

**AGREEMENT FOR PURCHASE AND SALE OF ASSETS  
LICENSE OF INTELLECTUAL PROPERTY  
COVENANT NOT TO COMPETE**

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This Agreement for the purchase and sale of assets of Werner Erhard and Associates; for the sale of stock of Werner Erhard and Associates International, Inc., as well as the stock, proprietary interests and assets of Centers Network Geseusschaft Fur Kontextuelle Studienseminare GmbH, a German corporation which conducts business activities in Germany, England, Sweden and Switzerland; Werner Erhard and Associates Pty. Limited-Australia; Werner Erhard and Associates Limited-New Zealand; and Werner Erhard E Associados Ltda. - Brazil; for the license of certain intellectual property and for a covenant not to compete (hereinafter referred to as the "Agreement") is entered into by and between Werner Erhard (hereinafter referred to as "Seller") and Transnational Education Corp., a California corporation, as Buyer (hereinafter referred to as "Buyer"), effective as of February 1, 1991.

**RECITALS:**

WHEREAS, Seller is the sole proprietor of Werner Erhard and Associates ("WEA"), a California unincorporated association engaged in business activities in the United States; and

WHEREAS, Seller is the sole shareholder of Werner Erhard and Associates International, Inc., ("WEAII"), a California corporation engaged in business activities in the United States and in several foreign countries; and

WHEREAS, Seller is the owner or beneficiary of several foreign entities ("Other International Entities"), which are engaged in business activities in countries outside the United States, as follows: (1) Centers Network Geseusschaft Fur Kontextuelle Studienseminare GmbH, a German corporation which conducts business activities in Germany, England, Sweden and Switzerland; (2) Werner Erhard and Associates Pty. Limited - Australia; (3) Werner Erhard and Associates Limited - New Zealand; and (4) Werner Erhard E Associados Ltda. - Brazil (and for convenience of reference, WEA, WEAII and the Other International Entities shall hereinafter be collectively referred to as the "Organization"); and

WHEREAS, Buyer is a Corporation to be owned by key employees of WEA and WEAII; and

WHEREAS, the executives of Buyer currently serve as Executive employees of WEA and WEAI, which represent the Other International Entities and have been integrally involved in the Organization's business from inception, and based on their knowledge of the assets, liabilities and business of the Organization and their examination of the Organization's records, have indicated their desire to have Buyer purchase the business and certain of the assets of WEA, subject to certain liabilities of WEA, as well as the stock of WEAI and the stock, proprietary interests and assets of the Other International Entities, on the terms and conditions set forth herein; and

WHEREAS, Seller desires to sell to Buyer the above-described business, assets, stock, and proprietary interests, subject to certain liabilities, on such terms and conditions; and

WHEREAS, Seller desires to license certain intellectual property to Buyer, and Buyer has agreed to such license on certain terms and conditions; and

WHEREAS, Buyer desires to obtain a covenant not to compete from Seller, and Seller has agreed to such covenant not to compete on certain terms and conditions;

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained herein, the parties agree as follows:

#### AGREEMENT:

1. Sale and Transfer of Assets, Assumption of Liabilities. Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, convey, transfer, assign and deliver to Buyer those assets of WEA described in Subsection 1.1 below, subject to Buyer's assumption of certain liabilities of WEA described in Subsection 1.2 and 1.3 below, (for convenience of reference, the assets of WEA described in Subsection 1.1 and the liabilities of WEA described in Subsections 1.2 and 1.3 shall hereinafter be referred to as the "Subject Assets," notwithstanding that the term shall also include certain liabilities of WEA which Buyer also assumes as part of this Agreement), and Buyer agrees to acquire the Subject Assets from Seller. Seller also agrees to sell, convey, transfer, assign and deliver to Buyer all of the outstanding shares of stock of WEAI as well as the stock, proprietary interests and assets of the Other International Entities (which shall hereinafter be collectively referred to as the "Subject Shares") as set forth in Section 1.5

below, and Buyer agrees to acquire the Subject Sites from Seller.

