval from or through, the Extranet Service of any software, file, information, communication or other content.

15. CHOICE OF LAW TIME FOR BRINGING CLAIMS

This Agreement is made in the State of California. This Agreement and all of the parties' respective rights and duties in connection herewith shall be governed by and construed in accordance with the laws of the United States of America and, excluding conflicts rules, of the State of California. Any cause of action of Network Member, or by any User, with respect to the Extranet Service or this Agreement must be instituted within one year after the claim or cause of action has arisen or be barred. The United Nations Convention on Contracts for the International Sale of Goods does not apply to this Agreement and it is acknowledged that this is a contract for services and not a contract for the sale of goods. Network Member agrees that this Agreement is set forth in the English language for the mutual convenience and benefit of the parties.

16. FURTHER ASSUANCES

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

Acknowledged and agreed on _____, _____.

FRANCHISEE:

XXX.

By: _____
Name and title

EXHIBIT E-1 TO FRANCHISE AGREEMENT

GUARANTEE

This Guarantee ("Guarantee") dated as of _____, _____ is made [jointly and severally] by _____ an individual, residing at _____ ("Guarantor"), in favor of New Horizons Franchising Group, Inc., a Delaware corporation having its corporate headquarters at 1900 South State College Boulevard, Suite 450, Anaheim, California, 92806 ("Franchisor").

Guarantee. In consideration of the execution of the Franchise Agreement [city, state location] dated _____, _____, ("Franchise Agreement") between Franchisor and _____, a company with a principal place of business at _____ ("Franchisee"), Guarantor unconditionally guarantees the performance of the Franchise Documents, and all obligations and indebtedness of Franchisee under the terms of the Franchise Documents. This includes the Franchise Agreement and all ancillary agreements, which Franchisee executes in favor of Franchisor, and any Promissory Note made by Franchisee in favor of Franchisor. Also included are any open account balances for royalties, fees and other payments and interest due from Franchisee, or any affiliate of Franchisee, to Franchisor. This Guarantee covers dealings arising between Franchisee and Franchisor, or from dealings by which Franchisor may become a creditor of Franchisee. (The Franchise Documents and Monetary Obligations individually and collectively, as the case may be, are referred to as the Obligations.)

As used in this Guarantee, the terms "indebtedness" and "obligations" are used in their most comprehensive meaning and include:

All debts, obligations and liabilities of Franchisee incurred with or without notice to Guarantor, whether voluntary or involuntary, and whether Franchisee is liable individually or jointly with others.

Guarantor agrees that the covenants of non-competition, nondisclosure and non-transfer, as described in the Franchise Agreement, also apply to Guarantor as an individual.

Maximum Liability. The maximum liability of Guarantor under this Guarantee will not exceed the amount of the Obligations described above, plus all costs and expenses of enforcement of this Guarantee.

Nature of Guarantee. Guarantor intends to guarantee, at all times, prompt payment when due, whether at maturity, or earlier by reason of acceleration, or otherwise.

Duration of Guarantee. This Guarantee will take effect when received by Franchisor without necessity of any acceptance by Franchisor, and without notice to Guarantor or Franchisee. It will continue in full force until all Obligations have been fully paid and all other obligations of Guarantor under this Guarantee have been performed in full.

Guarantor's Authorization to Franchisor. Guarantor authorizes Franchisor, from time to time, without notice or demand and without lessening Guarantor's liability under this Guarantee, to: (a) Make one or more additional secured or unsecured loans to Franchisee; (b) alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Obligations or any part of the indebtedness, including increases and decreases of

the rate of interest (extensions may be repeated and may be for longer than the original loan term); (c) determine how, when and what application of payments and credits will be made on the indebtedness; (d) sell, transfer, assign, or grant participations in all or any part of the indebtedness; and (e) assign or transfer this Guarantee in whole or in part.

Guarantor's Representations and Warranties. Guarantor warrants to Franchisor that: (a) No representations or agreements of any kind have been made to Guarantor which would limit or qualify the terms of this Guarantee; (b) this Guarantee is executed at Franchisee's request and not at the request of Franchisor; (c) Guarantor has full authority to enter into this Guarantee; (d) the provisions of this Guarantee do not create default under any instrument binding upon Guarantor, and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (e) upon Franchisor's request, Guarantor will provide true, correct and current financial and credit information in a form acceptable to Franchisor; (f) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Franchisor, and no event has occurred which may potentially do so; (g) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (h) Franchisor has made no representation to Guarantor as to the creditworthiness of Franchisee; and (i) Guarantor has established adequate means of obtaining information regarding Franchisee's financial condition from Franchisee on a continuing basis.

Guarantor's Waivers. Except as prohibited by applicable law, Guarantor waives any right to require Franchisor to (a) make notice of any kind, including notice of change of terms of repayment of the Obligations, default by Franchisee, any action or non-action taken by Franchisee or Franchisor, or the creation of new or additional indebtedness; (b) proceed against any person, including Franchisee, before proceeding against Guarantor; (c) apply any payment of proceeds received against the Obligations in any order; (d) disclose any information about the Obligations, the Franchisee, or about any action or non-action of Franchisor; or (e) pursue any remedy or course of action in Franchisor's power. Guarantor also waives any rights or defenses regarding (f) any disability or defenses of Franchisee; (g) the termination of this Agreement, other than by payment in full of the Obligation; (h) the application of proceeds of the Obligations by Franchisee for purposes other than the purposes understood and intended by Guarantor and Franchisor; (i) any act of omission or commission by Franchisor which directly or indirectly results in or contributes to the discharge of Franchisee, or the Obligations; (j) any statute of limitations in any action under this guarantee or on the Obligations; or (k) any modification in terms of the Obligations including, without limitation, the renewal, extension, acceleration, or other change in the time payment of the Obligations, and any change in the interest rate.

Guarantor waives any right to trial by jury with respect to any action or proceeding brought by Guarantor, Franchisee, Franchisor, or any other person relating to: (i) a loan or any understandings or prior dealings between the parties or (ii) this Guarantee, to which Franchisee is a party. Guarantor agrees that this Guarantee constitutes a written consent to waiver of trial by jury pursuant to the provisions of California Code of Civil Procedure § 631. Guarantor appoints Franchisor as its attorney-in-fact, which appointment is coupled with an interest, and Guarantor authorizes Franchisor, in the name and place of Guarantor, to file this Guarantee with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury.

Guarantor understands that the foregoing waivers are waivers of substantive rights and defenses to which Guarantor might otherwise be entitled to under state and federal law.

Guarantor acknowledges that Guarantor has waived these with the intention that they be fully relied upon by Franchisor. Until all indebtedness is paid in full, Guarantor waives any right to enforce any remedy Franchisor may have against Franchisee.

Guarantor's Understanding with Respect to Waivers. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver will be effective only to the extent permitted by law or public policy.

Subordination of Borrower's Debts to Guarantor. Guarantor agrees that the Obligations of Franchisee to Franchisor, whether present or future, are paramount to any claim that Guarantor may have at any time against Franchisee, whether or not Franchisee becomes insolvent. Guarantor therefore subordinates any claim Guarantor may have against Franchisee, to any claim Franchisor may have against Franchisee, now or in the future. In the event of Franchisee's insolvency and consequent liquidation of assets, by any method, those assets applicable to the claims of both Franchisor and Guarantor will first be paid to Franchisor. Franchisor will apply such assets to the Obligations of Franchisee to Franchisor.

Guarantor assigns to Franchisor all present and future claims against Franchisee, or against any assignee or trustee in bankruptcy of Franchisee, providing that such assignment is only for the purpose of assuring full payment of the indebtedness in legal tender to Franchisor. If Franchisor so requests, any credit agreements evidencing debts or obligations of Franchisee to Guarantor will be marked with a legend showing they are subject to this Guarantee, and delivered to Franchisor.

Guarantor authorizes Franchisor to execute and file financing statements and continuation statements from time to time, and to execute any documents and/or actions Franchisor deems appropriate to perfect, preserve and enforce its right under this Guarantee.

Integration Amendment. Guarantor agrees that this Guarantee, together with any incorporated exhibits or schedules, fully incorporates the agreements and understandings of Guarantor with Franchisor, and all prior negotiations, drafts and other extrinsic communications between Guarantor and Franchisor have no evidentiary effect. Guarantor further agrees that Guarantor has read and fully understands the terms of the Guarantee; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guarantee; the Guarantee fully reflects Guarantor's intentions and oral or verbal evidence plays no part in interpreting the terms of this Guarantee. Guarantor indemnifies Franchisor, and holds harmless from all losses, claims, damages, and costs (including Franchisor's attorney's fees) incurred by Franchisor as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph. No alteration or amendment to this Guarantee will be effective unless given in writing and signed by the parties sought to be bound by the alteration or amendment.

Applicable Law. This Guarantee will be governed by and construed in accordance with the laws of the State of California.

Attorney's Fees; Expenses. Guarantor agrees to pay all of Franchisor's costs and expenses, including attorney's fees and legal expenses, incurred in connection with the enforcement of this Guarantee, whether or not this involves a lawsuit, upon demand. Should Franchisor pay

someone else to help enforce this Guarantee, Guarantor will also pay the costs and expenses of such enforcement.

Notices. All notices required to be given by either party to the other under this Limited Guarantee will be in writing, and may be sent by fax (unless otherwise required by law). Such notices will be effective at the time of hand delivery or when deposited with a nationally recognized overnight courier, or United States mail. If sent by mail it must be with first class postage prepaid, addressed to the noticed party at the address shown above [or to such other address as either party may designate to the other in writing]. Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

Service. Guarantor consents to service of process by delivery of an air courier package to its registered agent, or to its corporate office during normal business hours in lieu of any other form of service. Guarantor waives all other forms of service of process as listed in the California Code of Civil Procedure or any other statute.

Interpretation. The words "Guarantor," "Franchisee," and "Franchisor," include the heirs, successors, assigns and transferees of each of them. If a court of competent jurisdiction finds any provision of this Guarantee to be invalid or unenforceable as to any person or circumstance, that provision will not be invalid or unenforceable as to any other persons or circumstances, and all provisions of this Guarantee in all other respects will remain valid and enforceable. If any one or more of Franchisee or Guarantor are corporations or partnerships, it is not necessary for Franchisor to inquire into the powers of Franchisee or Guarantor or of the officers, directors, partners or agents acting or purporting to act on their behalf, and any Indebtedness made or created in reliance upon the professed exercise of such powers will be guaranteed under this Guarantee.

Waiver. This Guarantee provides for Franchisor's required consent in certain instances. The granting of this consent does not establish continuing consent in subsequent instances, whether similar or otherwise. Rather, such consent may, or may not, be granted at the sole discretion of Franchisor.

Franchisor will not be deemed to have waived any rights under this Guarantee unless such waiver is given in writing and signed by Franchisor. Once waived, Franchisor will not be declared to have waived Franchisor's right to demand strict compliance with that provision or any other provision of this Guarantee. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, constitutes a waiver of any of Franchisor's rights or any of Guarantor's obligations as to any future transactions. Additionally, no delay or omission on the part of Franchisor in exercising any right will operate as a waiver of such right.

THE UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTEE AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTEE IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTEE TO HOLDER AND THAT THE GUARANTEE WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTEE."

[Name], an individual

EXHIBIT E-2 TO FRANCHISE AGREEMENT

LIMITED GUARANTEE

This Limited Guarantee ("Limited Guarantee") dated as of _____, _____ is made [jointly and severally] by _____ an individual, residing at _____ ("Guarantor"), in favor of New Horizons Franchising Group, Inc., a Delaware corporation having its corporate headquarters at 1900 South State College Boulevard, Suite 450, Anaheim, California, 92806 ("Franchisor").

Limited Guarantee. In consideration of the execution of the Franchise Agreement [city, state location] dated _____, _____, ("Franchise Agreement") between Franchisor and _____, a company with a principal place of business at _____ ("Franchisee"), Guarantor unconditionally guarantees the performance of the Franchise Documents, and the Obligations of Franchisee under the terms of the Franchise Documents. This includes certain obligations owed under the Franchise Agreement and ancillary agreements, which Franchisee executes in favor of Franchisor, and any Promissory Note made by Franchisee in favor of Franchisor. Also included are any open account balances for royalties, fees and other payments and interest due from Franchisee, or any affiliate of Franchisee, to Franchisor. This Limited Guarantee covers dealings arising between Franchisee and Franchisor, or from dealings by which Franchisor may become a creditor of Franchisee. (The Franchise Documents and Monetary Obligations individually and collectively, as the case may be, are referred to as the "Obligations.>"). All such Obligations shall be limited as set forth in the section below entitled "Maximum Liability".

As used in this Limited Guarantee, the term "indebtedness" and the non-defined term "obligations" are used in their most comprehensive meaning and include:

All debts, obligations and liabilities of Franchisee incurred with or without notice to Guarantor, whether voluntary or involuntary, and whether Franchisee is liable individually or jointly with others.

Guarantor agrees that the covenants of non-competition, nondisclosure and non-transfer, as described in the Franchise Agreement, also apply to Guarantor as an individual.

Maximum Liability. Except as otherwise provided below in the section entitled "Transfer of Electronic Information; Modification of Maximum Liability", the maximum liability of Guarantor under this Limited Guarantee will not exceed the amount of the Obligations described above, plus all costs and expenses of enforcement of this Limited Guarantee. For purposes of this section, the term "Obligations" shall be limited to (i) Continuing Royalties (including minimum Continuing Royalties), Marketing and Advertising Fees, CMS.net Usage Fees (if Franchisee has elected to use CMS.net), and eLearning fees owed to Franchisor through the termination date of the Franchise Agreement, (ii) amounts necessary to pay for training which has been sold by Franchisee to customers but which is undelivered as of the termination date of the Franchise Agreement, and (iii) minimum Continuing Royalties which would otherwise be due for the twelve month period after the termination date of the Franchise Agreement.

Nature of Limited Guarantee. Guarantor intends to guarantee, at all times, prompt payment when due, whether at maturity, or earlier by reason of acceleration, or otherwise.

Duration of Limited Guarantee. This Limited Guarantee will take effect when received by Franchisor without necessity of any acceptance by Franchisor, and without notice to Guarantor or Franchisee. It will continue in full force until all Obligations have been fully paid and all other obligations of Guarantor under this Limited Guarantee have been performed in full.

Guarantor's Authorization to Franchisor. Guarantor authorizes Franchisor, from time to time, without notice or demand and without lessening Guarantor's liability under this Limited Guarantee, to: (a) Make one or more additional secured or unsecured loans to Franchisee; (b) alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Obligations or any part of the indebtedness, including increases and decreases of the rate of interest (extensions may be repeated and may be for longer than the original loan term); (c) determine how, when and what application of payments and credits will be made on the indebtedness; (d) sell, transfer, assign, or grant participations in all or any part of the indebtedness; and (e) assign or transfer this Limited Guarantee in whole or in part.

Guarantor's Representations and Warranties. Guarantor warrants to Franchisor that: (a) No representations or agreements of any kind have been made to Guarantor which would limit or qualify the terms of this Limited Guarantee; (b) this Limited Guarantee is executed at Franchisee's request and not at the request of Franchisor; (c) Guarantor has full authority to enter into this Limited Guarantee; (d) the provisions of this Limited Guarantee do not create default under any instrument binding upon Guarantor, and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (e) upon Franchisor's request, Guarantor will provide true, correct and current financial and credit information in a form acceptable to Franchisor; (f) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Franchisor, and no event has occurred which may potentially do so; (g) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (h) Franchisor has made no representation to Guarantor as to the creditworthiness of Franchisee; and (i) Guarantor has established adequate means of obtaining information regarding Franchisee's financial condition from Franchisee on a continuing basis.

Guarantor's Waivers. Except as prohibited by applicable law, Guarantor waives any right to require Franchisor to (a) make notice of any kind, including notice of change of terms of repayment of the Obligations, default by Franchisee, any action or non-action taken by Franchisee or Franchisor, or the creation of new or additional indebtedness; (b) proceed against any person, including Franchisee, before proceeding against Guarantor; (c) apply any payment of proceeds received against the Obligations in any order; (d) disclose any information about the Obligations, the Franchisee, or about any action or non-action of Franchisor; or (e) pursue any remedy or course of action in Franchisor's power. Guarantor also waives any rights or defenses regarding (f) any disability or defenses of Franchisee; (g) the termination of this Agreement, other than by payment in full of the Obligation; (h) the application of proceeds of the Obligations by Franchisee for purposes other than the purposes understood and intended by Guarantor and Franchisor; (i) any act of omission or commission by Franchisor which directly or indirectly results in or contributes to the discharge of Franchisee, or the Obligations; (j) any statute of limitations in any action under this guarantee or on the Obligations; or (k) any modification in terms of the Obligations including, without limitation, the renewal, extension, acceleration, or other change in the time payment of the Obligations, and any change in the interest rate.

Guarantor waives any right to trial by jury with respect to any action or proceeding brought by Guarantor, Franchisee, Franchisor, or any other person relating to: (i) a loan or any

understandings or prior dealings between the parties or (ii) this Limited Guarantee, to which Franchisee is a party. Guarantor agrees that this Limited Guarantee constitutes a written consent to waiver of trial by jury pursuant to the provisions of California Code of Civil Procedure § 631. Guarantor appoints Franchisor as its attorney-in-fact, which appointment is coupled with an interest, and Guarantor authorizes Franchisor, in the name and place of Guarantor, to file this Limited Guarantee with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury.

Guarantor understands that the foregoing waivers are waivers of substantive rights and defenses to which Guarantor might otherwise be entitled to under state and federal law. Guarantor acknowledges that Guarantor has waived these with the intention that they be fully relied upon by Franchisor. Until all indebtedness is paid in full, Guarantor waives any right to enforce any remedy Franchisor may have against Franchisee.

Guarantor's Understanding with Respect to Waivers. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver will be effective only to the extent permitted by law or public policy.

Subordination of Borrower's Debts to Guarantor. Guarantor agrees that the Obligations of Franchisee to Franchisor, whether present or future, are paramount to any claim that Guarantor may have at any time against Franchisee, whether or not Franchisee becomes insolvent. Guarantor therefore subordinates any claim Guarantor may have against Franchisee, to any claim Franchisor may have against Franchisee, now or in the future. In the event of Franchisee's insolvency and consequent liquidation of assets, by any method, those assets applicable to the claims of both Franchisor and Guarantor will first be paid to Franchisor. Franchisor will apply such assets to the Obligations of Franchisee to Franchisor.

Guarantor assigns to Franchisor all present and future claims against Franchisee, or against any assignee or trustee in bankruptcy of Franchisee, providing that such assignment is only for the purpose of assuring full payment of the indebtedness in legal tender to Franchisor. If Franchisor so requests, any credit agreements evidencing debts or obligations of Franchisee to Guarantor will be marked with a legend showing they are subject to this Limited Guarantee, and delivered to Franchisor.

Guarantor authorizes Franchisor to execute and file financing statements and continuation statements from time to time, and to execute any documents and/or actions Franchisor deems appropriate to perfect, preserve and enforce its right under this Limited Guarantee.

Integration Amendment. Guarantor agrees that this Limited Guarantee, together with any incorporated exhibits or schedules, fully incorporates the agreements and understandings of Guarantor with Franchisor, and all prior negotiations, drafts and other extrinsic communications between Guarantor and Franchisor have no evidentiary effect. Guarantor further agrees that Guarantor has read and fully understands the terms of the Limited Guarantee; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Limited Guarantee; the Limited Guarantee fully reflects Guarantor's intentions and oral or verbal evidence plays no part in interpreting the terms of this Limited Guarantee. Guarantor indemnifies Franchisor, and holds harmless from all losses, claims, damages, and costs

(including Franchisor's attorney's fees) incurred by Franchisor as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph. No alteration or amendment to this Limited Guarantee will be effective unless given in writing and signed by the parties sought to be bound by the alteration or amendment.

Applicable Law. This Limited Guarantee will be governed by and construed in accordance with the laws of the State of California.

Attorney's Fees; Expenses. Guarantor agrees to pay all of Franchisor's costs and expenses, including attorney's fees and legal expenses, incurred in connection with the enforcement of this Limited Guarantee, whether or not this involves a lawsuit, upon demand. Should Franchisor pay someone else to help enforce this Limited Guarantee, Guarantor will also pay the costs and expenses of such enforcement.

Notices. All notices required to be given by either party to the other under this Limited Guarantee will be in writing, and may be sent by fax (unless otherwise required by law). Such notices will be effective at the time of hand delivery or when deposited with a nationally recognized overnight courier, or United States mail. If sent by mail it must be with first class postage prepaid, addressed to the noticed party at the address shown above [or to such other address as either party may designate to the other in writing]. Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

Service. Guarantor consents to service of process by delivery of an air courier package to its registered agent, or to its corporate office during normal business hours in lieu of any other form of service. Guarantor waives all other forms of service of process as listed in the California Code of Civil Procedure or any other statute.

Interpretation. The words "Guarantor," "Franchisee," and "Franchisor," include the heirs, successors, assigns and transferees of each of them. If a court of competent jurisdiction finds any provision of this Limited Guarantee to be invalid or unenforceable as to any person or circumstance, that provision will not be invalid or unenforceable as to any other persons or circumstances, and all provisions of this Limited Guarantee in all other respects will remain valid and enforceable. If any one or more of Franchisee or Guarantor are corporations or partnerships, it is not necessary for Franchisor to inquire into the powers of Franchisee or Guarantor or of the officers, directors, partners or agents acting or purporting to act on their behalf, and any Indebtedness made or created in reliance upon the professed exercise of such powers will be guaranteed under this Limited Guarantee.

Waiver. This Limited Guarantee provides for Franchisor's required consent in certain instances. The granting of this consent does not establish continuing consent in subsequent instances, whether similar or otherwise. Rather, such consent may, or may not, be granted at the sole discretion of Franchisor.

Franchisor will not be deemed to have waived any rights under this Limited Guarantee unless such waiver is given in writing and signed by Franchisor. Once waived, Franchisor will not be declared to have waived Franchisor's right to demand strict compliance with that provision or any other provision of this Limited Guarantee. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, constitutes a waiver of any of Franchisor's rights or any of Guarantor's obligations as to any future transactions. Additionally, no delay or omission on the part of Franchisor in exercising any right will operate as a waiver of such right.

Conditions Precedent to Effectiveness of Limited Guarantee. This Limited Guarantee shall supersede and replace that certain Guarantee previously executed by Guarantor in favor of Franchisor dated [INSERT DATE OF PREVIOUS GUARANTEE], but only if this Limited Guarantee is executed in connection with a renewal of the Franchise Agreement.

Transfer of Electronic Information; Modification of Maximum Liability. Upon a termination of the Franchise Agreement for any reason, Franchisee must transfer all of its Electronic Information to Franchisor within five (5) business days following such termination in a format which is easily readable by Franchisor. If Franchisee fails to do so, then the term "Obligations" shall not be limited as set forth in the section above entitled "Maximum Liability" and, instead, Guarantor shall be liable for all Obligations of Franchisee without such limitation. For purposes of this section, "Electronic Information" shall mean any information stored in Franchisee's database and shall include, but not be limited to, information about financial transactions, products sold, contact information, customer information and training schedule information.

