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VIA EMAIL & OVERNIGHT MAIL
Shant Assarian, CEO
Mathnasium Center Licensing LLC
5120 W Goldleaf Circle, Suite 400
Los Angeles, CA 90056
shant.assarian@mathnasium.com

Re: Independent Association of Mathnasium Franchisees (IAMF)

Dear Mr. Assarian:

We are counsel for the Independent Association of Mathnasium Franchisees (the "Association"). The Association represents the interests of its members, all of whom are Mathnasium franchisees. The purpose and goal of the Association is to engage in constructive and productive discussions and negotiations with Mathnasium about issues of concern to its members. Most important, the Association believes that issues described here can be resolved in a manner that improves franchisor and franchisee relations and increases systemwide revenue and profitability, which is in the interest of all stakeholders. We would like to schedule a meeting as soon as possible to discuss these issues.

Below are provisions in the most recently issued Franchise Agreement which the Association and its members consider the most pressing issues affecting the franchise system:

- Paragraph 3.3 provides the franchisees with limited territory protection. In the last several years it has become apparent the Franchisor has granted franchises to new operators near existing territories. This has become a significant area of concern for the operating franchisees, who have spent years building the brand and marketing in and near their locations, only to lose business when new operators open very close to territory borders. The Association would like to address this issue by having the Franchisor grant them additional territorial protection.

- Paragraph 3.3 also grants territorial rights that relate solely to brick-and-mortar operations. As the last year has shown, the business of the system is substantially different now in that Mathnasium franchisees have successfully offered online instruction. The agreement, however, reserves to the Franchisor the right to provide online services. If the Franchisor chooses to do so for students that a franchisee would otherwise service, their businesses will be adversely impacted. Additionally, this provision also allows the Franchisor to reconfigure franchisee territory. These provisions should be modified to allow for the provision of service remotely online. Also, the Franchisor should not provide online services in franchisees' marketing area. Finally, the Franchisor should not reconfigure territories.

- Paragraph 5.2 requires payment of royalty fees. The FDD indicates that the Franchisor allows a rebate of two percent for top performing franchisees based on gross revenues in their "portfolio" of centers. This program does not take into account differences in regions or numbers of units owned by a given franchisee. Franchisees who are doing well are not included in the program if their units are in areas where their fees for services are lower due to market differences. Similarly, the way the program is structured unfairly eliminates single unit operators from the rebate benefits. We would like to address this and mutually agree to a revised rebate program that incentivizes all franchisees

- Paragraph 5.3 provides that marketing fees are determined in part by when a franchisee became a franchisee. The funds are kept in the Franchisor's operating account, which is unusual. The Franchisor is also allowed to charge special assessments, which are unusual. The Franchisor takes ten percent administrative fee for marketing. Paragraph 5.3 also allows the Franchisor to make CPI adjustments for such fee, which is also unusual. These provisions should be revised to address these concerns.

- Paragraph 6.3 appears to limit franchisees to providing in- person instruction at their center. Relatedly, Paragraph 6.4 sets center hours. Again, given the success of online services and the fact that this type of service can be provided remotely, this provision is a concern. These provisions should be modified to allow for such services and not mandate office hours.

- Paragraph 6.6 requires Franchisor approval for advertising and limits franchisees' right to market online. It would be beneficial to the system to give franchisees more discretion in local advertising via the internet, as long as they adhere to Franchisor standards.

- Article 9 allows the Franchisor to change operations manuals. This can also add operational costs. There should be limits on the costs that may be incurred for such changes.

- Article 13 allows the Franchisor to offer renewal agreements of less than five years. We propose to allow for continued renewals for five-year terms. Additionally, the Franchisor charges $7,000 for renewing franchise agreements. This is a new fee that did not exist for many Association members in their earlier agreements. We propose to eliminate this fee. Alternatively, there is no fee if a center is in the top thirty percent of units in terms of gross revenue. This formulation adversely affects franchisees in smaller markets where revenues are lower because of the lower prices that must be charged in that locale. The fee, if it is going to be charged at all, should take these regional differences into account.

- Article 15 restricts competition during the agreement or after termination or expiration. The concern here is that the agreement defines competing businesses very broadly and would prohibit any involvement in any business providing educational services. This is too broad and should be revised.

As noted above, the Association intends to work collaboratively with the Franchisor and thus we would like to set up a meeting to address all of these issues. I am available to discuss the same at your convenience.

Very truly yours,

Michael Einbinder

cc: Independent Association of Mathnasium Franchisees (via email)