**1.1 Sale and Transfer of WEA Assets.** Seller shall transfer to Buyer those assets of WEA set forth on Exhibit "A" attached hereto. The parties agree that the value of the WEA Assets being transferred to Buyer is Eight Million Six Hundred Thousand Dollars (\$8,600,000.00). With respect to Buyer's purchase of the West Coast Six Day Site, the following provision shall apply:

A. Notwithstanding anything to the contrary set forth in this Agreement, Seller shall sell and convey the West Coast Six Day Site to Buyer or to Buyer's assignee by grant deed on that date which is earlier of: i) date for close of escrow for sale of that property by Buyer to any other person whether under an option agreement, land sale contract or other written agreement for the sale of the West Coast Six Day Site made by Buyer at any time before or after the close of escrow for the purchase and sale of assets under this Agreement, ii) ten (10) days after written notice from Buyer to Seller calling for recordation of the conveyance, or iii) December 15, 1991. Possession and all income, expense, and risk of loss of or relating to the West Coast Six Day Site shall pass to Buyer as of the date of closing under this Agreement and Buyer shall be entitled to retain any rents, deposits, option payments (specifically including but not limited to option payments under an option for the sale of such property to Ronald Smith or assignees) or other revenues of the West Coast Six Day Site from and after such closing date under this Agreement notwithstanding that record title remains in the name of Seller. Seller covenants and agrees that except for the deed of trust in favor of ICF set forth in Section 2.3, below, and other matters currently of record, Seller shall not place, or cause to be placed, any lien, restriction, easement, or other encumbrance on title to the West Coast Six Day Site except as may be consented to in writing by Buyer. Until the date for transfer of title to Buyer, Seller further agrees promptly to execute and deliver any and all documents requested by Buyer to facilitate Buyer's dealing with the property, including but not limited to option agreements, contracts for sale, and escrow instructions. The parties shall execute and cause to be recorded in Sonoma County records a memorandum of this Agreement to provide constructive notice to the public of Buyer's interest in the West Coast Six Day Site under this Agreement.

**1.2 WEA Liabilities Assumed.** The following liabilities of WEA shall be assumed by Buyer as of January 31, 1991:

- A. Advanced Deposits as reflected on "Exhibit A" in the approximate amount of Three Million One Hundred Thousand Dollars (\$3,100,000.00);

- B. West Coast & Day Site MORTGAGE as reflected "Exhibit A" in the approximate amount of Three Million Five Hundred Fifty Thousand Dollars (\$3,550,000.00);
- C. Liabilities to present or past WEA employees, as described in Subsections (i) through (iv) below:
- i) Potential liabilities to present WEA employees relating to termination of their employment by Buyer, in the approximate amount of Fifty-Two Thousand Five Hundred Dollars (\$52,500.00).
  - ii) Liability to Stewart Esposito in the approximate amount of Twenty-Two Thousand Five Hundred Dollars (\$22,500.00).
  - iii) Potential liability to Victor Gioscia, subject to a maximum liability of Fifty Thousand Dollars (\$50,000.00).
  - iv) Potential liability to Donald Cox, subject to a maximum liability of Twenty-Five Thousand Dollars (\$25,000.00).
- D. The parties agree that, for the purposes of calculating the Purchase Price of the Subject Assets, the total of the liabilities assumed by Buyer pursuant to this Section 1.2 is Six Million Eight Hundred Thousand Dollars (6,800,000.00) as of January 31, 1991.

**1.3 WEA Liabilities Partially Assumed.** Buyer agrees to assume the following liabilities of WEA, but only to the extent specifically set forth hereinbelow:

A. Buyer agrees to sublease from Seller each of the WEA real property leases outstanding on January 31, 1991, as set forth on Exhibit "B" and Buyer shall make rental payments directly to the respective landlords, except to the extent that it is required to make such payments to Macintosh & Martin, as set forth in Subsection D, below. The subleases for 62 First Street, San Francisco, California and 257 Park Avenue South, New York, New York, shall be terminable by Buyer upon giving Seller Thirty (30) days written notice. All other subleases shall be subject to the following terms and conditions:

- (i) From February 1, 1991, through midnight, Pacific Standard Time, on April 30, 1991, Buyer shall have the right to terminate a

written notice.

- (ii) From 12:01 a.m., Pacific Standard Time, on May 1, 1991, through midnight, Pacific Standard Time, on September 30, 1991, Buyer shall have the right to terminate a sublease upon giving Seller One Hundred Fifty (150) days prior written notice.
- (iii) As to any sublease for which Buyer has not provided written notice of termination to Seller in the manner set forth in Section 17.7, below, prior to midnight on September 30, 1991, Buyer shall be bound under the sublease for the remaining term of Seller's lease and Buyer shall thereafter cooperate with Seller in taking all action necessary to have the remaining term of each such lease assigned directly to Buyer.