THE UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS LIMITED GUARANTEE AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS LIMITED GUARANTEE IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS LIMITED GUARANTEE TO HOLDER AND THAT THE LIMITED GUARANTEE WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF LIMITED GUARANTEE."

[Name], an individual

EXHIBIT F TO FRANCHISE AGREEMENT
NEW HORIZONS CENTER MANAGEMENT SYSTEM
(STANDARD, CONVERSION, MULTIPLE LOCATION)

This New Horizons Center Management System Agreement and Amendment to Franchise Agreement (“Agreement”) is entered into between New Horizons Franchising Group, Inc. (“Franchisor”) and _____, a _____ company doing business as New Horizons Computer Learning Center of _____ (“Franchisee”), on _____, _____.

RECITALS

A. Franchisor is an international franchisor of computer training centers. Franchisor has developed an international network of franchised and company owned computer learning Centers (the “Network”).

B. Franchisor and Franchisee have entered into a franchise agreement (the “Franchise Agreement”) pursuant to which Franchisor has granted Franchisee a license to operate a New Horizons Computer Learning Center.

C. Franchisor has developed a Center Management System (“CMS.net”) by the integration and further development of certain third party software which it makes available to franchisees and company owned locations on an optional basis.

D. Franchisee now wishes to access and use the CMS.net on the terms and subject to the conditions contained herein.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Franchise Agreement including the Confidential Operations Manual except as otherwise specifically defined herein.

1.1. “Center” shall mean any individual “Center” location where students attend classes and the place of business from where AE’s carry out the Franchised Business. All Centers are required to conduct Site Surveys. Satellite Centers (as defined below) will be included in the definition of a Center for the purposes of counting the number of Users within a Territory. A Satellite Center will not be a Center for purposes of (i) a required Site Survey; (ii) CMS.net, if Franchisee elects to use CMS.net; or (iii) IS Administrator certifications. There may be more than one Center in a Territory.

1.2. “CMS.net Hardware” shall mean the minimum and recommended hardware required to operate CMS.net in any Center within the Territory from time to time and the appropriate internet access and service as described in Exhibit “B” attached hereto and incorporated herein by this reference.

1.3. "CMS.net Database" shall mean the data created by the use of CMS.net by Franchisor, Franchisee and other Franchisees including but not limited to data relating to centers, employees, local defaults and business rules, clients, students, scheduling, registration and accounts receivable.

1.4. "CMS.net Live Date" shall mean the date when CMS.net shall first be accessed in the normal course of the Franchised Business at any Center. This date shall be scheduled after the Site Survey has been completed.

1.5. "CMS.net Software" shall mean the New Horizons Center Management System, customized and integrated software product provided by Franchisor and as modified from time to time by Franchisor to be used at each Center in the conduct of the Franchised Business within the Territory.

1.6. "Conversion CMS.net Agreement" shall mean a CMS.net Agreement used by a Franchisee which is currently using an earlier version of Franchisor's CMS-Local software and/or database and converting to Franchisor's CMS.net software and/or CMS.net database.

1.7. "Electronic Information" shall mean any information stored in the CMS.net database or exchanged between the Franchisor's Website (as defined below) and the CMS.net database including but not limited to information about financial transactions, products sold, contact information, customer information and training schedule information.

1.8. "Franchisor's Website" shall mean www.newhorizons.com and any other Franchisor owned URL or domain name or web portal, which is linked to or leads a user customer to www.newhorizons.com.

1.9. "ISP" means Internet Service Provider.

1.10. "Multiple Location CMS.net Agreement" shall mean a CMS.net Agreement used by a Franchisee that is designated by Franchisor as a "Multiple Location Franchisee".

1.11. "Satellite Center" means a location which is solely a delivery center for the Franchised Business, the location and operation of which have been approved by Franchisor, and which is not a location where any AE's report to carry out the Franchised Business.

1.12. "Site Survey" means the survey of the Center by a CMS.net Hardware vendor required prior to installation of CMS.net.

1.13. "Standard CMS.net Agreement" shall mean a Center which is not currently using any form of Franchisor's CMS software and/or database, and is converting to CMS.net.

1.14. "Territory" for the purposes of this Agreement, shall in some instances, have a different meaning from the term Territory as defined in the Franchise Agreement. In some instances there is more than one territory defined within one Franchise Agreement and in others additional territories have been later acquired by an amendment to the Franchise Agreement. In those and other similar situations, the term Territory shall refer to each such Territory individually. Franchisee will be required to enter into an Agreement like this one and pay the required fees for each Territory requiring CMS.net.

2. Access to CMS.net

2.1. The Franchisee shall pay a monthly usage fee for access to CMS.net (the "Usage Fee"). The Usage Fee will depend upon the total number of non-satellite centers and the number of users within each center requiring access to CMS.net within the Territory as set out on Exhibit "A" attached hereto and by this reference incorporated herein.

2.2 Franchisee shall designate one CMS.net administrator, one Sales Manager, one Operations Manager, and one Accounting Manager as CMS.net subject matter experts. These individuals will review a set of CMS.net self-paced learning materials, provided to the franchisee by the franchisor. Franchisee may also request additional training. If Franchisor is required to visit any Center within the Territory to provide training services, then Franchisor shall charge Franchisee according to the fees set forth in Exhibit "A" attached hereto by this reference incorporated herein.

2.3 Access to CMS.net is conditional upon:

2.3.1 the payment of the first month's Usage Fee, as set out in Exhibit "A" at least seven (7) days prior to the scheduled CMS.net Live Date, and

2.3.2 the completion of a Site Survey at each of Franchisee's Center(s) within the Territory and the installation of the CMS.net Hardware as described in Exhibit "B".

2.4 Franchisor shall provide Franchisee access to CMS.net for the number of users applicable to the Usage Fee paid.

2.5 The Franchisee shall pay to Franchisor the Usage Fee in accordance with the rates designated in Exhibit "A".

2.6 Failure to pay the Usage Fee shall be an event of default under the Franchise Agreement and under this Agreement. Failure to pay the Usage Fee shall result in cessation of help desk support and cessation of access to CMS.net. Payment of the Usage Fee shall be payable on the same day as royalty payments are due under Franchisee's Franchise Agreement, commencing on the first date that royalties are due after CMS.net is first accessed.

3. Use of CMS.net

3.1. Franchisee shall be entitled to add and grant access to CMS.net for its chosen number of users ("Account Users"). Franchisee's IS Administrator shall be responsible for setting up and deleting individual accounts for its Account Users. When the number of users reaches the number of Account Users paid for by Franchisee, CMS.net access will be automatically denied to any additional users.

3.2. To expand the number of users who may access CMS.net, Franchisee may increase its number of Account Users by delivery to Franchisor of a written notice which specifies the revised number of Account Users and payment to Franchisor of the upgrade fees as set out in Exhibit "A." Any changes to the fees charged under this Agreement shall be prorated based upon the date when the request becomes effective.

3.3. Franchisor shall provide to Franchisee an "Access Tool" which may be used by Franchisee to convert its data into CMS.net data format. It shall be Franchisee's responsibility to input its data onto the Access Tool. Franchisor shall then load the converted data onto the CMS.net Database. Franchisor shall not be responsible for any loss of Franchisee's data due to Franchisee's error in using the Access Tool or in not following Franchisor's directions as to how to use the Access Tool. Franchisee shall make a complete back up copy of its data before using the Access Tool. Franchisor hereby disclaims any representation or warranty that the Access Tool shall complete the data conversion. Franchisor and Franchisee shall co-operate with each other in good faith to achieve data conversion.

3.4. Franchisee agrees to use CMS.net and the CMS.net Software solely in connection with the Franchised Business at the Center located at the address(es) as set out on Exhibit "C" attached hereto and by this reference incorporated herein. Franchisee shall not allow any person or entity to use CMS.net and the CMS.net Software in connection with the business of any firm, person, or organization other than Franchisee or its successor in interest without the prior written consent of Franchisor which consent may be withheld in the sole discretion of Franchisor.

3.5. Upon reasonable notice, during the term of this Agreement, Franchisee shall purchase, install, and maintain whatever equipment is necessary for the proper operation of CMS.net as it may from time to time be configured by Franchisor.

3.6. Franchisee acknowledges and agrees that the costs of installation, conversion of data, maintenance or the costs of any software or hardware required to use CMS.net, all of which are the sole responsibility of Franchisee.

4. Use of Electronic Information

4.1. Because Franchisor is entrusted to maintain a CMS.net Database for Franchisee, Franchisor has the right and responsibility to make backup copies of information and store them in a secured facility. Franchisor will not allow this information to be released or accessed by any third party except as described in this document. In the course of Franchisee's conducting business using CMS.net, Franchisor will collect, accumulate and store Electronic Information in Franchisor databases. Subject to the provisions of this Agreement, Franchisee shall be deemed to be the owner of the Electronic Information, but Franchisor shall have the absolute right to use the Electronic Information as provided in this Agreement and ownership of the Electronic Information will automatically transfer to Franchisor under the conditions identified in this Agreement.

4.2. Electronic Information will be used by Franchisor for the following:

4.2.1 Accumulate statistical information about trends in sales, scheduling, product sales, revenue and other Electronic Information available. This statistical information will be used by Franchisor to understand and communicate (on a no names basis) statistics and trends in the marketplace and geographical locations.

4.2.2 Capture and distribute Website activity information. As a resource to Franchisee's customers, Franchisor Website will provide certain valuable resources including the incorporation of Franchisor's eLearning initiative. As a result of the use of the Franchisor Website, Franchisor gathers information from the Franchisee's customer. Franchisor will use

this information to understand customer behavior. Franchisor will share this information with the Franchisee when Franchisee is using CMS.net by electronically moving a copy of customer's activity to the CMS.net database.

4.3 Franchisor may use Electronic Information for the following:

4.3.1 With the prior consent of Franchisee, to perform direct email marketing for the benefit of Franchisee to Franchisee customers ("Direct Marketing"). Franchisor may create email marketing campaigns and business rules (the "Business Rules") that allow direct marketing to Franchisee customers. When Franchisee opts in to any Direct Marketing campaigns and Business Rules, Franchisee's participation in each shall continue until Franchisee gives at least 30 days written notice that it wishes to opt out.

4.3.2 To communicate, to franchise owners only, franchise sales statistics, rankings and other useful information and to deliver customer service messages that have been previously reviewed by the Franchisee Marketing Advisory Council for content and frequency.

4.4 During the term of the Franchise Agreement, Franchisor will not sell or otherwise provide, Electronic Information to a third party including other franchisees without the written permission of the franchisee.

4.5 Franchisor shall not use the Electronic Information to compete with Franchisee's Franchised Business in the Territory.

5. Support

5.1. In consideration of the payment of the Usage Fee, Franchisor shall provide Franchisee with the following support and services (together the "User Services"):

5.1.1 telephone support during business hours 5:00 a.m. – 5:00 p.m. (Pacific Standard Time) Monday to Friday, except for Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and New Years Day, and on other holidays recognized in the USA from time to time, to answer all Franchisee questions regarding the use, operation and maintenance of CMS.net; and

5.1.2 on-line E-mail support with a target response time of one (1) business day provided that if the response will take longer than three (3) business days, Franchisor shall inform Franchisee and outline the anticipated response time.

5.1.3 In no event shall Franchisor provide any service or assistance with questions relating to PC servers, communications, database or other software related to CMS.net Hardware, infrastructure or Internet connection.

5.2 The provision of the User Services by Franchisor is conditional upon Franchisee obtaining and maintaining valid client licenses for each of the workstations at each of the Center(s) and Satellite Center(s) within the Territory, including Microsoft Windows 98, NT, Windows 2000 or XP, Microsoft Office and client server licenses for its Terminal Server (or later industry equivalents).

5.3 Franchisee shall allow Franchisor to access Franchisee's Database Server (SQL) using diagnostic tools for the purposes of providing the maintenance services only. Franchisee acknowledges and agrees that CMS.net may be unavailable from time to time for scheduled maintenance. Franchisor will notify Franchisee electronically of such maintenance and will attempt to limit downtime to non-working hours on weekends and late nights. Franchisor will attempt to provide 72 hours notice prior to such downtime if possible. Franchisor will maintain CMS.net back ups and keep weekly offsite storage.

5.4 For every hour that CMS.net may be down due solely to Franchisor's error, Franchisor will credit Franchisee one (1) day (prorated) of that month's Usage Fee. Credits shall not exceed one month's Usage Fees. Downtime shall mean that all workstations at any of the Center(s) within the Territory cannot access any portion of CMS.net. This credit shall not be available for any downtime due to Franchisee's ISP Internet access.

5.5 Franchisor will also make available one copy of Franchisor's proprietary courseware developed for use with CMS.net and describing the operation of CMS.net (the "CMS.net Courseware") directly in electronic media to Franchisee.

5.6 Franchisor will provide maintenance releases and bug fixes, as the same are made available to Franchisor by the vendors of the core applications within CMS.net. Franchisor is not obligated to but may provide modifications, enhancements and updates as described in section 8 below.

5.7 If Franchisor is required to visit any Center within the Territory to provide maintenance services, then Franchisee shall pay Franchisor a one-time fee in accordance with the Schedule of One-Time Fees as set out in Exhibit "A".

5.8 Franchisee acknowledges and agrees that CMS.net has been integrated specifically for the Network and Franchisee acknowledges that Franchisor is the sole provider of CMS.net maintenance and support.

6. CMS.net Training

6.1. Franchisee may obtain CMS.net training from Franchisor. If Franchisor is required to visit any Center within the Territory to provide training services or data migration, then Franchisor shall charge Franchisee according to Usage fees outlined in Exhibit "A".

7. Disclaimer of Warranties.

7.1. Franchisor warrants that CMS.net was integrated specifically for Franchisor and that Franchisor has the right to enter into this Agreement.

7.2. Franchisor will maintain security systems to insure that data access is limited to authorized users but Franchisor cannot and does not guarantee that CMS.net will be completely invulnerable from attacks by third party computer hackers. If Franchisor becomes aware that CMS.net has been the subject of an attack it will notify Franchisee and take all reasonable commercial measures to protect the integrity of CMS.net.

7.3. Franchisor cannot and does not guarantee CMS.net performance (program response time) but will make every reasonable commercial effort to provide a system that

responds fast enough to support user needs. Franchisee acknowledges and agrees that Franchisor has no control over its ISP's performance.

7.4. FRANCHISOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, WITH RESPECT TO THE PERFORMANCE OF CMS.NET OR THE CMS.NET SOFTWARE, INCLUDING THE QUALITY, PERFORMANCE, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. FRANCHISOR MAKES NO REPRESENTATIONS OR WARRANTIES THAT CMS.NET OR THE CMS.NET SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. NEITHER FRANCHISOR NOR ANY ONE ELSE INVOLVED IN THE CREATION, PRODUCTION, DELIVERY OR DISTRIBUTION OF CMS.NET OR THE CMS.NET SOFTWARE SHALL IN ANY EVENT BE LIABLE FOR DIRECT, INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR INABILITY TO USE CMS.NET OR THE CMS.NET SOFTWARE, even if Franchisor is advised of the possibility of such damages. Without limitation on the generality of the foregoing, Franchisor is not responsible for any costs, including, but not limited to, those incurred as a result of lost profits or revenue, loss of use of CMS.net or the CMS.net Software, loss of data, the cost of recovering software or data, the cost of substitute software or claims by third parties. In no event shall Franchisor's liability exceed the amount of the license fee paid by Franchisee.

7.5. THE WARRANTY AND REMEDIES SET FORTH ABOVE ARE INCLUSIVE AND IN LIEU OF ALL OTHERS, ORAL OR WRITTEN, EXPRESSED OR IMPLIED. No agent or employee of Franchisor is authorized to make any modification or addition to this warranty.

8. Modifications, Enhancements and Replacements

8.1. During the term hereof, Franchisor may in its sole discretion, on the same terms and conditions as any license of the CMS.net Software, make available to Franchisee, such modifications, enhancements and updates ("Modifications") as may generally be incorporated into the CMS.net Software. If such Modifications require additional user training, Franchisee shall be required to pay the fees charged for such additional training and to ensure that at least one employee of Franchisee attends such training class. Franchisor may in its sole discretion provide a subsequent version or alternative to the CMS.net Software (the "Alternative"). Franchisee shall use such Modifications or Alternative in accordance with this Agreement. Franchisor is under no obligation to furnish to Franchisee any Modifications or Alternative to the CMS.net Software.

8.2. In the event of damage, destruction or theft of the CMS.net Hardware or if other disaster occurs to the CMS.net Hardware installed, Franchisee shall promptly replace the CMS.net Hardware.

8.3. Franchisor shall use its reasonable commercial efforts to correct promptly, at no charge, all errors, defects and malfunctions of CMS.net, the CMS.net Software and any Modifications or Alternatives brought to Franchisor's attention by Franchisee.

8.4. Franchisor shall not be responsible for any changes made to CMS.net or the CMS.net Software by any party other than itself without the written permission of Franchisor. Any changes made to the CMS.net Software without the written permission of Franchisor shall immediately release Franchisor from any and all obligations under this Agreement but in no way

shall alter or modify Franchisee's duty and obligation to maintain the confidentiality of the CMS.net Software.

8.5. Franchisee agrees that other than Franchisor or its agents, no program other than the CMS.net Software itself shall write to, or otherwise modify the CMS.net Database. Franchisor specifically disclaims all liability for any third party modifications and Franchisee specifically assumes all liability including damages to Franchisor for any modifications, damages or interferences with the CMS.net Software and the CMS.net Database caused by Franchisee, its employees, contractors, agents and representatives.

8.6. Any reports, database queries or other information extracted from the CMS.net Database shall be the sole responsibility of Franchisee and shall not be the subject of any support pursuant to section 5 of this Agreement.

8.7. Upon the development of any new version or modification of the CMS.net Software, Franchisor may, on thirty (30) days written notice to Franchisee, increase the Usage Fee. The Usage Fee shall not be increased more than ten percent (10%) in any calendar year.

8.8. Except as specifically modified by this Agreement, the Franchise Agreement shall remain in full force and effect, provided that if there is any inconsistency between the terms of this Agreement and the terms of the Franchise Agreement then the terms of this Agreement shall prevail.

9. Ownership, Confidentiality and Nondisclosure

9.1. The CMS.net, the CMS.net Software and CMS.net Courseware and any and all copies thereof, whether in whole or in part, are the sole and exclusive property of Franchisor. Franchisee shall own the Electronic Information, subject, however, to Franchisor's right to use the Electronic Information as provided in this Agreement.

9.2. Furthermore, the parties agree to the following terms and conditions: (i) upon the expiration of the Franchise Agreement all of Franchisee's right, title and interest in and to the Electronic Information shall be automatically transferred to Franchisor and both Franchisor and Franchisee shall retain mutual ownership of the Electronic Information if (y) Franchisee complies with the duties in the Franchise Agreement applicable to the period following termination or expiration of the Franchise Agreement, and (z) the Franchise Agreement contains a covenant in favor of Franchisor for Franchisee not to compete; (ii) upon Franchisor's termination of the Franchise Agreement based upon Franchisee's material breach of the Franchise Agreement or this Agreement all of Franchisee's right, title and interest in and to the Electronic Information shall automatically transfer to Franchisor and, in such event, Franchisee shall retain no interest in the Electronic Information; and (iii) upon the expiration of the Franchise Agreement none of Franchisee's right, title and interest in and to the Electronic Information shall be transferred to Franchisor if (y) Franchisee complies with the duties in the Franchise Agreement applicable to the period following termination or expiration of the Franchise Agreement, and (z) the Franchise Agreement does not contain a covenant in favor of Franchisor for Franchisee not to compete. The "expiration of the Franchise Agreement" occurs when the Franchise Agreement ends on the last day of its then-current term and not due to the termination of the Franchise Agreement pursuant to its terms, by mutual agreement of the parties or otherwise.

9.3. Franchisee agrees to use its best efforts to maintain the security of the CMS.net Software and the CMS.net Courseware and shall not allow parties other than authorized employees or agents of Franchisee to have access to the CMS.net Software or any of its component parts.

9.4. Franchisee understands and agrees that the CMS.net Software and the CMS.net Courseware constitutes Franchisor's trade secrets (the "Confidential Information"). Franchisee shall not disclose any Confidential Information to any person or entity, or use, or permit any person or entity to use, any of such Confidential Information, excepting only: (a) disclosures on a confidential basis to and used by the directors, officers, employees, and agents of that Franchisee, or its affiliates, who have a reasonable need to know such Confidential Information in connection with Franchisee's performance of the Franchise Agreement, and (b) disclosures which are required by law, or legal process, as reasonably determined by that Franchisee or its legal counsel, or are made on a confidential basis to Franchisee's accountants, and other professional advisors in connection with matters relating to this Agreement or the Franchise Agreement. In addition, the specific material terms of this Agreement shall be deemed to be Confidential Information of Franchisee and Franchisor.

9.5. The obligation of confidentiality hereunder shall survive the termination of this Agreement for a period of five (5) years.

9.6. Franchisee agrees to notify Franchisor immediately of the existence of any circumstances surrounding any unauthorized knowledge, possession, disclosure or use of the CMS.net Software or any part thereof by any person or entity.

10. Term of Agreement

The Agreement shall be coterminous with the term of the Franchise Agreement.

11. Termination Rights

11.1. This Agreement terminates or expires when the Franchise Agreement terminates or expires.

11.2. Franchisee hereby acknowledges and agrees that if Franchisee is in breach of the Franchise Agreement, Franchisor may terminate Franchisee's use of the CMS.net Software electronically. Accordingly Franchisor may cut-off Franchisee's use of CMS.net if Franchisee is in default of the Franchise Agreement and shall in no event be liable to Franchisee for any losses, damages or costs of any kind that may result from such action.

11.3. If Franchisee fails to cure a material default of this Agreement or the Franchise Agreement and as a result Franchisor terminates the Franchise Agreement for cause, then all of Franchisee's right, title and interest in and to the Electronic Information shall automatically transfer to Franchisor concurrently upon Franchisor's termination of the Franchise Agreement for cause after which Franchisee shall retain no interest in, or right to use, the Electronic Information and no right to make or retain a copy of the Electronic Information.

11.4. During the term of this Agreement and conditional upon Franchisee's compliance with this Agreement, Franchisor shall not encrypt the CMS.net Database or in any other way impede Franchisees access to the data therein.

11.5. Except for circumstances involving a termination of the Franchise Agreement based upon Franchisee's material breach of the Franchise Agreement or this Agreement as set forth in Section 11.3, above, upon any other type of termination (such as, for example, by mutual agreement) or upon the expiration of the Franchise Agreement, the following terms and conditions shall apply: (i) if the Franchise Agreement contains a covenant in favor of Franchisor for Franchisee not to compete and Franchisee complies with the duties in the Franchise Agreement applicable to the period following termination or expiration of the Franchise Agreement, then: (y) Franchisor and Franchisee shall be deemed mutual owners of the Electronic Information, and (z) Franchisee shall immediately return to Franchisor all copies of the CMS.net Courseware, manuals and/or support materials; and (ii) if the Franchise Agreement does not contain a covenant in favor of Franchisor for Franchisee not to compete and Franchisee complies with the duties in the Franchise Agreement applicable to the period following termination or expiration of the Franchise Agreement, then: (y) Franchisee shall be deemed the exclusive owner of the Electronic Information, and (z) Franchisee shall immediately return to Franchisor all copies of the CMS.net Courseware, manuals and/or support materials.

11.6. The provisions of sections 4, 7, 8, 10, 11, 12, 13, 14, and 15 hereof shall survive termination of this Agreement.

12. Taxes

12.1. Franchisee agrees to pay any sales, use, ad valorem, personal property, general intangibles tax, and any registration fees arising out of this Agreement and the transactions contemplated herein, except for any taxes based upon the gross income of Franchisor.

12.2. Franchisee shall not deduct from payments to Franchisor, any amounts paid or payable to third parties, however designated.

13. Liens

13.1. Franchisee acknowledges and agrees that it shall keep all specified hardware and other equipment utilized in connection with CMS.net free and clear from any and all liens or encumbrances. Franchisor reserves the right to file appropriate notices (including a UCC-1) in order to give notice to the public of its ownership interest in CMS.net. Franchisee agrees to execute any such notices as requested by Franchisor.

13.2. The provisions of section 13.1 above shall not prohibit Franchisee from leasing or renting equipment and hardware ("Hardware") on which to operate CMS.net, provided that Franchisee shall give notice to the owner of the Hardware of Franchisor's proprietary rights to the CMS.net Software and the financing arrangement shall include an acknowledgment that if the Hardware is repossessed CMS.net must be removed and returned to Franchisor.

14. Assignment

Franchisee may assign all of its rights and obligations under this Agreement in connection with the assignment or transfer of the Franchise Agreement but only in accordance with the terms of the Franchise Agreement. Except as set forth in the proceeding sentence, Franchisee has no right to assign or transfer any rights under this Agreement.

15. Indemnification

15.1. Franchisor shall not be liable for any claim or suit based on any United States copyright, patent, or the trademark, trade secret, or unfair competition rights of a third party based on any modification made to CMS.net or the CMS.net Software by Franchisee or any other third party.

15.2. Franchisee agrees to indemnify, defend and hold Franchisor harmless from any and all costs, claims, liabilities, damages and expenses incurred (including reasonable attorney's fees) by Franchisor or any third parties resulting from or incidental to the breach of any of the terms and conditions of this Agreement, the use or misuse or other operation of the CMS.net Hardware, CMS.net or the CMS.net Software, or alteration of the CMS.net Database as a result of Franchisee interfacing other software or applications with CMS.net or the CMS.net Software.

15.3. Franchisee hereby acknowledges that (i) CMS.net will be available to and will be used by other franchisees and affiliates of Franchisor and that all copies of the CMS.net Software may be interconnected via the Internet or other network and (ii) any misuse or unapproved modification of CMS.net or the CMS.net Software and/or the CMS.net Database could cause extreme damage to the entire network of Franchisees.

16. Further Assurances

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[CONTINUED ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FRANCHISOR:

NEW HORIZONS FRANCHISING GROUP, INC.

By: _____

Earle Pratt
President

FRANCHISEE:

By: _____

Name
Title

EXHIBIT "A"

CMS.NET CONVERSION USAGE FEE STRUCTURE & ONE TIME COST FOR DATA MIGRATION AND TRAINING

STANDARD CMS.NET

STANDARD CMS.NET USAGE FEES PER MONTH PER CENTER							
	1 – 10 USERS	11 – 20 USERS	21 – 40 USERS	41 – 60 USERS	61 – 80 USERS	81 + USERS	
LEVEL 1	\$859	\$1,152	\$1,949	\$2,920	\$3,802	\$3,802	+\$45 / additional User over 80 Users

SCHEDULE OF ONE-TIME FEES			
TYPE OF FEE	CURRENT ASP CENTERS	CURRENT LOCAL CENTERS	NON-CMS CENTERS
Data Migration	NC	NC	\$500/Day (2-5 Days)
Training (OLA / OLL)	NC	NC	NC / \$250/Day (3-5 Days)
Training (Onsite)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)
On Site Start-up Support	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)

EXHIBIT "A"

CMS.NET CONVERSION USAGE FEE STRUCTURE & ONE TIME COST FOR DATA MIGRATION AND TRAINING

CONVERSION CMS.NET

YEAR 1							
CONVERSION CMS.NET USAGE FEES PER MONTH PER CENTER							
	1 – 10 USERS	11 – 20 USERS	21 – 40 USERS	41 – 60 USERS	61 – 80 USERS	81 + USERS	
LEVEL 1	\$515.40	\$691.20	\$1,169.40	\$1,752	\$2,281.20	\$2,281.20	+\$45 / additional User over 80 Users

YEAR 2							
CONVERSION CMS.NET USAGE FEES PER MONTH PER CENTER							
	1 – 10 USERS	11 – 20 USERS	21 – 40 USERS	41 – 60 USERS	61 – 80 USERS	81 + USERS	
LEVEL 1	\$644.25	\$864	\$1,461.75	\$2,190	\$2,851.50	\$2,851.50	+\$45 / additional User over 80 Users

YEAR 3 THROUGH DURATION OF AGREEMENT							
CONVERSION CMS.NET USAGE FEES PER MONTH PER CENTER							
	1 – 10 USERS	11 – 20 USERS	21 – 40 USERS	41 – 60 USERS	61 – 80 USERS	81 + USERS	
LEVEL 1	\$859	\$1,152	\$1,949	\$2,920	\$3,802	\$3,802	+\$45 / additional User over 80 Users

SCHEDULE OF ONE-TIME FEES			
	CURRENT ASP CENTERS	CURRENT LOCAL CENTERS	NON-CMS CENTERS
Data Migration	NC	NC	\$500/Day (2-5 Days)
Training (OLA / OLL)	NC	NC	NC / \$250/Day (3-5 Days)
Training (Onsite)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)
On Site Start-up Support	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)

EXHIBIT "A"
CMS.NET CONVERSION USAGE FEE STRUCTURE & ONE TIME COST FOR DATA MIGRATION AND TRAINING

MULTIPLE LOCATION CMS.NET

MULTIPLE LOCATION CMS.NET USAGE FEES PER MONTH PER CENTER							
LEVEL 1	1 – 10 USERS	11 – 20 USERS	21 – 40 USERS	41 – 60 USERS	61 – 80 USERS	81 + USERS	
LESS 2.5%	\$837.53	\$1,123.20	\$1,900.28	\$2,847	\$3,706.95	\$3,706.95	+\$45 / additional User over 80 Users
LESS 5%	\$816.05	\$1,094.40	\$1,851.55	\$2,774	\$3,611.90	\$3,611.90	+\$45 / additional User over 80 Users
LESS 7.5%	\$794.58	\$1,065.60	\$1,802.83	\$2,701	\$3,516.85	\$3,516.85	+\$45 / additional User over 80 Users

ADDITIONAL VOLUME DISCOUNT FOR MULTIPLE LOCATION AGGREGATE USERS		
MAXIMUM NUMBER OF LICENSES FOR ALL LOCATIONS		
51-75 USERS	76-100 USERS	101+ USERS
LESS 2.5%	LESS 5%	LESS 7.5%

SCHEDULE OF ONE-TIME FEES			
	CURRENT ASP CENTERS	CURRENT LOCAL CENTERS	NON-CMS CENTERS
Data Migration	NC	NC	\$500/Day (2-5 Days)
Training (OLA / OLL)	NC	NC	NC / \$250/Day (3-5 Days)
Training (Onsite)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)
On Site Start-up Support	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)	\$500/Day + T&E (2-4 Days)

EXHIBIT “B”

CMS.NET HARDWARE

<u>CMS.NET TECHNICAL SPECIFICATIONS</u>	
<u>HARDWARE</u>	
<u>Training PCs (Minimum Requirements)</u>	2.9 Gigahertz (GHz) or faster x86- or x64-bit dual core processor with SSE2 instruction set 2 GB RAM 1.5 GB available hard disk space SVGA graphics 17” Monitor 10/1000Mb NIC
<u>Training PC (Recommended Requirements)</u>	3.3 Gigahertz (GHz) or faster 64-bit dual core processor with SSE2 instruction set and 3 MB or more L3 cache 4 GB RAM 3 GB available hard disk space SVGA graphics (1280X1024 or higher) 20” Monitor (1280x1024 or higher) 10/1000Mb NIC
<u>SOFTWARE</u>	
<u>Training PC (Minimum Requirements)</u>	Windows 7 (All versions) Internet Explorer 8.0 (or higher) Adobe Flash Player Microsoft Silverlight Player
<u>Training PC (Recommended)</u>	Windows 8 Professional Internet Explorer 10.0 (or higher) Adobe Flash Player Microsoft Silverlight Player
<u>NETWORK CABLING</u>	
<u>Cabling System</u>	10/1000 (with cat 5 certification)
<u>NETWORK COMMUNICATION REQUIREMENT</u>	
<u>Network Switch (Business users & servers)</u>	Managed Layer 3 switch capable of basic routing and basic security between VLANs (separated logical networks) using access control lists, (Example: Cisco 3560 Series)
<u>Router</u>	Firewall capable of site to site IPSEC VPNs and capable of throughput of 300 Mbps, (Example: Cisco ASA 5512)
<u>Minimum Connectivity</u>	Bandwidth greater than 50 KBps/User Latency under 150 ms

<u>Recommended Connectivity</u>	Bandwidth greater than 100 KBps/User Latency under 150 ms
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EXHIBIT “C”

ADDRESSES OF CENTERS

ADDRESS OF QUALIFYING SATELLITE CENTER (if applicable)

EXHIBIT G TO FRANCHISE AGREEMENT
INTEGRATED LEARNING AGREEMENT

This New Horizons Integrated Learning Agreement (“Agreement”) is entered into between New Horizons Franchising Group, Inc. (“Franchisor”) and _____, a company doing business as New Horizons Computer Learning Center of _____ (“Franchisee”), on _____, _____.

RECITALS

A. Franchisor is an international franchisor of computer training centers. Franchisor has developed an international network of franchised and company owned computer learning Centers (the “Network”).

B. Franchisor and Franchisee have entered into a franchise agreement (the “Franchise Agreement”) pursuant to which Franchisor has granted Franchisee a license to operate a New Horizons Computer Learning Center.

C. Franchisor has developed the ability to deliver “eLearning” as defined below, for use by its franchisees and company owned locations and Franchisee now wishes to participate in the eLearning opportunities on the terms and subject to the conditions contained herein.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Franchise Agreement, except as otherwise specifically defined, modified or added to the Franchise Agreement by their inclusion in this Agreement and consequently the Franchise Agreement, in this section 1 as set out below:

1.1. “Classroom Learning Content” shall mean all printed materials and eContent provided to customers in ILT and Mentored Learning for use during and after the class.

1.2. “CMS” shall refer to the Center Management System known as CMS.net that Franchisee shall implement, at each Center. CMS provides contact management, manages student enrollments, class inventories and accounts receivable. eBusiness will use CMS as its student enrollment receptacle. It is anticipated that students will purchase and enroll in classes through eBusiness web technology

1.3. “eBusiness” shall mean the use of CMS and all electronic commerce transactions, relative to the Franchised Business, that occur on any Network website, the collection and use of demographic information, scheduling and course delivery from any Network website, and/or the use of any Network website or electronic system for managing the existing Network business processes.

1.4. “eContent” shall mean any learning content distributed via electronic means, including but not limited to, electronic versions of printed, instructional and support materials, in

electronic form including electronic course materials and electronic resources such as Labs on Demand.

1.5. “eLearning” shall mean Franchisor’s eLearning programs and all other forms of computer training and professional skills training available over the internet, or electronically behind a firewall, including synchronous and asynchronous classes such as New Horizons Online Live, New Horizons Online Anytime, and any other form of training delivered in whole or in part electronically.

1.6. “Electronic Information” shall mean any information stored in the Franchisor’s learning management system (“LMS”), its CMS Database, or exchanged between the Franchisor’s Website and the LMS including, but not limited to, financial transactions, products sold, contact information, customer information and training schedule information.

1.7. “Extranet” shall mean that certain electronic communications device implemented by Franchisor for the benefit of Franchisor and the Network, or any successor electronic communications device implemented by Franchisor, for use by Franchisor and the Network.

1.8. “Franchised Business” shall mean Acting as a Computer Learning Center.

1.9. “Franchisor’s Website” shall mean www.newhorizons.com and any other Franchisor owned internet site identified by URL or domain name, which is linked to or leads a customer to www.newhorizons.com.

1.10. “Labs on Demand” shall mean the New Horizons-branded, cloud-based, hands-on lab service Franchisor provides to students so they can practice the knowledge gained during the lecture part of their class in a real world environment.

1.11. “Master Product List” and “MPL” refer to Franchisor’s complete list of offerings of New Horizons courses and products, as we may modify them from time to time, including, but not limited to, all eLearning courses and eContent products, the details of which are available on the Franchisor’s Extranet.

1.12. “Mentored Learning” shall mean a premier classroom solution offering the student a multi-dimensional approach to learning which is adaptive to individual learning styles through a mentor who guides and teaches the student by using assessments, reinforcement techniques and content consisting of written courseware and streaming video. To aid in the delivery of Mentored Learning, Franchisee will have access to Franchisor’s LMS in order to process registrations and track student activities. If available for the course being delivered, the use of New Horizons-branded Mentored Learning content is required to deliver Mentored Learning.

1.13. “Network” shall mean all of the New Horizons franchisees and Franchisor owned and operated Centers.

1.14. “New Horizons Online Live” and “OLL” refer to Franchisor’s synchronous Elluminate platform, the details of which are available on the Franchisor’s Extranet.

1.15. “New Horizons Online Anytime” and “OLA” refer to Franchisor’s asynchronous eLearning program, the details of which are available on the Franchisor’s Extranet.

1.16. "System" shall mean a comprehensive marketing and operational system prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement, the Franchise Agreement and the Confidential Operations Manual, as amended from time to time. The System shall include, among other things, the Service Marks, Classroom Learning Content, eLearning and certain advertising, marketing and sales programs and techniques, the Franchisor's Website, eBusiness, methods of operation, training programs, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that Franchisor makes available to Franchisee, including, in any case in which Franchisee has purchased the Franchised Business from Franchisor or any of its affiliates, certain intellectual property used by the business prior to the purchase by Franchisee. In its sole discretion, Franchisor may improve and/or change the System from time to time (including without limitation adding to, deleting or modifying elements of the System, establishing categories or classifications of franchisees and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; and/or better serving the public.

1.17. "Territorial Rules of Conduct" or "TROC" shall mean the rules and guidelines that govern the relationships between and among Network Members and are set forth in the COM.

2. Sale and Delivery of eLearning

2.1. Within the Territory granted by the Franchise Agreement it will be permissible for customers to purchase and receive eLearning, directly from Franchisor's Website and all other System sales methods. Subject to the terms of this Agreement, Delivery Fees (as defined in section 2.3 below) and the Franchise Agreement, Franchisee shall be credited with all purchase monies received from the registrants who (a) purchase such eLearning directly from Franchisor's Website, and (b) are located within Franchisee's Territory. "Located" shall mean either: (a) if the customer is an individual, that a customer's residential address is located within the Franchisee's Territory, or (b) if the customer is a company, partnership, business, government or other entity, that the user's principal office is located at an address within Franchisee's Territory.

2.2. Franchisee agrees that Franchisor may deliver eLearning in Franchisee's Territory but will not directly sell eLearning within the Territory, except in certain circumstances the Franchisor will be considered the Seller acting on behalf of the Network including government accounts required to be billed through the GSA schedule and other enterprise accounts where Franchisor has been requested, by Franchisee or a Network member, to provide selling services.

2.3. Franchisee will pay Franchisor a delivery fee for the delivery of eLearning by Franchisor, (the "Delivery Fee"). Franchisor may reasonably establish and change the Delivery Fee rate from time to time in accordance with section 6 below. Franchisor shall give Franchisee reasonable notice, of at least 30 days, before making any changes to the Delivery Fee by posting the amount of the Delivery Fee and any changes thereto on Franchisor's Extranet.

2.4. As part of the eLearning experience Franchisor may provide directly to each customer the appropriate course kit, customer service, mentoring, student community, technical

support, and any other learning resources for the particular eLearning course as described in the MPL, and as updated from time to time.

2.5. Except in accordance with each of the provisions below, only Franchisor may deliver eLearning that is branded with any of the Franchisor's name, service marks, trademarks, proprietary slogans or marketing taglines. Franchisee may offer, sell and deliver synchronous and asynchronous web-based training as set out below.

2.5.1 Subject to 2.5.3 below, Franchisee may offer, sell and deliver non-branded synchronous and asynchronous web-based training using any delivery technology or content, but only with Franchisor's prior written approval.

2.5.2 Subject to 2.5.3 below, Franchisee may offer, sell and deliver branded synchronous and asynchronous web-based training if Franchisee shall fulfill all the reasonable requirements of an authorized eLearning program, which requirements shall be created by Franchisor and shall be listed on the Extranet from time to time. Such requirements shall include normal and customary provisions to protect the Service Marks, brand and best interests of the Network, including, but not limited to: instructor training, certification, quality and performance of delivery technology and course content.

2.5.3 Franchisee may only offer, sell and deliver any synchronous and asynchronous web-based training to customers inside its territory and inside open territories in accordance with TROC. Franchisee must not advertise any synchronous web-based training in any public media, which reaches customers in the territory of other franchisees, or, except in accordance with TROC, directly solicit customers in the territory of other franchisees

2.6 Franchisee acknowledges that other centers may sell eLearning to customers who reside in Franchisee's territory in accordance with the TROC. Further, the Originating Center (as defined in the TROC) will retain all revenues from such sales and will not share in such revenues with Franchisee.

2.7 If the Franchise Agreement is terminated or if Franchisee is in breach of established credit limits then Franchisor may cease to accept purchases of eLearning from customers in Franchisee's Territory and may cease to deliver eLearning to customers in Franchisee's Territory. Franchisor shall not be liable to Franchisee for any losses, damages or costs of any kind that may result from such action.

3. eLearning Revenues and Delivery Fees

3.1. All eLearning revenues shall be included within the definition of Gross Revenues as defined in the Franchise Agreement and shall be accounted for in accordance with the Franchise Agreement.

3.2. Franchisor shall pay to Franchisee on a monthly basis all eLearning revenues received directly from customers who purchase eLearning through Franchisor's Website less all associated Delivery Fees, and shall deliver an itemized statement to Franchisee at least monthly.

3.3. The Delivery Fees payable by Franchisee to Franchisor for the delivery of New Horizons Online Live shall be billed when delivery of the relevant class begins or, for club sales, when the order is received from Franchisee and shall be paid within thirty days thereafter.

3.4. The Delivery Fees payable by Franchisee to Franchisor for the delivery of New Horizons Online Anytime shall be billed when the order is fulfilled and shall be paid within thirty days thereafter. The order shall be deemed fulfilled at the date when the customer access to New Horizons Online Anytime is enabled.

4. New Horizons Online Anytime Licenses and Billings

4.1. Franchisor and Franchisee must both sign all New Horizons Online Anytime customer license agreements with total expected revenues greater than \$40,000, in a timely manner. Franchisor will not be obligated to fulfill New Horizons Online Anytime orders in excess of this amount that do not have a valid license agreement executed by the customer and Franchisee. Franchisor shall periodically review the threshold figure of \$40,000 and may reasonably adjust such figure. Any changes shall be communicated to Franchisee via the Extranet and shall be effective 30 days after the date of such notice.

4.2. Franchisor may establish reasonable credit limits for amounts due from franchisees and accordingly may require that Franchisee prepay Delivery Fees prior to Franchisor delivering the Online Anytime, unless other arrangements are mutually agreed upon.

5. Learning Guides and New Horizons Online Anytime Access Codes

5.1. Franchisee may order printed learning guides and course kits, together “Learning Guides”, from one of Franchisor’s authorized vendors (“Learning Guide Vendor”). Ordering shall occur online in accordance with Learning Guide Vendor’s posted policies. The costs and availability of the Learning Guides shall be published on the Learning Guide Vendor’s ordering website and on the Extranet.

5.2. The purchase of a Learning Guide will entitle Franchisee access to corresponding New Horizons Online Anytime eContent if available for use contemporaneously with Franchisee’s delivery of the course at no additional cost.

5.3. For each Learning Guide ordered from the Learning Guide Vendor, Franchisee may order one access code for the corresponding New Horizons Online Anytime eContent (the “Eligible Access Code”) from one of Franchisor’s approved eContent vendors (“eContent Vendor”). Some Learning Guides may not have corresponding eContent.

5.4. Franchisee will use the Eligible Access Codes only for providing eContent to customers enrolled in an ILT class. Franchisor will reconcile the number of Learning Guides ordered by Franchisee against the number of Eligible Access Codes ordered by Franchisee on a regular basis. Learning Guides and access codes ordered between January 1st and June 30th will be reconciled in the month of July the same year. Learning Guides and access codes ordered between July 1st and December 31st will be reconciled in the month of January in the following year.

5.5. If Franchisee has ordered more access codes than the Eligible Access Codes then Franchisor shall promptly notify Franchisee of any excess access codes ordered and

invoice Franchisee a fee for each excess access code. The fees for the excess access codes shall be the same as the cost of the corresponding New Horizons Online Anytime product sold separately.

5.6. Franchisee shall pay all such invoices within thirty (30) days of the invoice date. Franchisee shall notify Franchisor of any dispute with such invoice within ten days of receiving the invoice, and Franchisor and Franchisee shall promptly reconcile the dispute. When payment is made Franchisor shall reset the Eligible Access Code count to zero as of the date of the reconciliation. In no event will unused Eligible Access Codes entitle Franchisee to a refund of any sums paid for Learning Guides.

5.7. Franchisor shall review any proposed changes to the above reconciliation process with the Franchise Advisory Council prior to implementing any changes and shall give a minimum of 30 days notice to Franchisee via the Extranet in the event of any changes.

6. Franchisor's Profit from the Sale of Classroom Learning Content, OLL and OLA

6.1. Franchisee shall purchase Classroom Learning Content from Franchisor, through its authorized vendors, when available.

6.2. On sales of Classroom Learning Content Franchisor may charge prices that will allow Franchisor to earn a profit. Franchisor's pricing of branded Classroom Learning Content shall be reasonably competitive to comparable products available to Franchisee through other vendors. For Classroom Learning Content Franchisor may earn a pre tax profit targeted at 15% to 20% but not to exceed twenty per cent (20%) of the aggregate selling price of all such content. On an annual basis Franchisor shall disclose, to those members of the Franchise Advisory Council who have executed non-disclosure agreements, the revenues, costs and profits from Franchisor's sale of Existing Content to the Network. If Franchisor's total pre tax profit exceeds 20% of the aggregate selling price of all Existing Content in any fiscal year, Franchisor shall rebate to Franchisee its proportionate share of such excess based on Franchisee's relative share of total Existing Content purchased.

6.3. OLA Delivery Fees charged by Franchisor to Franchisee currently include a gross profit to Franchisor of 10% of the Suggested Retail Price. Franchisor agrees not to increase this gross profit margin without first reviewing any proposed increase with the Franchise Advisory Council and providing reasonable justification and disclosure of all relevant facts. Franchisor further agrees that the gross profit margin will not be increased for a minimum of 12 months from the date this Agreement is made available to the Network.

6.4. Since the inception of OLL Franchisor has not earned a profit on this offering. In the future, if OLL begins to generate a net profit to Franchisor, Franchisor will review its pricing policies and make adjustments as necessary to ensure its profit is commercially reasonable.