B. For a Four (4) month period commencing with the effective date of this Agreement and ending at midnight, Pacific Standard Time, on May 31, 1991, (hereinafter referred to as the "Personalty Lease Option Period"), Buyer agrees to sublease from Seller all of the WEA personal property, other than telephone systems, which are subject to leases outstanding as of January 31, 1991, as set forth on Exhibit "C." During the Personalty Lease Option Period, Buyer may terminate any such sublease upon giving Seller Thirty (30) days prior written notice. Upon termination of the Personalty Lease Option Period, Buyer shall be bound under each sublease which Buyer did not terminate for the remaining term of Seller's lease, and Buyer shall thereafter cooperate with Seller in taking all action necessary to have the remaining term of each such lease assigned directly to Buyer.

C. For an Eight (8) month period commencing with the effective date of this Agreement and ending at midnight, Pacific Standard Time, on September 30, 1991, (hereinafter referred to as the "Telephone Lease Option Period"), Buyer agrees to sublease from Seller all of the WEA telephone systems and equipment which are subject to leases outstaying as of January 31, 1991, as set forth on Exhibit "C." During the Telephone Lease Option Period, Buyer may terminate any such sublease upon giving Seller Thirty (30) days prior written notice. Upon termination of the Telephone Lease Option Period, Buyer shall be bound under each sublease which Buyer did not terminate for the remaining term of Seller's lease, and Buyer shall thereafter cooperate with Seller in taking all action necessary to have the remaining term of each such lease assigned directly to Buyer.

D. BUYER agrees to honor the terms of the Agreement for Real Estate Purchase Agreement dated August 3, 1988 between WEA and Macintosh & Martin, and any amendments thereto from the effective date of this Agreement through and including July 31, 1991; provided, however, that (1) Buyer shall have no liability for any amounts claimed by Macintosh & Martin to be owed by WEA or Seller under such Agreement, other than as provided in this Section, and (2) that no claim shall be made against Buyer for savings which may be generated by Macintosh & Martin during the period between February 1, 1991, and July 31, 1991.

1.4 Liabilities Not Assumed. Buyer shall not assume liabilities of Seller or WEA except for those liabilities set forth in Sections 1.2 and 1.3, above. The liabilities not assumed shall include, but are not limited to, the following:

A. Amounts that may hereafter be paid on judgments or settlements of the following pending lawsuit against Seller and/or WEA:

- (i) Afremow
- (ii) Gutfreund
- (iii) Slee
- (iv) Laibel
- (v) Seller's Tax Court Case for years 1981-1983

B. Lawsuits or claims relating to events or transactions involving Seller, WEA, WEAI or Other International Entities prior to January 31, 1991, except as specifically set forth in Sections 1.2 and 1.3, above.

1.5 Sale and Transfer Stock of WEAI and Other International Entities. Seller shall sell, convey, transfer, assign and deliver to Buyer all of the outstanding shares of stock of WEAI as of January 31, 1991. All of the assets, liabilities and equity, or all of the outstanding shares of stock of the Other International Entities shall be transferred to WEAI effective prior to the transfer of WEAI stock to Buyer. Buyer understands and acknowledges that WEAI will have terminated its operations in Japan prior to the effective date of this transaction and that Buyer will not be purchasing any right to do business in Japan, nor will Seller be subject to the terms of the covenant not to compete set forth in Section 3.3, as it relates to Japan. The parties agree that, for purposes of calculating the Purchase Price of the Subject Shares, the value of WEAI and the Other International Entities as of January 31, 1991, is One Million Two Hundred Thousand Dollars (\$1,200,000.00).

2. Purchase Price. The purchase price for the Subject Assets shall be Three Million Eight Hundred Thousand Dollars (\$3,800,000.00) based on the agreed-upon value of the WEA assets described in Section 1.1 above, minus the assumption of WEA liabilities set forth in Sections 1.2 and 1.3 above. The purchase price for the Subject Stock shall be One Million Two Hundred Thousand Dollars (\$1,200,000.00) which sum is equal to the agreed-upon value of the Subject Shares, as set forth on Exhibit "D" attached hereto. The total purchase price for the Subject Assets and the Subject Shares, which is Three Million Dollars (\$3,000,000.00), shall be paid in the manner set forth in Sections 2.1 through 2.4 below:

2.1 Cash Payment. At the closing, Buyer shall pay Seller a cash down payment of Three Hundred Thousand Dollars (\$300,000.00).

2.2 Balance of Sale Price. The remaining balance of Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) shall be paid to Seller upon the earlier of (a) the sale by Buyer of each of the East Coast and West Coast Six Day Sites, utilizing the net proceeds of the sale of such properties, or (b) January 30, 1992. For this purpose, (a) the net proceeds on the sale of the East Coast Six Day Site shall be determined without reduction for the security interest in favor of the Lessor of 62 First St., San Francisco, California pursuant to the lease of such premises, which security interest shall be an obligation of Seller; and (b) the net proceeds on the sale of the West Coast Six Day Site shall be determined after reduction for the equity interest of Macintosh & Martin as provided in the Agreement described in Section 1.3(C), above.

2.3 Lien on Six Day Sites. Intercultural Cooperation Foundation ("ICF"), a Swiss non-profit charitable corporation, shall have a security interest in the East Coast Six Day Site and the West Coast Six Day Site to the extent of the net proceeds on the sale thereof required to be paid by Buyer as provided in Section 2.2, above. Buyer and Seller acknowledge and agree that this Section 2.3 is an integral part of this Agreement in that ICF needed to give its permission for this transaction to be consummated based on Seller's promises to ICF that he would never sell assets or stock without ICF's their prior consent. ICF has indicated that it would not have consented to the consummation of this transaction were it not for the agreement of Buyer to provide ICF with the liens described herein. Accordingly, Buyer shall take prompt action to permit ICF to record mortgages, deeds of trust, or such other and further documents against each



such property in favor of ICF as are necessary to perfect its security interest, and Buyer shall assume the liability for all fees, taxes and costs associated with the filing of such encumbrances in favor of ICF. The mortgage in favor of ICF on the West Coast 6 Day Site shall be subject to the existing mortgage on said property. Upon the sale of the East Coast 6 Day Site and West Coast 6 Day Site, the mortgage in favor of ICF shall be removed upon Buyer's payment of the net proceeds of each such sale as provided in Section 2.2, above. It is understood and agreed that the Deed of Trust on the West Coast Six Day Site in favor of ICF shall provide for a release amount of \$1,200,000. This is agreed to be the amount of the net proceeds payable to ICF on account of the purchase price due to Seller on the sale of the West Coast Six Day Site by Buyer.

**2.4 Taxes, Fees and Costs on Transaction.** The parties agree that Buyer shall bear the obligation for payment of any and all taxes, transfer fees, recording fees and other costs that may arise as a result of the transfer of the Subject Assets and Subject Shares to Buyer. Buyer agrees to promptly file all required returns and promptly pay all applicable taxes, fees and other costs relating to these transactions.

**3. License for Use of Intellectual Property; and Agreement Not to Compete.** In consideration for Buyer's making a royalty payment in the manner set forth in Section 3.1 below, Seller hereby grants to Buyer a license for use of certain intellectual property described in Section 3.2 and further agrees to adhere to all of the terms and conditions of the parties' covenant not to compete set forth in Section 3.3.

**3.1 Method of Payment.** Buyer agrees to satisfy its obligation to Seller pursuant to Section 3 by paying Seller Two Percent (2%) of its gross revenues, as determined under Generally Accepted Accounting Principles ("GAAP"), (hereinafter referred to as the "Gross Revenue" payments) and Fifty Percent (50%) of its pre-tax profits, as determined under GAAP, (hereinafter referred to as the "Net Profit" payments) for Eighteen (18) years provided, however, that the maximum aggregate payment shall not exceed Fifteen Million Dollars (\$15,000,000.00). The Gross Revenue payments shall be made on a monthly basis and shall be due to Seller on the fifteenth (15th) day following the end of each month for which such payment is due. The Net Profit payments shall be determined on a quarterly basis and shall be due to Seller in accordance with the following payment schedule:

- 1) Within Forty-Five (45) days after the close of the first quarter of Buyer's fiscal year, Buyer shall pay Seller an amount equal to Ten Percent (10%) of its year to date pre-tax Net Profits (which represents Twenty Percent (20%) of Buyer's year-to-date obligation to