7. Master Product List

Franchisor will maintain a Master Product List as defined above. The MPL will be updated and maintained by Franchisor and will be available to Franchisee for reference on the Extranet. The products and courses are described in detail on the MPL.

8. Use of Electronic Information

8.1. In the course of providing the eLearning opportunities Franchisor and Franchisee will collect, accumulate, and store Electronic Information. Franchisee shall own all Electronic Information stored in its CMS database.

8.2. Electronic Information will be used by Franchisor in accordance with privacy laws and Franchisor's privacy policy only for the following:

8.2.1 To accumulate statistical information about trends, scheduling, product sales, revenue and other Electronic Information available. This statistical information will be used by Franchisor to understand and communicate (on a no names basis) statistics and trends in the marketplace and geographical locations.

8.2.2 With the prior consent of Franchisee, to perform direct email marketing for the benefit of Franchisee to Franchisee customers ("Direct Marketing"). Franchisor may create email marketing campaigns and business rules (the "Business Rules") that allow direct marketing to Franchisee customers. When Franchisee opts in to any Direct Marketing campaigns and Business Rules, Franchisee's participation in each shall continue until Franchisee gives at least 30 days written notice that it wishes to opt out.

8.2.3 To communicate, to franchise owners only, franchise sales statistics, rankings and other useful information and to deliver customer service messages that have been previously reviewed by the Franchisee and Marketing Advisory Council for content and frequency.

8.3 Franchisor will not use the Electronic Information to compete with Franchisee's Franchised Business in the Territory, provided that, Franchisor shall market and deliver eLearning in the Territory on the terms and conditions of this Agreement and the Franchise Agreement.

8.4 During the term of the Franchise Agreement, Franchisor will not sell transfer or share the Electronic Information with any third party other than for the purposes described in this section.

8.5 Upon termination of the Franchise Agreement, Franchisor shall not retain a copy of any portion of the Electronic Information except in the following circumstances when Franchisor may use Electronic Information to make arrangements to fulfill Franchisee's undelivered training obligations to its customers: (i) if the Franchise Agreement terminates for Abandonment, (ii) if there is a transfer of the Franchised Business in breach of the Franchise Agreement, (iii) if Franchisee elects to operate Franchised Business under any other name or Service Mark in violation of the Franchise Agreement, and (iv) if Franchisee is terminated by Franchisor for cause under the Franchise Agreement.

8.6 Upon termination of the Franchise Agreement, at the request of Franchisee, Franchisor shall deliver to Franchisee a copy of all Electronic Information stored in the LMS database relating solely to Franchisee's exclusive customers. Franchisor shall own and retain all Electronic Information stored in its LMS database.

9. Refunds and Cancellation policies

Franchisor may publish reasonable commercial refund and cancellation policies for eLearning from time to time by notice on the Extranet. Customers will be directed, by Franchisor, to contact their Account Executive for the refund policy of the relevant Center. Franchisee agrees that all sales are subject to any refund policies required by local laws, rules, and regulations of its Territory.

10. Amendments to Franchise Agreement

10.1. It is the intention and effect of this Agreement that the terms of this Agreement supersede each and every provision to the contrary in the Franchise Agreement with respect to the subject matter hereof whether or not the specific sections of the Franchise Agreement are referred to in this Agreement. Except as specifically modified by this Agreement, the Franchise Agreement shall remain in full force and effect, provided that if there is any inconsistency between the terms of this Agreement and the terms of the Franchise Agreement then the terms of this Agreement shall prevail. In addition if there is any inconsistency between the terms of this Agreement and the terms of any CMS.net License Agreement executed between Franchisor and Franchisee then the terms of this Agreement shall prevail.

10.2. The definitions in section 1 of this Agreement modify amend and add to the definitions of the Franchise Agreement and are hereby incorporated into the Franchise Agreement by this reference.

11. Disclaimer of Warranties

11.1. Franchisor cannot and does not guarantee eLearning program response time but will make every reasonable commercial effort to provide a system that responds fast enough to support user needs and will take reasonable security precautions so that New Horizons branded eLearning will be reasonably protected from hackers, virus and similar outside disruption, through the services of a reliable ISP. Franchisee acknowledges that Franchisor has no control over its Internet Service Provider's performance.

11.2. FRANCHISOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE PERFORMANCE OF ELEARNING, INCLUDING THE QUALITY, PERFORMANCE, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. FRANCHISOR MAKES NO REPRESENTATIONS OR WARRANTIES THAT ELEARNING WILL BE UNINTERRUPTED OR ERROR FREE. NEITHER FRANCHISOR NOR ANY ONE ELSE INVOLVED IN THE CREATION, PRODUCTION, DELIVERY OR DISTRIBUTION OF ELEARNING SHALL IN ANY EVENT BE LIABLE FOR DIRECT, INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR INABILITY TO USE ELEARNING, even if Franchisor is advised of the possibility of such damages. Without limitation on the generality of the foregoing, Franchisor is not responsible for any costs, including, but not limited to, those incurred as a result of lost profits or revenue, loss of use of eLearning, loss of data, the cost of recovering software or data, the cost of substitute software or claims by third parties. In no event shall Franchisor's liability exceed the amount of the eLearning Revenues received from customers.

11.3. THE WARRANTY AND REMEDIES SET FORTH ABOVE ARE INCLUSIVE AND IN LIEU OF ALL OTHERS, ORAL OR WRITTEN, EXPRESS OR IMPLIED. No agent or employee of Franchisor is authorized to make any modification or addition to this warranty.

11.4. Notwithstanding the above, if any third party brings any action or suit against Franchisee claiming (i) that any New Horizons branded eLearning did not perform in accordance with any representations published by Franchisor or (ii) that Franchisor had no right to grant the rights set out in this Agreement, then Franchisor will seek indemnification for Franchisee in accordance with its indemnification rights against its third party suppliers and vendors.

12. Term of Agreement

This Agreement shall be coterminous with the term of the Franchise Agreement.

13. Further Assurances

Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FRANCHISOR:

NEW HORIZONS FRANCHISING GROUP, INC.

By: _____
Earle Pratt
President

FRANCHISEE:

*

By: _____
*
*

EXHIBIT H TO FRANCHISE AGREEMENT

SCHEDULE OF INITIAL FRANCHISE FEES AND MONTHLY MINIMUM CONTINUING ROYALTY FEES DURING AN INITIAL TERM

(This schedule covers 3 pages; page 1 of 3)

Type and Subclass of Territory		Population		Initial Franchise Fee	
				Start Up Franchise	Conversion Franchise
		Min. Band	Max. Band		
Mega					
	M - 1	8,000,000	+	\$150,000	\$93,750
	M - 2	6,000,000	7,999,999	\$125,000	\$93,750
	M - 3	4,000,000	5,999,999	\$125,000	\$93,750
Large					
	L - 1	3,000,000	3,999,999	\$100,000	\$56,250
	L - 2	2,000,000	2,999,999	\$100,000	\$56,250
Medium					
	Med	1,000,000	1,999,999	\$75,000	\$56,250
Small					
	S - 1	750,000	999,999	\$60,000	\$45,000
	S - 2	300,000	749,999	\$60,000	\$45,000

SCHEDULE OF INITIAL FRANCHISE FEES AND MONTHLY MINIMUM CONTINUING ROYALTY FEES DURING AN INITIAL TERM

(This schedule covers 3 pages; page 2 of 3)

Type and Subclass of Territory		Minimum Continuing Royalty Fee - Initial Term											
		Population		4 mos. to 12 mos.		Year 2		Year 3		Year 4		Year 5 to end	
		Min Band	Max Band	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue
Mega													
	M - 1	8,000,000	+	\$5,000	\$83,333	\$10,000	\$166,667	\$15,000	\$250,000	\$20,000	\$333,333	\$25,000	\$416,667
	M - 2	6,000,000	7,999,999	\$4,600	\$76,667	\$9,200	\$153,333	\$13,800	\$230,000	\$18,400	\$306,667	\$23,000	\$383,333
	M - 3	4,000,000	5,999,999	\$3,200	\$53,333	\$6,400	\$106,667	\$9,600	\$160,000	\$12,800	\$213,333	\$16,000	\$266,667
Large													
	L - 1	3,000,000	3,999,999	\$2,600	\$43,333	\$5,200	\$86,667	\$7,800	\$130,000	\$10,400	\$173,333	\$13,000	\$216,667
	L - 2	2,000,000	2,999,999	\$1,800	\$30,000	\$3,600	\$60,000	\$5,400	\$90,000	\$7,200	\$120,000	\$9,000	\$150,000
Medium													
	Med	1,000,000	1,999,999	\$1,500	\$25,000	\$3,000	\$50,000	\$4,500	\$75,000	\$6,000	\$100,000	\$7,500	\$125,000
Small													
	S - 1	750,000	999,999	\$1,300	\$21,667	\$2,600	\$43,333	\$3,900	\$65,000	\$5,200	\$86,667	\$6,500	\$108,333
	S - 2	300,000	749,999	\$900	\$15,000	\$1,800	\$30,000	\$2,700	\$45,000	\$3,600	\$60,000	\$4,500	\$75,000

**SCHEDULE OF MONTHLY MINIMUM CONTINUING
ROYALTY FEES DURING A RENEWAL TERM**

(This schedule covers 3 pages; page 3 of 3)

Type and Subclass of Territory		Population		Renewal Royalty Schedule (Applicable Only to The First Renewal Term)			Renewal Royalty Schedule (Applicable to All Renewals Other Than The First Renewal Term)	Classrooms	AE's
				1st 12 Mos.	13-24 Mo.	25-60 Mo.			
		Min. Band	Max. Band				1-60 Mo.		
Mega									
	M - 1	8,000,000	+	\$7,500	\$17,500	\$25,000	\$25,000	6	12
	M - 2	6,000,000	7,999,999	\$7,500	\$16,100	\$23,000	\$23,000	6	11
	M - 3	4,000,000	5,999,999	\$7,500	\$11,200	\$16,000	\$16,000	6	9
Large									
	L - 1	3,000,000	3,999,999	\$7,500	\$9,100	\$13,000	\$13,000	5	8
	L - 2	2,000,000	2,999,999	\$7,500	\$8,250	\$9,000	\$9,000	5	6
Medium									
	Med	1,000,000	1,999,999	\$7,500	\$7,500	\$7,500	\$7,500	4	5
Small									
	S - 1	750,000	999,999	\$6,500	\$6,500	\$6,500	\$6,500	3	4
	S - 2	300,000	749,999	\$4,500	\$4,500	\$4,500	\$4,500	3	3

**EXHIBIT B TO FDD
FINANCIAL STATEMENTS**

The financial statements in this exhibit include audited financial statements for fiscal years ending 2014, 2013 and 2012.

**New Horizons Franchising
Group, Inc. and Subsidiary**
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)

Consolidated Financial Report
December 31, 2014

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Independent Auditor's Report

To the Board of Directors and Shareholder
New Horizons Franchising Group, Inc.
Conshohocken, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Horizons Franchising Group, Inc. and Subsidiary (the Company), a wholly-owned subsidiary of NWHW Holdings, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Horizons Franchising Group, Inc. and Subsidiary as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Blue Bell, Pennsylvania
March 31, 2015

New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)

Consolidated Balance Sheets
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	\$ 25,531	\$ 9,232
Accounts receivable, net of allowance for doubtful accounts of \$687,952 in 2014 and \$1,159,511 in 2013	2,861,061	4,118,570
Prepaid expenses and other current assets	310,061	371,252
Total current assets	3,196,653	4,499,054
Due From Affiliates	17,733,848	17,835,312
Property and Equipment, Net	1,510,636	1,487,031
Goodwill	8,302,752	8,302,752
Deferred Debt Cost	501,038	530,238
Deferred Tax Assets	149,672	523,772
Other Assets	278,855	-
Total assets	\$ 31,673,454	\$ 33,178,159
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	\$ 1,011,543	\$ 760,037
Deferred revenue	60,862	122,239
Foreign taxes payable	1,000	1,000
Current portion of long-term debt	3,200,000	3,200,000
Other current liabilities	920,775	1,203,670
Total current liabilities	5,194,180	5,286,946
Senior Secured Loan	12,800,000	10,400,000
Subordinate Loan	-	6,000,000
Total liabilities	17,994,180	21,686,946
Shareholder's Equity		
Common stock, \$0.01 par value, 3,000 shares authorized; 100 shares issued and outstanding	1	1
Retained earnings	13,679,273	11,491,212
Total shareholder's equity	13,679,274	11,491,213
Total liabilities and shareholder's equity	\$ 31,673,454	\$ 33,178,159

See Notes to Consolidated Financial Statements.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

**Consolidated Statements of Income
Years Ended December 31, 2014 and 2013**

	2014	2013
Revenues		
Franchise fees	\$ 957,760	\$ 389,749
Royalties	15,050,392	15,356,051
Courseware revenue and other	3,769,939	3,275,219
Total revenues	19,778,091	19,021,019
Expenses		
Cost of revenues	6,949,112	6,881,606
Selling, general and administrative expenses	8,130,117	7,445,426
Total expenses	15,079,229	14,327,032
Operating income	4,698,862	4,693,987
Interest Expense		
Amortization of deferred debt cost	131,685	124,027
Interest expense	719,677	899,241
Total interest expense	851,362	1,023,268
Income before provision for income taxes	3,847,500	3,670,719
Provision for Income Taxes	1,659,439	1,641,696
Net income	\$ 2,188,061	\$ 2,029,023

See Notes to Consolidated Financial Statements.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

**Consolidated Statements of Shareholder's Equity
Years Ended December 31, 2014 and 2013**

	Common Stock		Retained	
	Shares	Amount	Earnings	Total
Balance, January 1, 2013	100	\$ 1	\$ 9,462,189	\$ 9,462,190
Net income	-	-	2,029,023	2,029,023
Balance, December 31, 2013	100	1	11,491,212	11,491,213
Net income	-	-	2,188,061	2,188,061
Balance, December 31, 2014	100	\$ 1	\$ 13,679,273	\$ 13,679,274

See Notes to Consolidated Financial Statements.

New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Net income	\$ 2,188,061	\$ 2,029,023
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for losses on accounts receivable	676,952	127,078
Depreciation and amortization	877,665	726,518
Deferred tax provision	374,100	49,552
Changes in operating assets and liabilities:		
Accounts receivable	580,557	(668,242)
Prepaid expenses and other assets	(217,664)	(136,994)
Accounts payable	251,506	(319,884)
Deferred revenue	(61,377)	(169,550)
Foreign taxes payable	-	(3,500)
Other current liabilities	(282,895)	(95,737)
Net cash provided by operating activities	4,386,905	1,538,264
Cash Flows From Investing Activities		
Additions to property and equipment	(769,585)	(516,632)
Net funding from affiliates	101,464	1,392,215
Net cash provided by (used in) investing activities	(668,121)	875,583
Cash Flows From Financing Activities		
Debt issuance cost	(102,485)	(10,860)
Net payments under Subordinate Loan	(6,000,000)	-
Net (payments) borrowings under Senior Secured Loan	2,400,000	(2,400,000)
Net cash used in financing activities	(3,702,485)	(2,410,860)
Net increase in cash	16,299	2,987
Cash		
Beginning	9,232	6,245
Ending	\$ 25,531	\$ 9,232
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 746,302	\$ 912,848
Income taxes	\$ 1,283,000	\$ 507,391

See Notes to Consolidated Financial Statements.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: New Horizons Franchising Group, Inc. (NHFG), a wholly-owned subsidiary of NWHW Holdings, Inc. (the Parent), was incorporated in the state of Delaware on February 6, 2006 (Inception) and was organized for the purpose of continuing certain aspects of the Parent's franchising business. Specifically, NHFG franchises New Horizons Computer Learning Centers and is the successor to the business operations of New Horizons Computer Learning Centers, Inc., an affiliated company (NHCLC). At December 31, 2014, NHFG had one wholly-owned subsidiary, New Horizons Computer Learning Centers Asia Pacific Pte Ltd, a corporation registered in Singapore (APP). NHFG and its subsidiary maintain offices in the United States, London and Singapore. NHFG and its wholly-owned subsidiary are hereinafter collectively referred to as the "Company."

NHFG dissolved the following subsidiary in 2013: Nova Vista, LLC (Nova Vista) a single-member limited liability company. The activities of this former subsidiary had been taken over by NHFG or the remaining subsidiary.

The Company's franchisees provide application software, technical certification, and business skills training to individuals and employer-sponsored individuals from domestic and international public and private corporations, service organizations and government agencies worldwide. Additionally, the Company supplies externally licensed curriculum and courseware materials to its franchisees. As of December 31, 2014, the Company's franchisees delivered training in approximately 270 franchised locations in 55 countries.

The Company is dependent on the Parent for corporate, finance, information technology, human resources, treasury and other services arising in the ordinary course of business. Because the Company and other related entities have commonality of ownership and/or management control, the reported operating results and/or financial position of the Company could be significantly different if it were an autonomous entity.

Summary of significant accounting policies: The summary of significant accounting policies presented below is designed to assist in understanding the Company's consolidated financial statements. Such consolidated financial statements and accompanying notes are the representations of Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) in all material respects, and have been consistently applied in preparing the accompanying consolidated financial statements.

Principles of consolidation: The consolidated financial statements include the accounts of NHFG and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The Company prepares its consolidated financial statements in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at December 31, 2014 and 2013, and the reported amounts of revenues and expenses during the years ended December 31, 2014 and 2013. The Company believes its significant estimates related to provisions for losses on uncollectible accounts receivable, realization of long-lived assets, impairment analysis of goodwill and provision for income taxes to be the most sensitive estimates affecting its financial position and results of operations. It is at least reasonably possible that a material change in these estimates could occur in the near term. Actual amounts could materially differ from those estimates.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Company considers all highly liquid short-term investments with maturity dates of three months or less when purchased to be cash equivalents. The Company does not have any cash equivalents at December 31, 2014 and 2013.

Accounts receivable: Accounts receivable are carried net of allowance for doubtful accounts. The Company makes estimates of the collectibility of trade receivables based on historical bad debts, customer concentrations, customer credit worthiness, current economic trends and geographic location. Historical collections trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustments required are reflected in current operations. The Company does not require collateral from its customers. The allowance for doubtful accounts at December 31, 2014 and 2013 was \$687,952 and \$1,159,511, respectively.

Concentrations of risk: Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. At December 31, 2014, the Company had no balances in accounts in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2014, the Federal Deposit Insurance Corporation insurance coverage limits was \$250,000 for interest-bearing accounts and noninterest-bearing accounts.

The Company extends credit to a significant number of customers and franchisees that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts, which is reviewed for adequacy on a quarterly basis.

For the year ended December 31, 2014, one customer accounted for greater than 10% of consolidated revenues and consolidated accounts receivable. This customer is a franchise owner. The revenue and accounts receivable, net balance for this customer were 15% and 14%, respectively.

For the year ended December 31, 2013, two customers each accounted for greater than 10% of consolidated revenues and consolidated accounts receivable. These customers are franchise owners. The combined revenue for these two customers represented 27% of the consolidated revenues for the year ended December 31, 2013. The combined accounts receivable for these two franchise owners represented 42% of the consolidated accounts receivable, net balance as of December 31, 2013.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which generally range between three and ten years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining lease terms. Significant renewals and betterments are capitalized. At the time of retirement, other disposition of property and equipment or termination of a lease, the cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in results of operations.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Company periodically evaluates the carrying value of its long-lived assets under the provisions of Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment — Impairment or Disposal of Long-Lived Assets*. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations, including amortizable intangible assets when indicators of impairment are present. Indicators of impairment include an economic downturn or a change in the assessment of future operations. In the event a condition is identified that may indicate an impairment issue, an assessment is performed using a variety of methodologies, including analysis of undiscounted future cash flows, estimates of sales proceeds and independent appraisals. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair market value of the assets. At December 31, 2014 and 2013, no indicators of impairment existed.

Goodwill: NHFG follows ASC 350, *Goodwill — Subsequent Measurement* to account for its goodwill. Pursuant to ASC 350, goodwill is not amortized, but is reviewed annually for impairment or more frequently if impairment indicators arise. Factors the Company considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets or the strategy for the overall business, and significant negative industry or economic trends.

The Company considers the income and cash-generating capability of the Company in its analysis. After considering multiple approaches to value, the Company utilized the discounted cash flow income-based methodology (Income Approach).

The Income Approach values a business based upon the future benefits that will accrue to it, with the value of the future economic benefits discounted back to a present value at some appropriate discount rate. The discount rate reflects all the risk of ownership and the associated risks of realizing the prospective economic income stream.

No impairment was recorded related to the franchising reporting unit during 2014 or 2013. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Revenue recognition: Franchising revenues are earned from initial franchise fees, royalties from franchisees, courseware sales and technology.

Franchise fees: Initial franchise fees are charged to unit and master franchisees. Unit franchisees receive the exclusive right to own and operate franchises within a certain territory. Master franchisees receive an exclusive right to operate within a specific territory in which the master franchisee is able to award unit sub-franchises. Initial franchise fees for master and unit franchises are recognized when all related franchise training and all material conditions or services related to the sale have been performed or satisfied by the Company. Initial fees under unit and master franchise agreements are not refundable under any circumstance. Franchise fees not meeting the recognition criteria stated above are recorded as deferred revenue.

Royalties: Unit franchisees and master franchisees are obliged to remit certain percentages of their gross revenue to the Company for continuing royalties, marketing and advertising fees. Royalties are recognized by the Company as the underlying unit and master franchisee recognizes revenue. Continuing monthly royalties equal approximately 6% of gross revenue. Amounts generally commence accruing within six months of the effective date of the franchise agreement for new operators and in the sixth month after the effective date of the franchise agreement for operators converting their existing computer training centers to a New Horizons franchise. The Company receives 40% of the sub-franchise royalties paid to the master franchisee.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Courseware: The Company sells both licensed and internally developed courseware materials and curriculum to its franchisees. Courseware revenue are recognized upon delivery.

For courseware where the Company acts as a principal, takes title to the products, and has the risks and rewards of ownership, such as the risk of loss for collection, delivery and returns, revenue is recognized on a gross basis. Internally developed courseware is capitalized and amortized over its useful life. Revenue and expenses from licensed courseware, such as Online ANYTIME, is recognized upon delivery of the license keys to its franchisees. Online ANYTIME courses are asynchronous, self-paced training courses that are similar in content to classroom instruction.

In cases where the Company utilizes a third party for the production of courseware items and fulfillment of orders placed by franchisees, the Company acts as an agent or broker and is compensated on a commission or fee basis and the Company recognizes only the net commission or fee as revenue.

Technology: The Company provides technology including software and hosted services to franchisees to facilitate the delivery of online training and to automate franchise operations. Fees are charged for this technology.

Income taxes: The Company's consolidated financial statements recognize the current and deferred income tax consequences that result from the Company's activities during the current period pursuant to the provision of ASC 740, *Income Taxes* (ASC 740), as if the Company were a separate taxpayer rather than a member of the parent company's consolidated income tax return group. Differences between the Company's separate company income tax provision and cash flows attributable to income taxes will be recognized as contributions from or dividends to the parent company. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the question of future taxable income during the periods in which those temporary differences become deductible.