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- ii) Within Forty-Five (45) days after the close of the second quarter of Buyer's fiscal year, Buyer shall pay Seller an amount equal to Twenty Percent (20%) of its year-to-date pre-tax Net Profits, minus any payment previously made to Seller pursuant to Subsection (i), above (which sum represents Forty Percent (40%) of Buyer's year-to-date obligation to Seller under the Net Profit payments provision).
  - iii) Within Forty-Five (45) days after the close of the third quarter of Buyer's fiscal year, Buyer shall pay Seller an amount equal to Thirty Percent (30%) of its year-to-date pre-tax Net Profits, minus any payments previously made to Seller pursuant to Subsections (i) and (ii), above (which sum represents Sixty Percent (60%) of Buyer's year-to-date obligation to Seller under the Net Profit payments provision).
  - iv) Within Sixty (60) days after the close of the fiscal year, Buyer shall pay Seller an amount equal to Fifty Percent (50%) of its pre-tax Net Profits, minus any payments made to Seller pursuant to Subsections (i), (ii) and (iii), above (which sum represents One Hundred Percent (100%) of Buyer's obligation to Seller for the fiscal year under the Net Profit payments provision).
  - v) The foregoing notwithstanding, no installment of Net Profit payments shall be due for any quarter in which Buyer's financial statements reflect a cumulative net loss.
  - vi) If adjustments to Buyer's financial statements are required after the payments described in Subsections (i) through (iv) have been made and such adjustments affect the calculation of Buyer's pre-tax Net Profits, such adjustments will be taken into consideration in calculating the Net Profit payments due thereafter.
  - vii) Buyer agrees to allow Seller the full and complete access to any and all records of Buyer which are necessary for Seller to

verify the computation of payments due him pursuant to this Section.

A. Application of Payments. Buyer shall make each installment of the Gross Revenue and Net Profit payments provided for in Section 3.1, above, in the following manner:

- (i) Forty Percent (40%) of each installment shall be paid directly to the Werner Erhard Tax Trust Account.
- (ii) Forty-Four Percent (44%) of each installment shall be paid directly to ICF. Buyer and Seller acknowledge and agree that this Section 3.1(A) is an integral part of this Agreement in that ICF needed to give its permission for this transaction to be consummated based on Seller's promises to ICF that he would never sell assets or stock without ICF's prior consent. ICF has indicated that it would not have consented to the consummation of this transaction were it not for the agreement of Buyer to make the payments described in Section 3.1, above, in the manner set forth in this Subsection 3.1(A).
- (iii) Sixteen Percent (16%) of each installment shall be paid directly to the Werner Erhard Creditor's Trust Account.

B. Additional Instructions from Seller. Prior to the due date of the first installment of Gross Revenue and Net Profit payments, Seller shall provide Buyer with sufficient instruction to allow it to timely tender its payments in the manner set forth in Subsection (A), above.

3.2 License for Use of Intellectual Property. Seller hereby grants a license for use of intellectual property to Buyer on an exclusive basis (other than Seller's uses which are not in violation of Section 3.3 below) for use in the United States and any country (other than Japan and Mexico) in which the Organization had conducted or is conducting activities directly or by contract with other entities as of January 31, 1991. Additionally, Seller hereby grants Buyer a license to use the intellectual property embodied in the Core Curriculum programs and the Communications programs in Mexico and a non-exclusive license for use of such other intellectual property in Mexico. The base term of the license shall be Eighteen (18) years, which period may thereafter be extended for such additional terms as is determined at the sole option of Buyer. Buyer shall have full authority to alter, amend, modify or otherwise change the format of the technology as it deems fit to further its business activities.

This may include, but is not limited to, the revision or elimination of semi-annual reports as the format for making licensed intellectual property available to the public. The license granted by Seller to Buyer shall not be assignable without the express written consent of Seller. In the event of the death of Seller, consent to any assignment shall be obtained from Martin N. Leaf, Esq. and upon the death of Martin N. Leaf, Esq. then consent shall be obtained from Gary Grace.

A. Scope of License. The intellectual property licensed by Seller to Buyer shall consist solely of the registered and unregistered copyright material created by Seller and utilized by WEA, WEAI and other International Entities as of January 31, 1991. The licensed intellectual property shall not include any other intellectual property created by Seller for, or used by, any other entity, including Tekniko, Inc., or any licensee or former licensee thereof, Transformational Technologies, Inc., or any franchisee or former franchisee thereof, Mission Control, or Center For Management Design. Nothing in this Section 3.2 shall provide Buyer with any license or other rights or interest in and to the intellectual property of Tekniko, Inc., or any licensee or former licensee thereof, Transformational Technologies, Inc., or any franchisee or former franchisee thereof, Mission Control, or Center For Management Design.

B. Protection of Intellectual Property Licensed. Buyer, as Licensee, agrees to protect against any unauthorized use of the licensed intellectual property in whole or in part, in the United States by any third party. Buyer shall have the right to enforce the exclusivity of the license by taking such legal action as it deems appropriate, including, but not limited to, obtaining injunctive relief. Buyer shall take such action, including the filing of a lawsuit, as is appropriate to protect the licensed intellectual property against such unauthorized use, and any awards obtained in such actions shall inure to the benefit of Buyer.

C. Buyer's Rights to Cease Using or to Develop Additional Product. Nothing in this Section 3 or any other provision of this Agreement shall preclude Buyer from (1) ceasing to utilize the licensed intellectual property or (2) developing or acquiring other intellectual property and offering programs or other products based upon such other intellectual property.

D. Relationship of Parties. It is understood and agreed that no agency, employment or partnership is created by the parties as a result of this Agreement, and the business to be operated by Buyer is separate and apart from any which may be operated by Seller. It is agreed that Buyer is not an affiliate of Seller and no representations may be made by either party which would create apparent agency, employment or partnership, and neither party shall have authority to act for the other in

on the other. Neither party shall be responsible for the liability or expenses whatsoever of the other. The only relationship between the parties shall be that of Licensor-Licensee, and neither party shall be responsible for any act or omission of the other or any employee of the other.

**E. Physical Possession of Intellectual Property.**

Buyer shall obtain physical possession of the materials which directly embody the intellectual property to be licensed pursuant to this Section 3.2. Such materials include manuals, videotapes and audiotapes of the programs which embody the intellectual property. Buyer shall maintain full custody and control of the materials at all times after receipt thereof. Buyer shall, within a reasonable period of time after receipt of the materials, provide Seller with one copy of each of the materials received. Buyer shall not obtain other materials which do not directly embody the licensed intellectual property or which directly include Seller's likeness or Seller's written or oral statements. Buyer agrees to return to Seller within a reasonable period of time such other materials in the event they are in the same physical location as the materials to which Buyer is entitled. Buyer shall not use the image or voice of Seller in any manner, including, but not limited to audio or video publication, except for the sole purpose of training program leaders.

**3.3 Covenant Not to Compete.** Seller agrees that, for a Five (5) year period beginning on February 1, 1991, he shall not directly or indirectly engage in any activities in any county in California or in any other state in the United States or in any other country (other than Japan or Mexico) in which the Organization had been or presently is engaged, either directly or by contract with other entities as of such date, which would in any manner compete with the business activities of Buyer since the parties recognize that such competition would be detrimental to the business opportunity of Buyer. As to Mexico only, Seller agrees that for the term of this covenant not to compete, he shall not lead the Core Curriculum programs or the Communications Programs, nor shall he hire Hugo or Hortensia Gonzalez to perform any services which violate the intent of Sections 3.2 or 3.3.

**A. Activities Deemed Not To Be In "Competition" with Buyer.** Activities which would not be deemed to compete with Buyer shall include: i) performing management consulting; ii) product development and programming for business management, development or training, or iii) publishing a book or audio or video products which are not devoted in substantial part to the Forum or other programs delivered by WEA, WEAI and Other International Entities as of January 31, 1991, as well as iv) the continuing activities of Tekniko, Inc., Transformational Technologies, Inc., Mission Control or Center For Management Design.