ASC 740 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statement. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. The Company files a consolidated tax return with the Parent. As such, the Parent adopted the provisions of ASC 740 related to accounting for uncertainty in income taxes (previously issued as Financial Accounting Standards Board (FASB) Interpretation No. 48) on January 1, 2007. Upon adoption, the Company recognized no adjustment in the amount of unrecognized tax benefits. As of the date of adoption, the Company had no increase to the asset for unrecognized tax benefits. The Company's policy is to recognize interest and penalties that would be assessed in relation to the settlement value of unrecognized tax benefits as a component of income tax expense. The Company has recognized no interest or penalties since the adoption of ASC 740.

Allocation of corporate costs: General, selling and administrative expenses in the accompanying consolidated financial statements include direct expenses specifically identified as incurred by the Company and an allocation of other services provided by the Parent to the Company. These common services relate to legal, information technology, insurance, payroll, employee benefits, banking and accounting services, and have been allocated based on the gross margin contribution percentage of the Company to total gross margin. Operating expenses allocated by the Parent to the Company were \$7,438,850 and \$7,315,832 for the years ended December 31, 2014 and 2013, respectively.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Certain revenues and expenses that are included in the consolidated financial statements of the parent company are not included in the consolidated financial statements of the Company. The following revenues and expenses are not included in the consolidated financial statements of the Company:

- The e-Learning and Enterprise Learning Solutions (ELS) businesses were not acquired by the Company and, therefore, are not included in the consolidated financial statements of the Company. The e-Learning and ELS businesses earned revenues of \$4,325,000 and \$2,675,000 and incurred operating costs of \$2,192,000 and \$1,493,000 in 2014 and 2013, respectively.
- The Portland company owned school also was not acquired by the Company and, therefore, is not included in the consolidated financial statements of the Company. The Portland company owned school earned revenues of \$2,157,000 and \$1,849,000 and incurred operating costs of \$2,175,000 and \$1,775,000 in 2014 and 2013, respectively.
- Certain expenses for common services related to legal, information technology, insurance, payroll, employee benefits, banking and accounting services have been allocated based on the gross margin contribution percentage of the Company to the Parent's total gross margin. All of these costs are included in the consolidated financial statements of the Parent. The amounts of the above expenses that were not allocated to the Company for 2014 and 2013 were \$2,059,000 and \$1,945,000, respectively.

Recent accounting pronouncements: In May 2014, the FASB issued new guidance on the recognition of revenue from contracts with customers. This guidance is presented in ASC Topic 606 (*Revenue from Contracts with Customers*). This new guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Companies can use either the retrospective or cumulative effect transition method. This new guidance is effective for us on January 1, 2018. Early application is not permitted. We have not yet selected a transition method and we are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB (including the Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or management believes will not, have a material impact on the Company's present or future consolidated financial statements.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31:

	2014	2013
Computer equipment and software	\$ 4,054,532	\$ 3,286,715
Less: accumulated depreciation and amortization	(2,543,896)	(1,799,684)
Total property and equipment, net	\$ 1,510,636	\$ 1,487,031

Depreciation and amortization expense was \$745,979 in 2014 and \$602,491 in 2013.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 3. Allowance for Doubtful Accounts

Accounts receivable are carried net of an allowance for doubtful accounts. The allowance for doubtful accounts includes the following:

	2014	2013
Balance, January 1	\$ 1,159,511	\$ 1,243,498
Provisions	676,952	127,078
Recoveries of uncollectable accounts receivable	-	8,641
Write-offs	(1,148,511)	(219,706)
Balance, December 31	<u>\$ 687,952</u>	<u>\$ 1,159,511</u>

Note 4. Other Current Liabilities

Other current liabilities consisted of the following at December 31:

	2014	2013
Advertising fund	\$ 308,571	\$ 700,867
Salaries, wages and commissions payable	334,162	374,321
Accrued operating expenses and other liabilities	278,042	128,482
Total accrued liabilities	<u>\$ 920,775</u>	<u>\$ 1,203,670</u>

Note 5. Related Party Transactions

Upon the formation of NHFG, NHFG issued notes payable to NHCLC. To pay this liability, the Company advances amounts to its Parent for operating expenses, income taxes, and amounts used to repay certain indebtedness of the Parent. Such expenses include periodic transactions that are initiated and paid over a short period of time. The amounts are noninterest-bearing and are due on demand.

As a result of the push-down of the Parent's debt in 2012, The Company recorded \$22,000,000 in loans (see Note 7, Debt). These loans were accounted for as a reduction of additional paid-in capital of \$3,149,452 until the balance was zero and the \$18,850,548 remainder recorded as an advance to affiliates. The Company had \$17,733,848 and \$17,835,312 due from affiliates, net at December 31, 2014 and 2013, respectively. The Company does not intend to require the Parent to satisfy the amount due within the next year.

General, selling and administrative expenses in the accompanying consolidated financial statements include direct expenses specifically identified as incurred by the Company and an allocation of other services provided by the Parent to the Company. These common services relate to legal, information technology, insurance, payroll, employee benefits, banking and accounting services, and have been allocated based on the gross margin contribution percentage of the Company to total gross margin (see Note 1, Allocation of Corporate Costs).

The Company charges the Parent's company-owned schools the same 6% royalty fee that the Company would charge to a franchisee.

New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)

Notes to Consolidated Financial Statements

Note 6. Income Taxes

The components of the Company's provision for income taxes consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Current		
Federal	\$ 758,701	\$ 1,022,503
State	88,865	97,220
Foreign	437,772	472,421
Total current	<u>1,285,338</u>	<u>1,592,144</u>
Deferred		
Federal	356,512	35,948
State	17,589	13,604
Total deferred	<u>374,101</u>	<u>49,552</u>
Total tax provision	<u>\$ 1,659,439</u>	<u>\$ 1,641,696</u>

At December 31, 2014 and 2013, deferred tax assets consisted of the following:

	2014	2013
Depreciation	\$ (260,510)	\$ (297,147)
Accounts receivable allowance	249,627	421,004
Accrued payroll	91,486	101,054
Accrued advertising	111,968	254,476
Deferred financing costs	(52,929)	-
Deferred revenue	10,030	44,385
Total deferred tax assets	<u>\$ 149,672</u>	<u>\$ 523,772</u>

The Company's consolidated financial statements recognize the current and deferred income tax consequences that result from the Company's activities during the current period pursuant to the provision of ASC 740, *Accounting for Income Taxes*, as if the Company were a separate taxpayer rather than a member of the Parent's consolidated income tax return group.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generating future taxable income during the periods in which those temporary differences become deductible. Management believes the deferred tax asset of \$149,672 as of December 31, 2014 is realizable.

New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)

Notes to Consolidated Financial Statements

Note 6. Income Taxes (Continued)

A reconciliation of income taxes computed at the U.S. Federal Statutory income tax rate to the provision for income taxes for the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	
Federal income tax at statutory rate	\$ 1,308,150	34.00%
State income taxes, net of federal benefit	76,912	2.00%
Other	(16,600)	-0.43%
Permanent items	2,047	0.05%
Foreign taxes, net of federal benefit	288,930	7.51%
Total provision	<u>\$ 1,659,439</u>	<u>43.13%</u>
	<u>2013</u>	
Federal income tax at statutory rate	\$ 1,248,044	34.00%
State income taxes, net of federal benefit	71,754	1.95%
Other	6,015	0.16%
Permanent items	4,085	0.11%
Foreign taxes, net of federal benefit	311,798	8.49%
Total provision	<u>\$ 1,641,696</u>	<u>44.71%</u>

The Company is subject to U.S. federal and state income tax. The Company is no longer subject to U.S. federal examinations for the years before 2011 and state income tax examinations for the years before 2008 and foreign income tax examinations before 2007. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses or tax credits were generated and carried forward, and make adjustments up to the amount of the net operating loss or credit carryforward amount. The Company is not currently under federal, state, local or foreign jurisdiction tax examinations.

Note 7. Debt

As a result of push-down debt by the Parent in 2012, the Company recorded a \$16,000,000 senior term loan (Senior Term Loan) with M&T Bank (M&T) and a \$6,000,000 subordinate term loan (Subordinate Term Loan) with American Public Education, Inc. The Company also entered into a revolving credit facility (the Revolver) with M&T. The purpose of the Revolver is to, among other things; support the daily operations of the Company.

On December 16, 2014, the \$6,000,000 Subordinate Term Loan was paid off with \$5,600,000 in proceeds from an amendment to Senior Term Loan (Amended and Restated Senior Term Loan) with M&T Bank and \$400,000 in cash.

The Revolver consists of a secured revolving credit facility available to the Company with a maximum revolver advance amount equal to the lesser of \$2,000,000 or the formula amount calculated as follows:

- 85% of eligible receivables, plus
- the lesser of 50% of eligible unbilled receivables or \$750,000, minus
- the aggregate amount of outstanding letters of credit.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

The Revolver has an interest rate of the London Interbank Offering Rate (LIBOR) plus 3.25%. The Revolver's maturity date is June 30, 2016 and is renewable annually. The Company remits monthly Revolver payments to M&T for interest only, and excess cash will be used to reduce outstanding balances, if any, on the Revolver. The Company may borrow, repay, and re-borrow under the terms of the Revolver, subject to availability and compliance with covenants. Any outstanding principal will be due upon maturity. At December 31, 2014, the Revolver had an interest rate of 3.41%, the balance was \$0 and the maximum revolver advance was \$1,850,934.

The \$16,000,000 Amended and Restated Senior Term Loan has an interest rate of LIBOR plus the Applicable Margin. The Applicable Margin is based on the Senior Debt to EBITDA Ratio. Effective from December 17, 2014, the Applicable Margin is:

<u>Senior Debt to EBITDA Ratio</u>	<u>Applicable Margin</u>
Greater than 2.0 to 1.00	3.10%
Greater than 1.50 to 1.00 but less than or equal to 2.00 to 1.00	2.80%
Less than or equal to 1.50 to 1.00	2.50%

The Amended and Restated Senior Term Loan's maturity date is December 16, 2019. The Company remits monthly payments to M&T for interest. Principal on the Amended and Restated Senior Term Loan is payable to M&T Bank in monthly installments of \$266,667 commencing on January 1, 2015 and continuing on the first day of each month thereafter with a final principal payment payable on the maturity date. At December 31, 2014, the Amended Senior Term Loan had an interest rate of 3.26%.

Prior to the December 16, 2014 amendment, the \$16,000,000 Senior Term Loan had an interest rate of LIBOR plus the Applicable Margin. Effective from September 28, 2012 to December 16, 2014, the Applicable Margin was:

<u>Senior Debt to EBITDA Ratio</u>	<u>Applicable Margin</u>
Greater than 2.50 to 1.00	4.00%
Greater than 2.00 to 1.00 but less than or equal to 2.50 to 1.00	3.75%
Greater than 1.50 to 1.00 but less than or equal to 2.00 to 1.00	3.50%
Less than or equal to 1.50 to 1.00	3.25%

The Senior Term Loan's maturity date was March 28, 2018. The Company remitted monthly payments to M&T for interest. Principal on the Amended and Restated Senior Term Loan was payable to M&T in monthly installments of \$266,667 commencing on April 1, 2013 and continuing on the first day of each month thereafter with a final principal payment payable on the maturity date. This Senior Term Loan was amended and restated in order to borrow an additional \$5,600,000, which was used to pay off the Subordinate Term Loan, extend the maturity date, and change the Applicable Margin and covenants.

The \$6,000,000 Subordinate Term Loan had a fixed interest rate of 5% and a maturity date of September 28, 2018. The Company remitted monthly payments to American Public Education, Inc. for interest only and the principal balance was due at maturity. The Subordinate Term Loan was paid off on December 16, 2014.

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

The obligations under the Revolver and Term Loans are guaranteed by the Company and by certain direct and indirect domestic subsidiaries of NWHW Holdings. The obligations of the Company under the Revolver and Term Loans are secured by substantially all the assets of the Company.

The Company incurred \$673,000 of debt issuance costs related to entering into the Term Loans and the Revolver. The Company incurred an additional \$10,860 in debt issuance costs in 2013 for the First Amendment to Loan and Security Agreement, which extended the expiration of the Revolver to June 30, 2015 and adjusted the calculation of the Formula Amount. The Company incurred an additional \$5,000 in debt issuance costs in 2014 for the second Amendment to Loan and Security Agreement, which extended the expiration of the Revolver to June 30, 2016. The Company incurred an additional \$97,486 in debt issuance costs on December 16, 2014 to amend and restate the Senior Term Loan in order to borrow an additional \$5,600,000, which was used to pay off the Subordinate Term Loan, extend the maturity date, and change the Applicable Margin and covenants. At December 31, 2014, the unamortized debt issuance cost balance was \$501,038. These costs are being amortized on a straight-line basis, over the original term of the Senior Term Loan with amendment costs amortized over the amended term.

The Senior Term Loan and Revolver have the following covenants and ratios.

- (1) The borrower will maintain on a consolidated, rolling four quarter basis, as of the end of each fiscal quarter ending during the periods set forth below, a senior debt to EBITDA ratio of less than that set forth below and opposite each period.

Effective December 17, 2014:

<u>Period Ending</u>	<u>Senior Debt to EBITDA Ratio</u>
December 31, 2014 through September 30, 2015	2.75 to 1.00
December 31, 2015 through September 30, 2016	2.25 to 1.00
December 31, 2016 and thereafter	2.00 to 1.00

Effective from September 28, 2012 to December 16, 2014:

<u>Period Ending</u>	<u>Senior Debt to EBITDA Ratio</u>
December 31, 2012 through September 30, 2013	3.00 to 1.00
December 31, 2013 through September 30, 2014	2.50 to 1.00
December 31, 2014 and thereafter	2.00 to 1.00

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NWHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

- (2) Effective December 17, 2014, the Borrower shall have on a consolidated basis, as of the end of each quarter, a Fixed Charge Coverage Ratio of not less than the level specified in the matrix below for each applicable period.

<u>Period Ending</u>	<u>Fixed Charge Coverage Ratio</u>
December 31, 2014 through December 31, 2015	1.10 to 1.00
March 31, 2016 and thereafter	1.20 to 1.00

Effective from September 28, 2012 to December 16, 2014, the borrower maintained on a consolidated, rolling four quarter basis, as of the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2012, a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00.

The Subordinate Term Loan had the following covenants and ratios.

- (1) The borrower will maintain, on a consolidated, rolling four quarter basis, as of the end of each fiscal quarter ending during the periods set forth below, a Senior Debt to EBITDA Ratio of less than that set forth below and opposite each period.

<u>Period Ending</u>	<u>Senior Debt to EBITDA Ratio</u>
December 31, 2012 through September 30, 2013	3.30 to 1.00
December 31, 2013 through September 30, 2014	2.75 to 1.00
December 31, 2014 and thereafter	2.20 to 1.00

- (2) The Borrower will maintain, on a consolidated, rolling four quarter basis, as of the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2014, a Fixed Charge Coverage Ratio of not less than 1.08 to 1.00.

The Senior Term Loan, the Subordinate Term Loan and the Revolver contain customary covenants, representations and warranties, and events of default. As of December 31, 2014, the Parent was in compliance with all of the financial covenants.

As of December 31, 2014, the required minimum annual principal reduction of long-term debt is as follows:

Years Ending December 31,

2015	\$ 3,200,000
2016	3,200,000
2017	3,200,000
2018	3,200,000
2019	3,200,000
	<u>\$ 16,000,000</u>

**New Horizons Franchising Group, Inc. and Subsidiary
(A Wholly Owned Subsidiary of NHHW Holdings, Inc.)**

Notes to Consolidated Financial Statements

Note 8. Commitments and Contingencies

Rental expense for noncancelable operating leases and various month-to-month leases was \$39,702 and \$38,725 for the years ended December 31, 2014 and 2013, respectively, which includes office space provided by the Parent and is included in selling, general and administrative expenses in the accompanying consolidated statements of income.

Guarantees: The Company has made guarantees and indemnities, under which it may be required to make payments to a guaranteed or indemnified party. The Company agrees to indemnify its franchisees against any trademark infringement claims that may arise out of their use of the "New Horizons" trademark. The Parent has also agreed to indemnify its directors and officers to the maximum extent permitted under the laws of the State of Delaware. Such liabilities, if any, are not presently determinable, and accordingly, the Company has not recorded any liability for these guarantees and indemnities in the accompanying consolidated balance sheets.

Legal matters: From to time, the Company may be involved in various claims, lawsuits, disputes with third parties, actions involving allegations or breach of contract actions incidental to the normal operations of the business. The Company is currently not involved in any such litigation which management believes could have a material adverse effect on its consolidated financial position or results of operations.

Note 9. Employee Savings Plan

The Parent established the New Horizons Worldwide, Inc. 401(k) Retirement Savings Plan (the Plan) on January 1, 1995. All full-time U.S. employees of the Parent are eligible to participate in the Plan beginning with the first month of the next quarterly period after their hire date. While the Plan provides for a discretionary match of employee contributions, the Parent did not match such contributions in 2014 or 2013.

Note 10. Subsequent Events

The Company evaluated subsequent events through March 31, 2015 and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the consolidated financial statements.

EXHIBIT C TO FDD

**LIST OF LOCATIONS
NAMES, ADDRESSES AND TELEPHONE NUMBERS
OF
EXISTING FRANCHISEES
AND
AFFILIATE-OWNED CENTERS**

Company and Affiliate Owned Locations

**DOMESTIC FRANCHISES AND OTHER U.S. TERRITORIES
OPEN AND OPERATING AS OF DECEMBER 31, 2014**

State/Territory	Address	Contact Information
USA-AL	New Horizons of Birmingham, AL 601 Beacon Parkway West Suite 106 Birmingham, AL 35209 USA	Phone: 205-942-2522
USA-AZ	New Horizons of Phoenix, AZ 9200 East Prima Center Parkway Suite 160 Scottsdale, AZ 85258 USA	Phone: 480-736-9300
USA-AZ	New Horizons of Tucson, AZ 6377 E. Tanque Verde Road Suite 200 Tucson, AZ 85715 USA	Phone: 520-290-5600
	<i>Associated Satellite Center for Tucson franchise location:</i> New Horizons of Sierra Vista, AZ 530 E. Bartow Sierra Vista, AZ USA	Phone: 800-720-4012
USA-CA	New Horizons of Anaheim, CA 1900 South State College Blvd. Suite 100 Anaheim, CA 92806 USA	Phone: 714-221-3100
USA-CA	New Horizons of San Bernardino, CA 451 East Vandervult Way, Suite 250 San Bernardino, CA 92408 USA	Phone: 909-380-7970
	<i>Associated Satellite Center for franchises located in greater Orange County and Los Angeles County, California:</i> New Horizons of Burbank, CA* 333 North Glen Oaks Blvd. Suite 400 Burbank, CA 91502 USA	Phone: 818-333-4600
USA-CA	New Horizons of Los Angeles, CA 100 Corporate Pointe, Suite 270 Culver City, CA 90230 USA	Phone: 310-342-3500
USA-CA	New Horizons of Sacramento, CA 1750 Creekside Oaks Drive, Suite 150 Sacramento, CA 95833 USA	Phone: 916-609-4700
USA-CA	New Horizons of San Diego, CA 7480 Miramar Road Bldg B, Suite 202 San Diego, CA 92126 USA	Phone: 858-880-2200

State/Territory	Address	Contact Information
USA-CO	New Horizons of Denver, CO (Englewood) 10333 E. Dry Creek Road, Suite 100 Englewood, CO 80112 USA	Phone: 303-745-0100
	<i>Associated Satellite Centers for Englewood, CO franchise location:</i> New Horizons of Colorado Springs, CO* 1755 Telstar Dr. Colorado Springs, CO 80920 USA New Horizons of Denver, CO (Downtown)* 4775 Centennial Blvd., Suite 103 Colorado Springs, CO 80919 USA	Phone: 719-380-0300 Phone: 303-745-0100
USA-CT	New Horizons of Fairfield County, CT 777 Commerce Drive Fairfield, CT 06824 USA	Phone: 203-375-3370
USA-CT	New Horizons of Hartford, CT 340 West Newberry Road Bloomfield, CT 06002 USA	Phone: 860-768-3777
USA-District of Columbia	New Horizons of Washington, D.C. (Downtown) 1331 F Street NW, Suite 420 Washington, DC 20004 USA	Phone: 703-749-4030
	<i>Associated Satellite Center for Washington, DC franchise location:</i> New Horizons Tyson's Corner* 2010 Corporate Ridge, Suite 200 McLean, VA 22102 USA	Phone: 703-749-4030
USA-FL	New Horizons of Gainesville, FL 6933 NW 4th Blvd Gainesville, FL 32607 USA	Phone: 877-340-2860
	<i>Associated Satellite Center location for Gainesville, FL franchise location:</i> New Horizons of Pensacola, FL* 850 S. Palafox Street Pensacola, FL 32502 USA	Phone: 850-434-3414
USA-FL	New Horizons of Jacksonville, FL 7020 A.C. Skinner Parkway Suite #180 Jacksonville, FL 32256 USA	Phone: 904-564-9500
USA-FL	New Horizons of Miami, Fort Lauderdale, West Palm Beach, FL 100 South Pine Island Road Suite 200 Plantation, FL 33324 USA	Phone: 954-572-8600

State/Territory	Address	Contact Information
	<p><i>Associated Satellite Center locations for Miami, Fort Lauderdale and West Palm Beach, FL</i></p> <p>New Horizons of Miami, FL* 7757 West Flagler Street, Suite 200 Miami, FL 33144 USA</p> <p>New Horizons of West Palm Beach, FL* 2101 Vista Parkway, Suite 134 West Palm Beach, FL 33411</p>	Phone: 561-967-7976
USA-FL	New Horizons of Orlando, FL 1221 Lee Road Orlando, FL 32810 USA	Phone: 407-210-4200
USA-FL	New Horizons of Tampa, FL 5402 West Laurel Street, Suite 200 Tampa, FL 33607 USA	Phone: 813-387-3500
USA-GA	New Horizons of Atlanta, GA 211 Perimeter Center Parkway Suite 200 Atlanta GA 30346 USA	Phone: 770-270-2000
USA-IA	New Horizons of Cedar Rapids, IA 1850 Boyson Road Hiawatha, IA 52233 USA	Phone: 319-294-9035
	<p><i>Associated Satellite Center location For Cedar Rapids, IA franchise Location:</i></p> <p>New Horizons of Quad Cities, IA* 2206 East 52nd Street Davenport, IA 52807 USA</p>	Phone: 563-441-1515
USA-IA	New Horizons of Des Moines, IA 6200 Aurora Avenue, Suite 207E Urbandale, IA 50322 USA	Phone: 515-226-3265
USA-IL	New Horizons of Chicago, IL (Downtown) 200 Monroe Street, Suite 900 Chicago, IL 60606 USA	Phone: 773-693-6000
	<p><i>Associated Satellite Center location for Chicago, IL franchise location:</i></p> <p>New Horizons of Chicago, IL (Rosemont)* 9501 Technology Blvd. Rosemont, IL 60018 USA</p>	Phone: 773-693-6000
USA-IL	New Horizons of O'Fallon, IL 1476 North Green Mount O'Fallon, IL 62269 USA	Phone: 314-429-3311
USA-IN	New Horizons of Indianapolis, IN 11611 North Meridan Street Suite 200 Carmel, IN 46032 USA	Phone: 317-575-7600