**ACCESS.** NOTHING IN THIS AGREEMENT TO THE CONTRARY, SELLER SHALL have unlimited access to such personnel and records of Buyer as are necessary for purposes of taxes and his defending liabilities, including but not limited to, those set forth in Section 1.4, above. This access shall include, but not be limited to, the availability of personnel for depositions or testimony at trial. Seller shall give advance notice to Buyer of any request for personnel and records for this purpose so that such support can be provided consistent with the operations of Buyer. In the event that Buyer's personnel are called upon to provide ongoing support of Seller in his defense of liabilities, Seller agrees to compensate Buyer for the services provided by such personnel. For this purpose, "ongoing support" means legal and financial support, on a continuing basis relating to the defense of one or more of said liabilities. It shall not, however, include any cost or expense associated with Buyer's preparation of the books and accounting records of the Organization through January 31, 1991, nor shall it include costs relating to time incurred by Buyer's employees for interviews, depositions, trial testimony or otherwise, beyond the cost, if any, set by statutes governing witness fees.

**4.1 Seller's Access to Graduate Records.** Seller shall have unlimited access to the Graduate Records maintained by the Buyer as of January 31, 1991, for communication with the individuals listed in the Graduate Records which are not inconsistent with the intent of Section 3.3, above. Seller shall give advance notice to Buyer of any request for such Graduate Records in a manner which is consistent with the operations of Buyer.

**5. Hold Harmless.** Seller agrees to hold Buyer harmless from any liability which hereafter is sought to be asserted against Buyer with respect to any of the liabilities not assumed by Buyer in this transaction as provided in Sections 1.2 and 1.3, above, which shall include any claims made against Buyer by Macintosh & Martin which exceed the scope of liability assumed by Buyer under Section 1.3(D). Seller shall indemnify Buyer for any judgments or other impositions which are ultimately determined against Buyer with respect to said liabilities. Buyer shall bear the costs of defending itself against any such claims.

**5.1 Indemnity Agreement.** Buyer shall indemnify and hold Seller and the property, employees, officers, directors and shareholders of Seller free and harmless from any and all claims, losses, damages, injuries, and liabilities arising from or in connection with the Subject Assets and the operation of the business of the Organization after consummation of this Agreement. Seller shall indemnify and hold Buyer and its shareholders, employees, officers, directors and property free and harmless from any and all claims, losses, damages, injuries and

liabilities (other than the liabilities expressly assumed by Buyer as set forth in Sections 1.2 and 1.3, above) arising from or in connection with the business of WEA prior to the effective date of this Agreement. This indemnity agreement is not intended, nor shall it be construed, as applying to any liabilities of WEAI or the Other International Entities, it being the intent of the parties that Buyer acquire all of stock ownership or other proprietary rights therein, subject to the liabilities of those entities.

6. Investment Representations. Buyer acknowledges that it is purchasing the Subject Assets of Seller, including stock in WEAI and the other International Entities (which, for convenience of reference, shall hereinafter be referred to as the "Subject Stock"). Buyer understands that the Subject Stock being purchased by it pursuant to this Agreement is being offered and being sold pursuant to one or more exemptions from the qualification requirement provided by the 1933 Act and of the California Corporations Code and that this transaction has not been passed on by the Securities and Exchange Commission or the California Department of Corporations. Buyer is aware that no Federal or State agency has made any recommendation or endorsement with respect to this acquisition. Buyer makes the following representations and warranties to Seller which Seller may rely upon in utilizing the previously-described exemptions:

6.1 Preexisting Personal and Business Relationship. Buyer and its shareholders have a preexisting personal and business relationship with Seller, WEAI and the Other International Entities, as well as with the other Officers and Directors thereof, and are experienced in the business and financial matters of the Organization. The preexisting personal and business relationships and the experience in business and financial matters of the Organization are of a nature and duration which would enable Buyer to be aware of the character and general business and financial condition of the Organization and the Subject Stock.

6.2 Illiquid Investment. Buyer acknowledges that the Subject Stock cannot be readily sold and that there will be no public market for it.

6.3 Disclosure of Information. Seller has provided Buyer and its accountants, counsel and other representatives designated by Buyer, the free and full access to inspect all of the premises, properties, assets, books, contracts, commitments and other documents relating to the business of the Organization and has permitted Buyer and its representatives to consult with the officers, employees, accountants, counsel, consultants, and agents of the Organization for the purpose of making Buyer's investigation of the business of the Organization. Buyer is satisfied that it has obtained sufficient information to

evaluate the merits and the risks of its purchase of the Subject Stock, and Buyer is confident that it understands the business in the Organization has been engaged.