State/Territory	Address	Contact Information
USA-KS	New Horizons of Kansas City, KS 11880 College Blvd., Suite 100 Overland Park, KS 66210 USA	Phone: 913-660-9999
USA-KY	New Horizons of Lexington, KY 1050 Chinoe Road Suite 208 Lexington, KY 40502 USA	Phone: 859-266-2900
USA-KY	New Horizons of Louisville, KY 7410 New La Grange, Suite 120 Louisville, KY 40222 USA	Phone: 502-426-8519
USA-LA	New Horizons of New Orleans, LA Latter Center West Office Building 2800 Veterans Blvd., Suite 330 Metairie, LA 70002 USA	Phone: 504-849-6600
	<i>Associated Satellite Center for Metairie, LA franchise location:</i> New Horizons of Biloxi, MS* 2318 Pass Road, Suite 8 Biloxi, MS 39531	Phone: 877-424-5694
USA-MA	New Horizons of Boston, MA (Downtown) 75 Federal Street, 12 th Floor Boston, MA 02110 USA	Phone: 617-574-8713
	<i>Associated Satellite Centers for Boston, MA franchise location:</i> New Horizons of Waltham, MA* 303 Wyman St., Suite 150 Waltham, MA 02451 USA	Phone: 781-487-3200
USA-MD	New Horizons of Baltimore, MD 7550 Teague Road, 4th Floor Hanover, MD 21076 USA	Phone: 844-737-8626
USA-MI	New Horizons of Detroit, MI (Livonia) 14115 Farmington Road Livonia, MI 48154 USA	Phone: 734-525-1501
	<i>Associated Satellite Center locations for Livonia, MI franchise location:</i> New Horizons of Troy, MI* 2800 Livernois Suite 250 Troy, MI 48083 USA	Phone: 248-824-1000
USA-MI	New Horizons of Grand Rapids, MI 630 Kenmoor Avenue SE Grand Rapids, MI 49546 USA	Phone: 616-574-7500

State/Territory	Address	Contact Information
	<p><i>Associated Satellite Center for Grand Rapids, MI franchise location:</i></p> <p>New Horizons of East Lansing, MI* 1145 South Washington Ave Suite A Lansing, MI 48910 USA</p> <p>New Horizons of Kalamazoo, MI* 8175 Creekside Drive Portage, MI 49024 USA</p>	<p>Phone: 517-318-4005</p> <p>Phone: 269-353-1501</p>
USA-MN	New Horizons of Twin Cities, MN 2915 Commers Drive, Suite 100 Eagan, MN 55121 USA	Phone: 651-287-9950
USA-MO	New Horizons of St. Louis, MO 2122 Kratky Road, Suite 200 St. Louis, MO 63114 USA	Phone: 314-429-3311
USA-NC	New Horizons of Charlotte, NC 9140 Arrowpoint Blvd. Suite 400 Charlotte, NC 28273 USA	Phone: 704-522-9747
USA-NC	New Horizons of Greensboro, NC 7019B Albert Pick Road Greensboro, NC 27409 USA	Phone: 336-299-5022
USA-NC	New Horizons of Raleigh-Durham, NC 5400 South Miami Boulevard Suite # 140 Durham NC 27703 USA	Phone: 919-336-1000
USA-NE	New Horizons of Omaha, NE 11423 Miracle Hills Drive, Suite 200 Omaha, NE 68154 USA	Phone: 402-331-4123
	<p><i>Associated Satellite Center for Omaha, NE franchise location:</i></p> <p>New Horizons of Lincoln, NE* 620 N. 48th St. Lincoln, NE 68504 USA</p>	Phone: 402-464-8004
USA-NH	New Horizons of Nashua, NH 460 Amherst Street Nashua, NH 03063 USA	Phone: 603-882-4900
USA-NJ	New Horizons of Iselin, NJ Metro Top Plaza 111 Wood Ave. South Iselin, NJ 08830 USA	Phone: 732-767-1000
USA-NJ	New Horizons of Princeton, NJ 3525 Quakerbridge Road Hamilton, NJ 08619 USA	Phone: 609-570-6900
USA-NM	New Horizons of Albuquerque, NM 6700 Jefferson Street Building A Albuquerque, NM 87109 USA	Phone: 505-830-7100

State/Territory	Address	Contact Information
	<i>Associated Satellite Center for Albuquerque, NM franchise location:</i> New Horizons of El Paso, TX* 1625 Hawkins Blvd., Suite 100 El Paso, TX 79925	Phone: 915-772-2365
USA-NV	New Horizons of Las Vegas, NV 7674 W. Lake Mead Blvd. Suite 250 Las Vegas, NV 89128 USA	Phone: 702-214-3910
USA-NY	New Horizons of Albany, NY 15 Cornell Road Latham, NY 12110 USA	Phone: 518-452-6444
USA-NY	New Horizons of Buffalo, NY 4185 Bayview Road Blasdell, NY 14219	Phone: 716- 826-6600
USA-NY	New Horizons of Long Island, NY 1660 Walt Whitman Road, Suite 115 Melville, NY 11747 USA	Phone: 631-499-7929
USA-NY	New Horizons of New York, NY 462 Madison Avenue New York, NY 10018 USA	Phone: 646-695-5700
USA-NY	New Horizons of Rochester, NY 3535 Winton Place Rochester, NY 14623 USA	Phone: 585-350-7000
USA-NY	New Horizons of Syracuse, NY 6711 Towpath Road Suite 100 East Syracuse, NY 13057 USA	Phone: 315-449-3290
USA-OH	New Horizons of Cincinnati, OH 10653 Techwoods Circle Blue Ash, OH 45242 USA	Phone: 513-554-0111
USA-OH	New Horizons of Cleveland, OH 1 Infinity Corporate Center Drive Suite 250 Garfield Heights, OH 44125 USA	Phone: 216-332-7960
USA-OH	New Horizons of Columbus, OH 460 Polaris Parkway, Suite 150 Westerville, OH 43082 USA	Phone: 614-798-1000
USA-OH	New Horizons of Dayton, OH 1890 Commerce Center Blvd. Fairborn, OH 45324 USA	Phone: 937-879-6080
USA-OK	New Horizons of Tulsa, OK233 6550 East 71st Street Tulsa, OK 74133 USA	Phone: 918-346-6226
	<i>Associated Satellite Center for Tulsa, OK franchise location:</i> New Horizons of Oklahoma City, OK* 3010 NW 149th Street Oklahoma City, OK 73134 USA	Phone: 405-516-4000

State/Territory	Address	Contact Information
USA-PA	New Horizons of Allentown, PA 100 Brodhead Road, Suite 120 Bethlehem, PA 18017 USA	Phone: 610-867-4002
	<i>Associated Satellite for Allentown, PA*</i> 145 Center Point Blvd. Center Point Commerce & Trade Park Pittson, PA 18640	
	<i>Associated Satellite Center for Bethlehem, PA franchise location:</i> New Horizons of Reading, PA* 3 Park Plaza, Suite #103 Wyomissing, PA 19610 USA	Phone: 610-685-1313
USA-PA	New Horizons of Harrisburg, PA 5001 Louise Drive Mechanicsburg, PA 17055 USA	Phone: 717-791-0200
	<i>Associated Satellite Center for Mechanicsburg, PA franchise location:</i> New Horizons of Lancaster, PA* 1020 New Holland Avenue Lancaster, PA 17603 USA	Phone: 717-791-0200
USA-PA	New Horizons of Philadelphia, PA 565 East Swedesford Road, Suite 100 Bay Colony Executive Park Wayne, PA 19087	Phone: 610-270-8700
	<i>Satellite Center locations for Philadelphia, PA franchise location:</i> New Horizons of King of Prussia, PA* 565 W. Swedesford Road, Suite 100 Bay Colony Executive Park Wayne, PA 19087 USA	Phone: 610-270-8700
USA-PA	New Horizons of Pittsburgh, PA Three Parkway Center, Suite 103 Pittsburgh, PA 15220 USA	Phone: 412-920-5100
USA-RI	New Horizons of Providence, RI 24 Albion Road, Suite 230 Lincoln, RI 02917 USA	Phone: 401-654-5252
USA-SD	New Horizons of Sioux Falls, SD 4610 Technopolis Drive Suite 100 Sioux Falls, SD 57106 USA	Phone: 605-339-3221
USA-TN	New Horizons of Chattanooga, TN 5600 Brainhead Road, Suite E-1 Chattanooga, TN 37411 USA	Phone: 423-892-3085
USA-TN	New Horizons of Knoxville, TN 10133 Shermill Blvd., Suite 130 Knoxville, TN 37932 USA	Phone: 865-691-1515

State/Territory	Address	Contact Information
USA-TN	New Horizons of Memphis, TN 4775 American Way Memphis, TN 38118 USA	Phone: 901-375-1533
USA-TN	New Horizons of Nashville, TN 220 Athens Way, Suite 150 Nashville, TN 37228 USA	Phone: 615-251-6955
USA-TX	New Horizons of Austin, TX 300 West Highland Mall Blvd. Suite 100 Austin, TX 78752 USA	Phone: 512-349-9555
	<i>Associated Satellite Center for Austin, TX franchise location:</i> New Horizons of Killeen, TX 3106 South WS Young Drive Suite A-103 Killeen, TX 76542	Phone: 254-432-4755
USA-TX	New Horizons of Dallas, TX 150 W. John Carpenter Freeway Suite 100 Irving, TX 75039 USA	Phone: 972-490-5151
	<i>Associated Satellite Center for Dallas, TX franchise location:</i> New Horizons of Fort Worth, TX* 4100 International Plaza Suite 200 Fort Worth, TX 76109 USA	Phone: 817-737-8997
USA-TX	New Horizons of Houston, TX 5120 Woodway, Building A Suite 200 Houston, TX 77056 USA	Phone: 713-+552-1414
USA-TX	New Horizons of San Antonio, TX 2727 NW Loop 410, Suite 103 San Antonio, TX 78230 USA	Phone: 210-308-8200
USA-UT	New Horizons of Salt Lake City, UT 4516 S. 700 E., Suite 190 Salt Lake City, UT 84107 USA	Phone: 801-952-4300
USA-VA	New Horizons of Richmond, VA 7501 Boulders View Drive Suite 325 Richmond, VA 23225 USA	Phone: 804-320-4600
USA-WA	New Horizons of Spokane, WA 920 N. Argonne Road Suite 305 Spokane, WA 99212 USA	Phone: 509-328-8077
USA-WI	New Horizons of Madison, WI 725 Heartland Trail, Suite 108 Madison, WI 53717 USA	Phone: 608-807-0466
USA-WI	New Horizons of Milwaukee, WI 15700 W. Bluemound Road, Suite 410 Brookfield, WI	Phone: 414-607-5600

State/Territory	Address	Contact Information
	<p><i>Associated Satellite Center locations for Wauwatosa, WI franchise location:</i></p> <p>New Horizons of Appleton / Green Bay and Fox Cities, WI* 5700 Grande Market Drive, Suite B Appleton, WI 54913 USA</p> <p>New Horizons of Wausau, WI* 4613-B Phillips Road Schofield, WI 54476 USA</p>	<p>Phone: 920-967-6000</p> <p>Phone: 800-378-1664</p>
USA TERRITORY: GUAM	New Horizons of Guam Para Oceana Business Center 674 Harmon Loop Road Suite 310 Dedeo 96929 Guam	Phone: 671-633-4811

* These are satellite locations which are operated in conjunction with a corresponding base location.

**DOMESTIC FRANCHISES AND OTHER U.S. TERRITORIES
FOR WHICH A FRANCHISE AGREEMENT WAS SIGNED AS OF DECEMBER 31, 2014,
BUT WHICH WERE NOT OPEN AND OPERATING AS OF DECEMBER 31, 2014**

State/Territory	Address	Contact Information
USA-NY	New Horizons of Westchester, NY NH New York City, LLC Mark McManus, Jr.	Phone: 734-793-0131
USA-SC	New Horizons of Columbia, SC Sabai-Jai LLC Tom Pongpat	Phone: 704-930-0998

COMPANY OWNED LOCATIONS AS OF DECEMBER 31, 2014

State/Territory	Address	Contact Information
USA-OR	New Horizons of Beaverton, OR 2345 N. Amberbrook Drive Suite 125 Beaverton, OR 97006 USA	Phone: 503-641-8028

EXHIBIT D TO FDD
LIST OF TERMINATED CENTERS

**EXHIBIT D TO FDD
DOMESTIC FRANCHISES AND U.S. TERRITORIES
LIST OF TERMINATED FRANCHISES DURING FISCAL YEAR 2014**

The name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year ending 12/31/14 or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

Franchisee Name & Address	Franchisees Home Address	Phone Number	Owner
USA – SC New Horizons of Columbia, SC 244 Greystone Blvd. Columbia, SC 29210 USA	Cooke & Moses, LLC 324 Brickling Road Irmo, SC 29063	*	Roy Lee Cooke
	4103 Devine Street, E2 Columbia, SC 29205	*	Jeffrey H. Moses
USA – SC New Horizons of Greenville, SC 250 Commonwealth Drive Suite 109 Greenville, SC 29615 USA	Cooke & Moses, LLC 324 Brickling Road Irmo, SC 29063	*	Roy Lee Cooke
	4103 Devine Street, E2 Columbia, SC 29205	*	Jeffrey H. Moses

* Personal phone numbers are not on record for these franchisees.

EXHIBIT E TO FDD
PROMISSORY NOTE AND GUARANTY

PROMISSORY NOTE AND GUARANTY

\$00,000

[Date]

FOR VALUE RECEIVED, the undersigned ("Maker"), hereby promises to pay to the order of New Horizons Franchising Group, Inc., a Delaware corporation ("New Horizons"), or order, the sum of _____ Dollars (\$_____), together with interest on the unpaid principal balance hereof at the rate of ___ percent per annum, which principal and accrued interest shall be due and payable in ___ equal monthly installments of \$_____ each, commencing on _____, _____ and continuing thereafter on the 1st day of each month until _____, when the outstanding principal balance and all unpaid accrued interest shall be due and payable in full.

Maker reserves the right to prepay all or any portion of this Promissory Note and Guaranty ("Promissory Note") at any time and from time to time without premium or penalty of any kind by paying, in addition to the principal amount of such prepayment, the interest accrued hereon to the date of such prepayment.

In the event that (a) Maker shall default in the payment of principal or interest due hereunder and such default shall continue for ten (10) days after the mailing of written notice of such default to Maker at Maker's last known address, or (b) a receiver is appointed for Maker or Guarantor (if applicable) or any part of Maker's property, or (c) Maker or Guarantor (if applicable) makes any general assignment for the benefit of Maker's or Guarantor's creditors, or any proceeding is commenced by or against Maker or Guarantor (if applicable) or any guarantor, surety, endorser, or other person directly or indirectly liable for any of the obligations hereunder, or (d) _____ shall be deemed in default of the Franchise Agreement of even date between _____ and New Horizons (the events described in subparts (a), (b), (c) and (d) are collectively referred to as Default"), the holder of this Promissory Note at the time of the Default (the "Holder") shall have the right, if a Default occurs, to declare the outstanding principal balance hereof and all unpaid accrued interest immediately due and payable in full (the "Balance Due").

If a Default occurs, Maker also agrees to pay upon demand all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

Maker and Guarantor (if applicable) agree: no delay or omission by Holder in exercising any of its rights or remedies hereunder or otherwise shall impair any of such rights or remedies, nor shall any such delay or omission be construed as a waiver of any Default hereunder, and Holder may exercise every such right and remedy from time to time as often as Holder may deem expedient; all rights and remedies of Holder whether or not granted hereunder shall be cumulative and may be exercised singularly or concurrently, and no such right or remedy is intended to be exclusive of any other right or remedy of Holder; and no waiver by Holder of any Default hereunder shall be effective unless in writing and signed and delivered by Holder, and no such waiver or any default shall extend to or affect any subsequent or other Default or impair any rights or remedies of Holder.

This Promissory Note shall be the joint and several obligation of Maker, Guarantor (if applicable) and all guarantors, sureties, endorsers, and/or any other persons now or hereafter liable hereon, if any, and shall be binding upon them and their heirs, executors, personal representatives, successors and assigns.

Any demand upon or notice of other communication to Maker and/or Guarantor (if applicable) shall be effective if delivered by hand delivery or deposited in the mails, postage prepaid, addressed to Maker and/or Guarantor (if applicable) at the address(es) of Maker and/or Guarantor as set forth in Holder's records, or, if Maker and/or Guarantor (if applicable) has notified Holder of a change of address, to the last address of which Holder has been so notified.

Maker and Guarantor (if applicable), for Maker and Guarantor (if applicable) and for any guarantors, sureties, endorsers and/or any other persons now or hereafter liable hereon, if any, hereby waive demand for payment, presentment for payment, protest, notice of nonpayment or dishonor, and any and all other notices and demands whatsoever.

If any provision or application of this Promissory Note is adjudicated to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision or application of this Promissory Note that can be given effect without the invalid or unenforceable provision or application. Interest shall accrue hereunder at the lesser of (a) the rate stated hereinabove, or (b) the maximum rate permitted by law.

For additional and other value received, the existence, amount and sufficiency of which are hereby acknowledged, the undersigned guarantor(s) (singly or collectively referred to as "Guarantor") jointly and severally hereby guarantees to Holder (a) the immediate, absolute and unconditional payment of the Balance Due of this Promissory Note after Default and (b) the immediate, absolute and unconditional payment of all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

This Promissory Note shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California applicable to contracts made and to be performed wholly within such state.

IN WITNESS WHEREOF, Maker and, Guarantor, if applicable, have executed and delivered this Promissory Note at the place specified above and as of the date first written above.

MAKER
COMPANY NAME

GUARANTOR
(IF APPLICABLE)

(PRINT FULL COMPANY NAME IF APPLICABLE)

Signature

By: _____

(PRINT YOUR NAME)

(PRINT YOUR NAME)

Signature

Title: _____

STATE _____
(PRINT STATE OF
ORGANIZATION/INCORPORATION)

(PRINT MAIL ADDRESS)

(PRINT YOUR NAME)

(PRINT MAIL ADDRESS)

EXHIBIT F TO FDD
INITIAL FRANCHISE TRAINING PROGRAM DAILY SCHEDULE

INITIAL FRANCHISE TRAINING PROGRAM DAILY SCHEDULE

INITIAL FRANCHISE TRAINING PROGRAM - DAILY SCHEDULE
Day 1
New Horizons 101
Organizational Structure
Integrated Learning I
Managing the Training Department: Traditional Instructor Led Training
Day 2
Introduction to Online LIVE ®
Introduction to Mentored Learning ®
Introduction to Online Anytime
Integrated Learning II
Day 3
Setting Up Your Facility (Workshop)
Structuring the New Horizons Center Information Systems
Corporate IT Software/Portals
Your Website & eRevenue site
Day 4
Managing the Operations Department
Tools and Resources (P & P)
Financial Management, Reporting & Tools (FIS)
Individual Meetings / Corporate Support Personnel
Day 5
Key Metrics
Introduction to New Horizons Marketing
Introduction to the Core Products, Vendor Authorization Programs & Certifications
Building Your Core Product Mix
Day 6
Sales Manager Overview (Four Roles of the Sales Manager)
Territory Management
Hiring, Recruiting and Training Account Executives
Understanding the Buyer
Day 7
The New Horizons Sales Cycle I
The New Horizons Sales Cycle II
Coaching The Sales Stages
Day In The Life of a Sales Manager
Day 8
Pipeline / Forecast and Opportunity Management
The New Horizons Training Modalities
Core Products
Day 9
Marketing New Horizons Products / Services
Tools & Resources Lab I
Tools & Resources Lab II
Enterprise Learning Solutions

EXHIBIT G TO FDD
STATE ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

<p>California</p> <p>State of California Department of Business Oversight Suite 750 320 W. 4th Street Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677</p>	<p>Indiana</p> <p>Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p>
<p>Hawaii</p> <p>Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division State of Hawaii P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744</p>	<p>Maryland</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p>
<p>Illinois</p> <p>Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>Michigan</p> <p>Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennen Williams Building, 6th Floor Lansing, Michigan 48933 (517) 373-7117</p>
<p>Minnesota</p> <p>Minnesota Department of Commerce Franchise Section 85 7th Place East St. Paul, Minnesota 55101-2198 (651) 296-6328</p>	<p>South Dakota</p> <p>Department of Labor and Regulation Division of Securities State of South Dakota 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823</p>
<p>New York</p> <p>Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211</p>	<p>Virginia</p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th floor Richmond, Virginia 23219 (804) 371-9051</p>

<p>North Dakota</p> <p>North Dakota Securities Department State of North Dakota Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p>Washington</p> <p>Department of Financial Institutions Securities Division State of Washington P.O. Box 9033 Olympia, Washington 98501-9033 (360) 902-8738</p>
<p>Oregon</p> <p>Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon Labor and Industries Building Salem, Oregon 97310 (503) 378-4140</p>	<p>Wisconsin</p> <p>Division of Securities Department of Financial Institutions Wisconsin Commissioner of Securities P.O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-8559</p>
<p>Rhode Island</p> <p>Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9500</p>	

**EXHIBIT H TO FDD
STATE ADDENDUM**

STATE ADDENDUM

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. These states are: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON and WISCONSIN.

As a condition of registration in certain of these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Agreement forms.

CALIFORNIA

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

1. In addition to the information disclosed in Item 3:

Neither NH nor any person identified in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. In addition to the information disclosed in Item 17:

A. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with state law, state law will control.

B. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

C. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

D. You must sign a general release if you renew or transfer your franchise. California Corporations Code section 31512 voids a prospective waiver of your rights under the franchise investment law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a prospective waiver of your rights under the California Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

E. Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

3. California law requires us to make the following additional disclosures:

A. OUR WEBSITE IS WWW.NEWHORIZONS.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

B. The Franchise Agreement requires binding arbitration of all disputes between you and us or one of our affiliates, except for matters involving provisional remedies or covering the subjects identified in Paragraph 11.2 of the Franchise Agreement. The arbitration will occur in Orange County, California with the costs being borne by the parties as determined

by the arbitrator. Before any arbitration proceeding, either party may ask the arbitrator to conduct a preliminary hearing, or a non-binding mediation, which shall also occur in Orange County, California.

HAWAII

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

ILLINOIS PROVISIONS

1. The terms and conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19-705/20.

2. The Illinois Franchise Disclosure Act (815 ILCS Section 705/4) provides that “any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State [Illinois] is void provided that a franchise agreement may provide for arbitration in a forum outside of this State [Illinois].”

3. Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Franchise Agreement in the form which is included as part of this Exhibit.

4. The provisions of the Illinois Franchise Disclosure Act of 1987 (the “Act”) shall supersede any provision of the Franchise Agreement which is in conflict with the Act. As a result, Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF ILLINOIS

This FIRST ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Franchisor”) and _____ (“Franchisee”), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Illinois or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Illinois.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement, including all of the exhibits to the Franchise Agreement, in order to conform the Franchise Agreement to the requirements of the Illinois Franchise Disclosure Act (the “Act”). Reference to the “Franchise Agreement” in this Addendum means the Franchise Agreement together with any and all exhibits identified in the Franchise Agreement.

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Act declares that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of the State of Illinois void, except that a franchise agreement may provide for arbitration in a forum outside of the State of Illinois. To the extent that the Franchise Agreement is inconsistent with the Act, the provisions of the Act shall control.

3. Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

4. Nothing in the Franchise Agreement shall be construed to require Franchisee to waive any rights Franchisee may have under Section 41 of the Act.

5. The Franchise Agreement shall continue in full force and effect, subject to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

FRANCHISEE:

[NAME]

By: _____

By: _____

Its: _____

Its: _____

INDIANA PROVISIONS

1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

A. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

B. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

C. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

D. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

E. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

F. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

G. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

H. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

I. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

J. Limiting litigation brought for breach of the agreement in any manner whatsoever.

K. Requiring the franchisee to participate in any:

(i) Advertising campaign or contest;

(ii) Promotional campaigns;

(iii) Promotional materials; or

(iv) Display decorations or materials; at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

L. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

M. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

A. Coercing the franchisee to:

(i) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(ii) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(iii) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the

franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement; and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(iv) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

B. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

C. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

D. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

E. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

F. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

G. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers prior to the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

H. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.

3. The franchisee does not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.

5. Any provision in the Franchise Agreement, that designates venue in a forum outside of Indiana for claims arising under the Act is unenforceable. Venue for claims arising under the Act shall be in Indiana.

6. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF INDIANA

This FIRST ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Franchisor”) and _____ (“Franchisee”), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Indiana or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Indiana.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Indiana Deceptive Franchise Practices Law, Indiana Code §23-2-2.7-1 to –7 (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties expressly agree that to the extent the Franchise Agreement conflicts with the Law, the parties hereby amend the Franchise Agreement to the extent necessary to cause the Franchise Agreement to conform with the Law.

3. Without limiting the scope of Paragraph 2, the parties expressly agree that (i) no general release given by Franchisee shall operate to release, assign, waive or extinguish any liability arising under the Law; (ii) no provision in the Franchise Agreement shall limit Franchisee’s right to sue in court for violations of the Law; (iii) no provision in the Franchise Agreement which is intended to prevent Franchisee from relying on any statement or representation made to Franchisee before Franchisee signs the Franchise Agreement shall be applied, or extend, to statements contained in the Franchise Disclosure Document delivered to Franchisee prior to Franchisee’s execution of the Franchise Agreement; (iv) the choice of California law as the Franchise Agreement’s governing law shall not prevent the Law from applying to any claims arising under the Law; and (v) the venue provisions in the Franchise Agreement shall not apply to claims arising under the Law to the extent the venue provisions are inconsistent with the Law; provided, however, the parties intend for the Federal Arbitration Act to govern the provisions of the Franchise Agreement regarding arbitration.

4. Notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. The parties agree that the Franchise Agreement shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

MARYLAND PROVISIONS

1. As indicated in Item 17, Maryland law (COMAR 02.02.08.16L) provides that a general release required as a condition of renewal or assignment of the franchise shall not operate to extinguish claims arising under the Maryland Franchise Registration and Disclosure Law (the "Maryland Law").

2. The Maryland Law Section 14-226 prohibits a franchisor from requiring a franchisee to agree to a release, estoppel or waiver of liability as a condition of purchasing a franchise. None of the representations that you must make in purchasing the franchise are intended, or shall be construed, as a release, estoppel or waiver of claims arising under the Maryland Law.

3. The Maryland Law Section 14-216(c)(25) requires us to file an irrevocable consent to be sued in the State of Maryland. If any provision in any of the contracts that you enter into with us requires venue to be in a state other than Maryland. Maryland Law supersedes such provision.

4. Any claim arising under the Maryland Franchise Law must be brought within three years after the grant of the franchise.

Maryland residents and non-residents who own a franchise located in the State of Maryland will enter into the First Addendum to New Horizons Franchising Group, Inc. Franchise Agreement in the form attached to this exhibit.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF MARYLAND

This FIRST ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Franchisor”) and _____ (“Franchisee”), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Maryland.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Maryland Franchise Registration and Disclosure Law (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties acknowledge that the Law prohibits a franchisor from requiring a franchisee to agree to any release, estoppel or waiver of liability or claims arising under the Law as a condition of purchasing, selling, renewing or assigning a franchise that is subject to the Law. The parties agree that no provision in the Franchise Agreement is intended to be, nor shall any provision act as, a release, estoppel or waiver of any liability or claims under the Law. The parties amend the Franchise Agreement to the extent necessary to conform the Franchise Agreement to the requirements of the Law. The parties agree that any release given by Franchisee as a condition of renewal, sale or assignment of the franchise shall not constitute a release, estoppel or waiver of liability or claims under the Law. No representation made by Franchisee in the Franchise Agreement is intended to, nor shall it act as, a release, estoppel or waiver of any liability incurred under the Law.

3. The provisions in the Franchise Agreement which provide for termination upon Franchisee’s bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

4. The parties amend the Franchise Agreement to clarify that claims arising under the Law must be brought within three years after the grant of the franchise, which will

occur on the date of the Franchise Agreement. Therefore, any provision in the Franchise Agreement which limits the time period for the parties to bringing a claim shall not act to reduce the period of time that the Law affords to a franchisee for bringing a claim for violation of the Law.

5. Each provision in the Franchise Agreement establishing venue for litigation outside of Maryland is void with respect to a cause of action which is otherwise enforceable in Maryland. As to causes of action enforceable in Maryland, venue shall be in Maryland.

6. The parties agree that the Franchise Agreement shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

MICHIGAN PROVISIONS

The following provisions apply to franchises in Michigan:

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by Michigan law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

A. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

B. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

C. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

D. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

**State of Michigan
Department of Attorney General
Consumer Protection Division
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48933**

MINNESOTA

Amended Franchise Disclosure Document. For Minnesota residents and nonresidents owning a franchise to be operated in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22 and the rules promulgated thereunder (“the Minnesota Act”). To the extent that any of the contracts that you sign with NH contain a general release, or require you to sign a general release at a later date, in favor of NH, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

2. The Minnesota Act protects your right to require that the venue of any dispute be in Minnesota and that Minnesota law govern all contracts with NH. It furthermore protects your right to a jury trial. To the extent any contract that you sign with NH is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

3. If any contract that you sign with NH contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, NH agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that NH give Franchisee a minimum of 90 days’ notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days’ notice for non-renewal of the franchise agreement.”

4. If any contract that you sign with NH requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

5. If any contract that you sign with NH contain a limitations period for bringing claims against NH which is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

6. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third party challenge to your authorized use of our service marks.

Minnesota Addendum to Contracts. Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form which is included as part of this exhibit.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF MINNESOTA

This FIRST ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Franchisor”) and _____ (“Franchisee”), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Minnesota or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Minnesota.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Minnesota franchise law (Minn. Stat. Sections 80C.01 to 80C.22 and the rules promulgated thereunder (“the Minnesota Act”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that any provision in the Franchise Agreement that requires Franchisee to provide Franchisor with a general release in violation of Minnesota law is illegal and of no force or effect.

3. The parties agree that if any provision in the Franchise Agreement requires venue for litigation to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Agreement, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

“Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit Franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law.”

4. The parties agree that if any provision in the Franchise Agreement contains procedures for terminating the Franchise Agreement which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, Franchisor agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, requires, except in certain specified cases, that Franchisor give Franchisee a minimum of 90 days’ notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days’ notice for non-renewal of the franchise agreement.”

5. The parties agree that any provision of the Franchise Agreement that requires Franchisee to consent to Franchisor’s obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Franchisor from applying to a forum for injunctive relief.

6. If any provision in the Franchise Agreement contains a limitations period for bringing claims against the Franchisor which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

7. To the extent required by the Minnesota Act, Franchisor shall indemnify Franchisee from any loss, costs or expenses that Franchisee might incur arising out of a third party challenge to Franchisee’s authorized use of the Service Marks.

8. The Franchise Agreement shall continue in full force and effect, subject to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

NEW YORK

1. We add the following to the Franchise Disclosure Document cover page:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 3:

Neither we, any predecessor, any person identified in item 2, or any affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise; antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, include pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. If so, disclose the names of the parties, the forum, nature, and current status of the pending action. Franchisor may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion is included as part of this Franchise Disclosure Document.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair deceptive practices or comparable allegations. If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed, and/or terms of settlement.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. If so, disclose the name of the person; the public agency, association, or exchange; the court, or other forum; a summary of the allegations or facts found by the agency,

association, exchange or court; and the date, nature, terms and conditions of the order or decree.

3. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 4:

State whether the franchisor, its affiliate, its predecessor, officers, or general partner during the ten-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtain a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership. If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the Date of the action and the materials facts.

4. In addition to the information disclosed in Item 5:

We use the initial franchise fee to pay general administrative expenses it incurs in satisfying federal and state franchise sales rules, locating and evaluating prospective franchisees, and servicing franchisees pursuant to the Franchise Agreement.

5. In addition to the information disclosed in Item 17:

A. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. There may be court decisions in the State of New York limiting our ability to restrict your activities after the franchise agreement has ended.

B. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

C. You may terminate the Franchise Agreement upon any grounds available by law.

D. The choice of law provision described in Item 17 shall not be considered a waiver of any right conferred upon either you or us by the General Business Law of the State of New York and the regulations thereunder.

E. The fact that the franchise contracts you will sign select California law as the governing law should not be considered a waiver of any right conferred upon the franchisor or franchisee by Article 33 of the General Business Law of the State of New York.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

CONTRACTS FOR THE STATE OF NEW YORK

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between New Horizons Franchising Group, Inc. ("New Horizons") and _____ ("Franchisee"). New Horizons and Franchisee agree as follows:

1. Capitalized terms used herein not otherwise defined shall have the meaning given in the Franchise Agreement.

2. The parties amend the following provision in the Franchise Agreement, to add to it the language indicated in italics: "Mandatory specifications, standards and operating procedures prescribed from time to time by New Horizons in its Operations Manual, or otherwise communicated to Franchisee in writing, will constitute provisions of this Agreement as if fully set forth herein; *provided, however, any new or different requirement set forth will not unreasonably increase Franchisee's obligations or place an excessive economic burden on Franchisee's operations.*"

3. The parties agree that any provision in the Franchise Agreement that requires Franchisee to provide Franchisor with a general release in violation of Article 33 of the General Business Law of the State of New York and the regulations issued there under is illegal and of no force or effect.

4. All other provisions of the Franchise Agreement shall remain in full force and effect.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

Individually and/or as an officer or partner of
_____, a (_____) corporation
(_____) partnership

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

North Dakota residents and non-residents who own a franchise located in the State of North Dakota will enter into the North Dakota Addendum to Contracts in the form which is included as part of this **Exhibit J** amending the contracts that you sign with us to conform the contracts to the requirements of North Dakota law.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

CONTRACTS

FOR THE STATE OF NORTH DAKOTA

This FIRST ADDENDUM TO CONTRACTS (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Company”) and _____ (“Franchisee”), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of North Dakota or a non-resident who is acquiring franchise rights permitting the location of a New Horizons Computer Learning Center in the State of North Dakota.

B. The “Contracts” covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Extranet Licensing Agreement, Guarantee, CMS.net Agreement and Integrated Learning Agreement (collectively referred to as the “Contracts”).

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of North Dakota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

The above recitals are incorporated by the parties as part of their covenants and undertakings.

The North Dakota Franchise Investment Law (the “Law”) identifies certain franchisor practices to violate the Law as being unfair, unjust, or inequitable to franchisees. In order to conform the Contracts with the requirements of the Law, the parties agree as follows:

1. To the extent the Contracts are found to contain an unlawful liquidated damages or termination penalty, the parties agree the liquidated damages provision or termination penalty shall not be enforceable.

2. Any requirement that Franchisee sign a general release upon renewal of any one of the Contracts shall not be enforceable.

3. To the extent that a covenant not to compete contained in any of the Contracts is found to be contrary to Section 9-08-06 of the North Dakota Century Code, the covenant not to compete shall be ineffective only to the extent of such prohibition. The

remaining portions of the covenant that do not conflict with the North Dakota Century Code, as well as the remainder of the Contract, shall continue in full force and effect.

4. Any provision requiring Franchisee to agree to the mediation or arbitration of disputes at a location that is remote from the site of Franchisee's business is not enforceable. The parties shall mutually agree upon the site for any mediation or any arbitration required by any of the Contracts. Additionally, the mediation shall be governed by the North Dakota Rules of Civil Procedure.

5. Any provision requiring Franchisee to consent to the jurisdiction of courts outside of North Dakota is not enforceable.

6. Each of the Contracts shall be governed by, and construed in accordance with, the laws of the State of North Dakota to the extent required by the Law.

7. Any provision requiring Franchisee to waive the right to a jury trial or the right to collect exemplary or punitive damages is not enforceable.

8. Any provision requiring Franchisee to pay all costs and expenses incurred by Company in enforcing a Contract is not enforceable. However, the prevailing party in any enforcement action shall be entitled to recover all costs and expenses, including attorneys' fees allowed by the mediator or court in the enforcement action.

9. Any provision requiring Franchisee to consent to a limitations of claims is not enforceable. The parties agree that the statute of limitations under North Dakota law shall apply to claims arising under the Contracts.

The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

RHODE ISLAND PROVISIONS

The Rhode Island Franchise Investment Act at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA PROVISIONS

Any provision in any of the contracts that you sign with NH which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

The FTC Cover Page of the Franchise Disclosure Document and the Item 23 Receipt Pages comprising **Exhibit O** – Receipts are hereby modified to add the word, “or grant” following the word, “sale” in the statements required by §436.3(e)(2) of the FTC Cover Page and §436.5(w)(1) of the Item 23 Receipt Page.

WASHINGTON PROVISIONS

1. The State of Washington has a statute, RCW 19,100.180, which may supersede the provisions of the contracts that you enter into with us pertaining to, among other subjects, the areas of termination and renewal of your franchise. There may also be decisions rendered by the state courts of Washington which may supersede the provisions of the contracts that you enter into with us.

2. The “Contracts” referred to in this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document: Franchise Agreement and General Release (collectively referred to as the “Contracts”).

3. To the extent that the applicable governing law stipulated in any of the contracts that you sign with us conflicts with the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), the Act shall prevail.

4. A release or waiver of rights executed by a franchisee who is a resident of Washington or who is a nonresident of Washington but operates a franchise in Washington shall not include rights that arise under the Act, except when the release or waiver is executed pursuant to a negotiated settlement agreement provided each party is represented by independent counsel in the settlement negotiations. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims arising under the Act or which reduce or limit your rights or remedies under the Act, such as the right to a jury trial, may not be enforceable under the Act.

5. Under Washington law, transfer fees are collectible to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

6. The Contracts require that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). The Contracts do not permit arbitration. However, Washington law requires us to disclose that any arbitration involving a franchise purchased in Washington, the arbitration site must either be in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

7. Washington residents and non-residents who own a franchise located in the State of Washington will enter into the Washington Addendum to Contracts in the form which is included as part of this Exhibit H for purposes of amending the contracts entered into by the parties to comply with the provisions of the Act.

8. For franchises subject to the Act, the arbitration site shall be either in Washington or in a place as mutually agreed upon by the parties at the time of the arbitration, or as determined by the arbitrator.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF WASHINGTON

This FIRST ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation (“Franchisor”) and _____ (“Franchisee”), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Washington or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Washington.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Washington Franchise Investment Protection Act (the “Act”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. To the extent that any provision in the Franchise Agreement is inconsistent with the Act, the provisions of the Act shall control. To the extent that the governing law provided for in the Franchise Agreement is inconsistent with the Act, the provisions of the Act shall prevail.

3. The site for any arbitration brought pursuant to the terms of the Franchise Agreement shall be either in Washington or in a place as mutually agreed upon by the parties at the time of the arbitration, or as determined by the arbitrator.

4. A release or waiver of rights executed by Franchisee shall not include a release or waiver of rights arising under the Act except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement and provided that each party is represented by independent counsel.

5. To the extent that any provision in the Franchise Agreement unreasonably restricts or limits the statute of limitations period for claims arising under the Act, or reduces or limits Franchisee’s rights or remedies under the Act, such as the right to a jury trial, the specific provision in the Franchise Agreement may not be enforceable under the Act.

6. Transfer fees payable in connection with an assignment of the Franchise Agreement shall be limited to Company's reasonable estimated or actual costs in approving and processing a transfer application.

7. The parties agree that the Franchise Agreement shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

FRANCHISEE:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

[NAME]

By: _____

By: _____

Its: _____

Its: _____

WISCONSIN PROVISIONS

The Wisconsin Fair Dealership Law applies to most, if not all franchise agreements and prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of a dealership agreement without good cause. The Wisconsin Law further provides that at least 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change must be given to the dealer. The Wisconsin Law gives the dealer 60 days to cure the deficiency and if the deficiency is timely cured, the notice is void. The Wisconsin Fair Dealership Law may supersede and control the terms of your relationship with NH with respect to these subject matters. To the extent that any provision of any contract that you enter into with NH pertaining to your franchise rights is inconsistent with the state law, state law will control.

Wisconsin residents and non-residents who own a franchise located in the State of Wisconsin will enter into the Wisconsin Addendum to Franchise Agreement in the form which is included as part of this Exhibit.

FIRST ADDENDUM TO NEW HORIZONS FRANCHISING GROUP, INC.

FRANCHISE AGREEMENT

FOR THE STATE OF WISCONSIN

This FIRST ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made and entered into on _____, _____ by and between NEW HORIZONS FRANCHISING GROUP, INC., a Delaware corporation ("Franchisor") and _____ ("Franchisee"), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Wisconsin or a non-resident who is acquiring a NEW HORIZONS COMPUTER LEARNING CENTER franchise for a location in the state of Wisconsin.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Wisconsin Fair Dealership Law, Wis. Stats. Ch. 135, Sec. 32.06 et seq. (the "Law").

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Law provides certain rights to franchisees, which extend to Franchisee. In particular, and without limitation, the Law prohibits the termination, cancellation, nonrenewal or substantial change of competitive circumstances (as defined by the Law and by case law) of a dealership or franchise agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change of competitive circumstances must be given to the dealer. The Law allows the dealer 60 days to cure the deficiency and if the deficiency is cured, the notice is void. To the extent that the Law conflicts with any provision of any of the Franchise Agreement, the provisions of the Law shall control.

3. The Franchise Agreement shall continue in full force and effect, subject to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

FRANCHISOR:

**NEW HORIZONS FRANCHISING GROUP,
INC., a Delaware corporation**

FRANCHISEE:

[NAME]

By: _____

By: _____

Its: _____

Its: _____

EXHIBIT I TO FDD
COMPANY'S AGENTS FOR SERVICE OF PROCESS

COMPANY'S AGENTS FOR SERVICE OF PROCESS

California

State of California
Department of Business Oversight
Suite 750
320 W. 4th Street
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

Indiana

Secretary of State
State of Indiana
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

North Dakota

North Dakota Securities Commissioner
North Dakota Securities Department
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510

Maryland

Maryland Securities Commissioner
Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48933

Minnesota

Commissioner of Commerce
Minnesota Department of Commerce
Franchise Section
85 7th Place East
St. Paul, Minnesota 55101-2198

New York

Secretary of State
State of New York
99 Washington Avenue
Albany, New York 12231

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Oregon

Department of Consumer and Business
Services
Division of Finance and Corporate
Securities
State of Oregon
350 Winter Street, N.E.
Room 21
Salem, Oregon 97310

Washington

Director of Financial Institutions
Securities Division
State of Washington
150 Israel Rd. SW
Tumwater, Washington 98501

Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02920

Wisconsin

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington, 4th Floor
Madison, Wisconsin 53703

South Dakota

Department of Labor and Regulation
Division of Securities
State of South Dakota
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

EXHIBIT "J" TO FDD
DECLARATION OF FRANCHISE APPLICANT
CLOSING ACKNOWLEDGEMENT

DECLARATION OF FRANCHISE APPLICANT

As part of the process that we follow in reviewing an application to purchase a NHFG franchise, you must execute this Declaration to inform us if any statement or promise has been made to you by our representatives that we do not authorize or that you believe is untrue, inaccurate or misleading. We also want to confirm that you understand the terms of the agreements you will sign. Please review each of the following questions carefully and provide honest and complete responses to each question.

Have you received and personally reviewed the Franchise Disclosure Document (“the FDD”) and each exhibit that the FDD identifies as being attached to it presented by New Horizons Franchising Group, Inc. (the “Company”)?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Do you understand all of the information contained in the Franchise Agreement and exhibits?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
---------------------------------------------------------------------------------------------	------------------------------	-----------------------------

If not, what parts do you not understand? (Attach additional pages, if necessary.)

Did you receive the FDD together with a copy of all proposed agreements relating to the sale of the franchise at least the longer of (i) 14 calendar days, or (ii) ten (10) business days before your execution of this document and before you paid any consideration in connection with the this franchise?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Did you sign a receipt for the FDD indicating the date that you received the FDD?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-----------------------------------------------------------------------------------	------------------------------	-----------------------------

Do you understand all of the information contained in the FDD?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
----------------------------------------------------------------	------------------------------	-----------------------------

If not, what parts do you not understand? (Attach additional pages, if necessary.)

Have you had the opportunity to discuss the benefits and risks of operating a NHFG franchise business with an attorney, accountant or other professional advisor?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

If you have discussed the benefits and risks of operating a NHFG franchise	Yes <input type="checkbox"/>	No <input type="checkbox"/>
----------------------------------------------------------------------------	------------------------------	-----------------------------

business with an attorney, accountant or other professional advisor, do you understand those benefits and risks?		
------------------------------------------------------------------------------------------------------------------	--	--

If you have not discussed the benefits and risks of operating a NHFG franchise business with an attorney, accountant or other professional advisor, why did you decide not to seek professional advice? (Attach additional pages, if necessary.)

Do you understand each of the following: (i) we retain the right to modify the NHFG System; (ii) the NHFG System may evolve and change over time; (iii) an investment in a NHFG franchise involves business risks; and (iv) the success of your NHFG franchise depends primarily upon your business ability and personal efforts as well as competition from other businesses, the location that you chose for your NHFG outlet and other economic and business factors?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

If not, what parts do you not understand? (Attach additional pages, if necessary.)

Have you had the opportunity to visit an operating NHFG outlet and/or speak with an existing NHFG franchisee?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
---------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

If not, why not? (Attach additional pages, if necessary.)

Has any employee or other person speaking on behalf of the Company made any statement or promise concerning the revenues, profits or operating costs you will or are likely to earn from a NHFG outlet or that your NHFG outlet may generate?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Has any employee or other person speaking on behalf of the Company made any statement or promise regarding the amount of money you may earn in operating a NHFG outlet?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Has any employee or other person speaking on behalf of the Company made any statement or promise regarding the costs you may incur in operating NHFG outlet other than disclosures appearing in the FDD?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Has any employee or other person speaking on behalf of the Company made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a NHFG outlet?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Has any employee or other person speaking on behalf of the Company made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will or may furnish to you that is contrary to, or different from, the information contained in the FDD?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

Has any employee or other person speaking on behalf of the Company made any statement, promise or agreement concerning the anticipated income, earnings and growth of the Company or of NHFG franchise network?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

If you have answered "Yes" to any of the questions 11 through 20, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below). If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

Do you understand that your answers are important to us and that we will rely on them in deciding whether or not to enter into an Area Development Agreement or Franchise Agreement with you or grant you a franchise?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------	-----------------------------

By signing this Declaration, you represent that you have responded truthfully based upon your personal knowledge and believe and have provided complete answers containing all material facts that are responsive to the above questions.

Dated: _____

APPLICANT

EXHIBIT K TO FDD
GENERAL RELEASE

GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this ____ day of _____, _____, by the undersigned party identified as "Releasor," with reference to the following facts:

A. Releasor is either:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

the franchisee under, and signatory to, one or more Franchise Agreements entered into by and between New Horizons Franchising Group, Inc., a Delaware corporation ("Franchisor") and _____ ("Franchisee"), and each one permits Franchisee to use the System, Service Marks and goodwill of Franchisor to conduct the Franchised Business at a specific location.

an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of Franchisee (hereinafter "Releasor") identified above.

B. This Release is being executed pursuant to the requirements of the Franchise Agreement as a condition of the rights granted by Franchisor to Franchisee, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. General Release. Releasor, for itself, himself or herself, and, to the full extent of Releasor's authority, on behalf of Franchisee, Franchisee's Affiliates and each of their respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (collectively the "Releasing Parties"), hereby release and forever discharge Franchisor, Franchisor's Affiliates, and their respective officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns (collectively the "Released Parties"), and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release. The terms, "Franchisor's Affiliates" and "Franchisee's Affiliates," respectively include every entity that controls, is controlled by, or is under common control with Franchisor or Franchisee.

2. Waiver of Civil Code Section 1542. This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to

constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties' relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

3. COMAR 02.02.08.16L. Pursuant to COMAR 02.02.08.16L, this Release when required as a condition of renewal, sale, termination, and/or assignment/transfer in connection with a franchise business located in the state of Maryland, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Dispute Resolution. Releasor agrees to be bound by the dispute resolution provisions set forth in the Franchise Agreement, which are restated in **Exhibit A** attached hereto. The undersigned's duties shall be the same as the Franchisee's duties expressed in **Exhibit A**.

5. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Franchisor or Franchisor or an admission of the validity of any claims made by or against Franchisor or Franchisor.

6. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

7. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

8. Applicable Law. To the extent applicable, procedural and jurisdictional issues respecting arbitration of disputes under this Release shall be governed by the United States Arbitration Act (9 U.S.C. §1 et seq.). To the extent applicable, any issue involving the Service Marks shall be governed by the Lanham Act (15 U.S.C. §1051 et seq.). All other matters pertaining to, or arising out of this Release shall be governed by and construed in accordance with the laws of the State of California.

9. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

Releasor:

[IF APPLICABLE]

By: _____

Its: _____

Franchisor executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Exhibit A**.

Dated: _____

FRANCHISOR: NEW HORIZONS FRANCHISING GROUP, INC. BY: _____ [NAME & TITLE]

EXHIBIT A

ARBITRATION AND OTHER RELIEF

1.01 Mediation.

(a) Agreement to Mediate Disputes. Except as otherwise provided in subparagraph (b) of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(i) The mediation shall be conducted pursuant to the rules of the National Franchise Mediation Program, a dispute resolution program for franchising administered under the auspices of the CPR Institute for Dispute Resolution (“the Mediation Service”). Either party may initiate the mediation (the “Initiating Party”) by notifying the Mediation Service in writing, with a copy to the other party (the “Responding Party”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(ii) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that mediator and Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(iii) The fees and expenses of the Mediation Service, including, without limitation, the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorney’s fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(iv) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company’s headquarters at the time, unless the parties otherwise required by aApplicable Law.

(v) The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not be binding on the parties.

(vi) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a

minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(vii) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(viii) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs; (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(b) Exceptions to Duty to Mediate Disputes.

(i) The obligation to mediate shall not apply to any disputes, controversies or claims (a) where the monetary relief sought is under \$10,000 or (b) any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond.

(ii) Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking Provisional Remedies whether or not the mediation has already commenced. An application for Provisional Remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for Provisional Remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for Provisional Remedies. The party that is awarded Provisional Remedies shall not be required to post bond or comparable security.

1.02 Arbitration.

Except as specifically modified by this Article XI, and excepting matters involving provisional remedies as set forth in Section 11.2 below, any dispute between (i) Franchisor and its Affiliates and (ii) Franchisee, Equity Holders or their respective Affiliates, arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, will be resolved by submission to binding arbitration before an arbitrator referred by the American Arbitration Association (“AAA”), in accordance with its Commercial Arbitration Rules. If all parties to the dispute agree, the dispute may be arbitrated by any other arbitration organization. All arbitrations must be conducted on an individual (and not class-wide or multiple plaintiff) basis. All hearings and other proceedings shall take place in Orange County, California, or, at Franchisor’s sole discretion and if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

(a) The arbitrators of any dispute hereunder are hereby affirmatively instructed to apply the appropriate law as provided in Section 14.1 hereof. Specifically excepting the location of the arbitration, all issues relating to the arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the federal common law of arbitration. California discovery law will apply to provide all discovery available in California Superior Court cases. California evidence law shall apply.

(b) At the arbitration hearing, either party may present briefs and deposition testimony of witnesses who are unable to attend the hearing in person, regardless of where such witnesses reside. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be binding, final and non-appealable.

(c) No punitive or exemplary damages shall be awarded against either Franchisor or Franchisee, their respective Equity Holders or Affiliates, in an arbitration proceeding (or other proceeding) and are hereby waived.

(d) Prior to any arbitration proceeding taking place, either party may, at its option, elect to (i) have the arbitrator conduct, in a separate proceeding prior to the actual arbitration, a preliminary hearing, at which hearing testimony and other evidence may be presented and briefs may be submitted, including without limitation a brief setting forth the then applicable statutory or common law methods of measuring damages in respect of the controversy or claim being arbitrated, or (ii) conduct non-binding mediation in Orange County, California, before AAA or other mutually agreeable mediator, in which event the parties shall execute a confidentiality agreement.

(e) This arbitration provision shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(f) The provisions of this Section 11.1 shall be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court

shall modify or interpret such provisions to the minimum extent necessary to comply with the law.

1.03 Injunctive or Extraordinary Remedies.

Notwithstanding the provisions of Section 11.1 above, Franchisor may bring an action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting any bond (and if bond shall nevertheless be required by a court of competent jurisdiction, the parties agree that the sum of \$100 shall be sufficient bond), as Franchisor deems necessary or appropriate (i) to compel Franchisee to comply with its obligations hereunder respecting Franchisor's rights to examine or audit books and records under Sections 8.7 or 8.8 hereof, or respecting violations of Franchisee's obligations under Section 8.10 hereof, or (ii) respecting the use or display of the Intellectual Property Rights, or (iii) to otherwise compel Franchisee to take steps reasonably necessary to preserve Franchisor's reputation, goodwill and proprietary rights. Franchisee acknowledges that it is one of a number of licensed franchisees using the Intellectual Property Rights and that failure on its part to comply fully with any of the terms of this Agreement respecting the foregoing obligations regarding examinations, audits and the Intellectual Property Rights could cause irreparable damage to Franchisor or other franchisees of Franchisor. Therefore, Franchisor shall have the immediate right to seek a preliminary order or injunction enforcing the foregoing obligations during the pendency of all arbitration or other proceedings, without the necessity of posting a bond. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which Franchisor may have.

EXHIBIT L TO FDD
AND EXHIBIT H TO THE FRANCHISE AGREEMENT
SCHEDULE OF INITIAL FRANCHISE FEES AND MONTHLY MINIMUM
CONTINUING ROYALTY FEES DURING AN INITIAL AND RENEWAL TERM

SCHEDULE OF INITIAL FRANCHISE FEES AND MONTHLY MINIMUM CONTINUING ROYALTY FEES DURING AN INITIAL TERM

(This schedule covers 3 pages; page 1 of 3)

Type and Subclass of Territory		Population		Initial Franchise Fee	
				Start Up Franchise	Conversion Franchise
		Min. Band	Max. Band		
Mega					
	M - 1	8,000,000	+	\$150,000	\$93,750
	M - 2	6,000,000	7,999,999	\$125,000	\$93,750
	M - 3	4,000,000	5,999,999	\$125,000	\$93,750
Large					
	L - 1	3,000,000	3,999,999	\$100,000	\$56,250
	L - 2	2,000,000	2,999,999	\$100,000	\$56,250
Medium					
	Med	1,000,000	1,999,999	\$75,000	\$56,250
Small					
	S - 1	750,000	999,999	\$60,000	\$45,000
	S - 2	300,000	749,999	\$60,000	\$45,000

SCHEDULE OF INITIAL FRANCHISE FEES AND MONTHLY MINIMUM CONTINUING ROYALTY FEES DURING AN INITIAL TERM

(This schedule covers 3 pages; page 2 of 3)

Type and Subclass of Territory		Minimum Continuing Royalty Fee - Initial Term											
		Population		4 mos. to 12 mos.		Year 2		Year 3		Year 4		Year 5 to end	
		Min Band	Max Band	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue	Royalty	Revenue
Mega													
	M - 1	8,000,000	+	\$5,000	\$83,333	\$10,000	\$166,667	\$15,000	\$250,000	\$20,000	\$333,333	\$25,000	\$416,667
	M - 2	6,000,000	7,999,999	\$4,600	\$76,667	\$9,200	\$153,333	\$13,800	\$230,000	\$18,400	\$306,667	\$23,000	\$383,333
	M - 3	4,000,000	5,999,999	\$3,200	\$53,333	\$6,400	\$106,667	\$9,600	\$160,000	\$12,800	\$213,333	\$16,000	\$266,667
Large													
	L - 1	3,000,000	3,999,999	\$2,600	\$43,333	\$5,200	\$86,667	\$7,800	\$130,000	\$10,400	\$173,333	\$13,000	\$216,667
	L - 2	2,000,000	2,999,999	\$1,800	\$30,000	\$3,600	\$60,000	\$5,400	\$90,000	\$7,200	\$120,000	\$9,000	\$150,000
Medium													
	Med	1,000,000	1,999,999	\$1,500	\$25,000	\$3,000	\$50,000	\$4,500	\$75,000	\$6,000	\$100,000	\$7,500	\$125,000
Small													
	S - 1	750,000	999,999	\$1,300	\$21,667	\$2,600	\$43,333	\$3,900	\$65,000	\$5,200	\$86,667	\$6,500	\$108,333
	S - 2	300,000	749,999	\$900	\$15,000	\$1,800	\$30,000	\$2,700	\$45,000	\$3,600	\$60,000	\$4,500	\$75,000

**SCHEDULE OF MONTHLY MINIMUM CONTINUING
ROYALTY FEES DURING A RENEWAL TERM**

(This schedule covers 3 pages; page 3 of 3)

Type and Subclass of Territory		Population		Renewal Royalty Schedule (Applicable Only To The First Renewal Term)			Renewal Royalty Schedule (Applicable to All Renewals Other Than The First Renewal Term)	Classrooms	AE's
				1st 12 Mos.	13-24 Mo.	25-60 Mo.			
		Min. Band	Max. Band				1-60 Mo.		
Mega									
	M - 1	8,000,000	+	\$7,500	\$17,500	\$25,000	\$25,000	6	12
	M - 2	6,000,000	7,999,999	\$7,500	\$16,100	\$23,000	\$23,000	6	11
	M - 3	4,000,000	5,999,999	\$7,500	\$11,200	\$16,000	\$16,000	6	9
Large									
	L - 1	3,000,000	3,999,999	\$7,500	\$9,100	\$13,000	\$13,000	5	8
	L - 2	2,000,000	2,999,999	\$7,500	\$8,250	\$9,000	\$9,000	5	6
Medium									
	Med	1,000,000	1,999,999	\$7,500	\$7,500	\$7,500	\$7,500	4	5
Small									
	S - 1	750,000	999,999	\$6,500	\$6,500	\$6,500	\$6,500	3	4
	S - 2	300,000	749,999	\$4,500	\$4,500	\$4,500	\$4,500	3	3

EXHIBIT M TO FDD
GLOSSARY OF TERMS

GLOSSARY OF TERMS

Throughout the Franchise Disclosure Document, we use capitalized terms to which we assign special definitions. We use these same capitalized terms and definitions in the Franchise Agreement. The definitions are as follows:

Acting as a Computer Learning Center – This term refers to all of the following: (i) the sale and delivery of instructor-led computer and professional skills classroom training (“ILT”); (ii) the sale and/or delivery of CBT using CD-ROM training products and the sale of other methods of asynchronous and synchronous online training; (iii) the operation of eBusiness and the sale and delivery of eLearning and other forms of electronic training enabled by the Internet or comparable or enhanced forms of electronic technology now existing or hereinafter developed; (iv) the delivery or performance of other computer and professional skills training services that we incorporate in the System; (v) the sale and delivery of computer and professional skills classroom training through Mentored Learning; and (vi) the sale of Classroom Learning Content and other training products that we approve in advance.

Affiliate-Owned Centers - Collectively, all Centers now or in the future owned by subsidiaries of NHWW.

Classroom Learning Content - All printed materials and eContent provided to customers attending instructor-led training (“ILT”) programs for use during and after the classroom instruction.

Computer Based Training or “CBT” - computer or virtual based training products and other methods of asynchronous training.

Confidential Operations Manual or “COM” - Confidential materials that we provide to you at Initial Franchise Training, (“IFT”) providing information on how to operate a New Horizons franchise.

Conversion CMS.net Agreement - A CMS.net agreement used by a franchisee which is currently using a form of our CMS software and/or database and which is converting to our CMS.net software and/or CMS.net database.

Center Management System or “CMS.net” - The Center Management System is a required service we offer which provides contact management, manages student enrollments, class inventories and accounts receivable. CMS.net is a web-based program hosted by Franchisor. Fees are payable according to the number of users under CMS.net, as we explain in Items 5 and 6. The CMS.net agreement is attached to the Franchise Agreement as Exhibit F.

eBusiness - Collectively the use of CMS.net and all electronic commerce transactions that occur on any Network website, the collection and use of demographic information, scheduling and course delivery from any Network website, and/or the use of any Network website or electronic system for managing the existing Network business processes.

eContent - The electronic versions of printed, instructional and support materials, including electronic materials known as or referred to as Labs on Demand or eCourseware.

eLearning - Collectively all forms of computer training and professional skills training available over or enabled by the Internet, or delivered electronically behind a firewall, including synchronous and asynchronous classes such as New Horizons Online Live and New Horizons Online Anytime, Labs on Demand and all other training delivered in whole or in part by any comparable or enhanced form of electronic technology now existing or developed in the future.

Electronic Information - Any information stored in our learning management system (“LMS”), our CMS.net Database, or exchanged between Franchisor’s Website and the LMS including, but not limited to, financial transactions, products sold, contact information, customer information and training schedule information.

Enterprise Learning Solutions – The coordinated delivery of services constituting Acting as a Computer Learning Center by the Network to employees of enterprise accounts on the terms summarized in Exhibit B of the Franchise Agreement and in the COM.

Extranet - The electronic communications device implemented by us solely for the benefit of us and the Network, or any successor electronic communications device implemented by us serving an equivalent function.

Franchised Business - We adopt the definition of Franchised Business stated in the Franchise Agreement attached hereto as Exhibit A.

Franchisor’s Website – refers to the URL “www.newhorizons.com” and any other url or domain names that we own, which are linked to or lead a customer to www.newhorizons.com.

Gross Revenues - means all money, credit card payments or other things of value received, recognized on an accrual accounting basis (including the recognized portion of deferred revenue) in accordance with generally accepted accounting principles by Franchisee in payment of, for or on account of, the Franchised Business without deducting Franchisee’s cost of revenues or selling, general and administrative costs or expenses, including all salaries, commissions, bonuses or other fees payable to its employees or contractors. Gross Revenues of the Franchised Business include, but are not limited to, amounts for computer or other training services delivered by the Franchised Business, room rentals, courseware fees, testing fees, on-site cafeteria revenue, or similar items. “Gross Revenues” excludes, however: (1) interest income; (2) capitalized asset sales; (3) the non-recognized portion of deferred revenue; and (4) receipts from other franchisees for the transferred-in delivery of training services pursuant to an inter-franchise transaction.

Integrated Learning Agreement or “ILA” - The ILA is the contract that sets forth our agreements regarding the sale and delivery of eLearning to customers who reside in your Territory. A copy of the ILA is attached as Exhibit G to the Franchise Agreement.

Instructor Led Training or “ILT” - means delivery of computer and professional skills content by a trained instructor.

Inter-Franchise Fee - Subject to the TROC, when one Network member contracts with a customer for the delivery of services in locations both within and outside of the contracting Network member’s territory, the fee that the contracting Network member must pay to other Network members who deliver training services to the customer. The Inter-Franchise Fee is set forth in the COM and subject to adjustment according to the procedures in the COM.

Labs on Demand – refers to a cloud-based, hands-on lab service we provide to our students so they can practice the knowledge gained during the lecture part of their class in a real world environment.

Market Category – refers to the categories of territory according to population which we identify as “Small,” “Medium,” “Large” and “Mega” on Exhibit H to our Franchise Disclosure Document.

Master Product List or “MPL” - Collectively, our entire course and product offerings, as we may modify them from time to time, including, but not limited to, eLearning courses and eContent products, the details of which are available on the Franchisor’s Extranet.

Mentored Learning - A premier classroom solution offering the student a multi-dimensional approach to learning which is adaptive to individual learning styles through a mentor who guides and teaches the student by using assessments, reinforcement techniques and content consisting of written courseware and streaming video.

Multiple Location CMS.net Agreement - A CMS.net Agreement used by a franchisee which has been designated by us, in our sole discretion, as a “Multiple Location Franchisee.”

NH-Branded - means that a product has been branded for sale and marketing displaying our name, Service Marks, tag lines and/or logos.

Network - means, depending on the context, all of the Centers which our franchisees or affiliates own, or all New Horizons franchisees and affiliates of ours own a Center, or both.

New Horizons Learning Management System or “New Horizons LMS” - refers to the web-based platform that is used to support, deliver and manage Mentored Learning and Online Live programs.

New Horizons Online Live or “OLL” - refers to our synchronous Elluminate platform.

New Horizons Online Anytime or “OLA” - refers to our asynchronous eLearning program.

Person - The Franchise Agreement defines a “Person” to mean either a natural person (i.e., an individual) or any kind of business entity, such as a corporation, partnership or limited liability company. Certain definitions that we explain in this Item 1 also use the word “Person” as a capitalized or defined term and incorporate the Franchise Agreement’s definition.

Satellite Center - means an additional classroom location that you open with our permission that receives administrative support from your primary Center. See additional disclosures in Items 1, 7, 5 and 12 of this Franchise Disclosure Document. We do not require a Satellite Center to have either a dedicated General Manager or Account Executives. Instructors of classes held at a Satellite Center must perform the same check-in, collections and other services typically performed by non-instructor staff members who perform these duties onsite at your primary Center.

Standard CMS.net Agreement - An agreement used by a franchisee which does not currently use any form of our CMS software and/or database.

Strategic Industry Partner – refers to a computer software, computer hardware or intellectual property provider which supplies, or makes available, programs, services or intellectual property to us or to the Network and customers of the Network. Examples of a Strategic Industry Partner would include Cisco, Microsoft, CompTia and comparable providers.

Territorial Rules of Conduct or “TROC” – Rules governing relationships between and among Network

Members set forth in the COM.

EXHIBIT N TO FDD
CONFIDENTIAL OPERATIONS MANUAL (“COM”)
TABLE OF CONTENTS

**CONFIDENTIAL OPERATIONS MANUAL (“COM”)
TABLE OF CONTENTS**

CONFIDENTIAL OPERATIONS MANUAL	NUMBER OF PAGES DEVOTED TO EACH SUBJECT
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CONFIDENTIAL OPERATIONS MANUAL	NUMBER OF PAGES DEVOTED TO EACH SUBJECT
Exhibits and Appendices	16
TOTAL NUMBER OF PAGES	<u>95</u>

EXHIBIT O TO FDD
RECEIPT PAGES

EXHIBIT O

RECEIPT

[Your Copy]

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Iowa, New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit G.

The franchisor and the name, principal business address and telephone number of each franchise seller offering the franchise are as follows:

<p>Franchisor:</p> <p>New Horizons Franchising Group, Inc. 1900 S. State College Boulevard, Suite 450 Anaheim, CA 92806 (714) 940-8000 (tel) http://www.newhorizons.com</p>	<p>Franchise Sellers:</p> <p>CRAIG BRUBECK Company Name: New Horizons Franchising Group, Inc. Street Address: same as Franchisor City/State/Zip: same as Franchisor Phone: same as Franchisor</p> <p>CHRISTOPHER EDEN Company Name: New Horizons Franchising Group, Inc. Street Address: same as Franchisor City/State/Zip: same as Franchisor Phone: same as Franchisor</p> <p>EARLE PRATT Company Name: New Horizons Franchising Group, Inc. Street Address: same as Franchisor</p>
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	City/State/Zip: same as Franchisor Phone: same as Franchisor
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Issuance Date: April 3, 2015.

We authorize the respective state agencies identified on Exhibit I to receive service of process for us in the particular state.

I have received a Disclosure Document dated _____, 2015 that included the following Exhibits on the date above my signature:

- EXHIBIT A – Franchise Agreement and Exhibits**
 - Exhibit A - Description of the Territory**
 - Exhibit B - Summary of Enterprise Learning Solutions**
 - Exhibit C - Schedule of Names and Addresses of Sole Proprietor, Shareholders, Partner and/or Principal Officers, as applicable**
 - Exhibit D - Extranet Licensing Agreement**
 - Exhibit E - Guarantee (Initial Term) (E-1); Limited Guaranty (Renewal Term) (E-2)**
 - Exhibit F - CMS.net Agreement**
 - Exhibit G - Integrated Learning Agreement**
 - Exhibit H - Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During An Initial and Renewal Term**
- EXHIBIT B – Financial Statements**
- EXHIBIT C – Names, Addresses and Telephone Numbers of Existing Franchisees and Affiliate-Owned Centers**
- EXHIBIT D – Names, Addresses and Telephone Numbers of Terminated Franchisees**
- EXHIBIT E – Form of Promissory Note (Initial Franchise Fee)**
- EXHIBIT F – Initial Franchise Training Program Daily Schedule**
- EXHIBIT G – List of State Franchise Administrators**
- EXHIBIT H – State Addendum**
- EXHIBIT I – Company’s Agent for Service of Process**
- EXHIBIT J – Closing Acknowledgement**
- EXHIBIT K – General Release**
 - Exhibit A - Arbitration and Other Relief**
- EXHIBIT L – Schedule of Initial Franchise Fees and Monthly Minimum Continuing Royalty Fees During an Initial and Renewal Term**
- EXHIBIT M - Glossary of Terms**
- EXHIBIT N – Confidential Operations Manual – Table of Contents**
- EXHIBIT O – Receipts**

Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

EXHIBIT O

RECEIPT

[Our Copy]

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Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Return this copy to us -- you mail the executed original to us at the above address; fax us a signed copy of this receipt to the fax number shown above; or pdf the signed copy as an attachment to an e-mail directed to craig.brubeck@newhorizons.com.