**6.4 Speculative Investment.** Buyer understands that its investment in the Subject Stock is highly speculative.

**7. Limitation on Representations or Warranties.**

Buyer represents to Seller that the Subject Assets and the Subject Stock are being purchased by Buyer as a result of its own knowledge and independent inspection and not as a result of any representations made by Seller, or by any Agent of Seller that are not incorporated into this Agreement. Because of the knowledge of the Executives of Buyer with respect to assets being acquired and the liabilities being assumed, the customary representations and warranties have been omitted. Buyer and its shareholders hereby expressly waive any and all claims for damages or for rescission or cancellation of this Agreement because of any representations made by Seller, or any agent of Seller other than the representations expressly contained in this Agreement. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY PROVIDED FOR HEREIN, SELLER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION OR FITNESS OF THE SUBJECT ASSETS, SUBJECT STOCK OR BUSINESS OF THE ORGANIZATION AND ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ARE DISCLAIMED.

**8. Obligations of Seller Prior to Closing.**

**8.1 Buyer's Access to Premises and Information.**

Buyer and its counsel, accountants and other representatives shall have full access during normal business hours to all properties, books, accounts, records, contracts and documents of or relating to Seller and its assets and business. Seller shall furnish or cause to be furnished to Buyer and its representatives all data and information concerning the business, finances, assets and liabilities of Seller that may be reasonably requested.

**8.2 Conduct of Business in Normal Course.** Seller will carry on its business and activities diligently and in substantially the same manner as it has previously have been carried out, and shall not institute any unusual or novel methods of business that will vary materially from those methods used by the Organization as of the date of this Agreement.

**8.3 Preservation of Business and Relationships.** Seller will use its best efforts to preserve its business organization intact and to keep available to Buyer its present officers and employees to preserve its present relationships with suppliers, customers and others having business relationships with it.



tinue to carry its existing insurance, subject to variations in amounts required by ordinary operation of its business.

**8.5 New Transactions.** Seller will not, without Buyer's prior written consent, do or agree to do any of the following acts:

(i) Enter into any contract, commitment or transaction not in the usual and ordinary course of its business; or

(ii) Dispose of any assets involved in this transaction other than in the ordinary course of its business.

**9. Confidentiality.** Buyer and Seller agree that, unless and until the closing has been consummated, it will hold in strict confidence, and will not use to the detriment of the other party any data or information obtained in connection with this transaction or Agreement, except insofar as this data and information may be required by law to be disclosed. If the transaction contemplated by this Agreement is not consummated, Buyer will return to Seller all data or information obtained by it, including but not limited to, work sheets, manuals, lists, memoranda and other documents prepared by or made available to Buyer in connection with this transaction.

## **10. The Closing.**

**10.1 Time and Place.** Unless otherwise agreed, the transfer of the Subject Assets from Seller to Buyer and the transfer of the consideration described in Section 2 above from Buyer to Seller (the "Closing") shall occur on January 31, 1991, (the "Closing Date"), and shall take place at the Law Offices of Terry M. Giles, 1912 North Broadway, Santa Ana, California, 92706.

**10.2 Obligations of Seller at Closing.** At the Closing, Seller shall deliver to Buyer, subject to existing liens or encumbrances, good title to the Subject Assets, Subject Shares and business of the Organization which Buyer is entitled to acquire hereunder.

**10.3 Obligations of Buyer at Closing.** At the Closing, Buyer shall cause to be delivered to Seller the cash described in Section 2.1, above, and shall execute and deliver to Seller such mortgages, deeds of trust, assignments, and other documents as shall accord with Buyer's obligations under this Agreement, and be effective, in the opinion of Seller, to ensure full performance of Buyer's financial and other obligations to Seller.

automatically upon the close of escrow and the transfer of ownership of the Subject Assets from Seller to Buyer, Seller shall resign from all positions in the Organization, with all mutual releases and waivers.

11. Inapplicability of Bulk Sales Laws. It is the parties' understanding that Bulk Sales laws are inapplicable to this transaction and, accordingly, the transaction contemplated by this Agreement shall be closed without the issuance of a Bulk Sales notice. If by reason of applicability of Bulk Sales laws, any claims are asserted by creditors of Seller, said claims shall be the responsibility of Seller.

12. Post-Closing Matters.

12.1 Insurance and Other Costs. After the closing, it shall be the sole obligation of Buyer to secure and maintain all forms of insurance, in such amounts as Buyer may consider necessary or appropriate, and Buyer may not look to Seller's insurance to cover any claims arising after closing. Buyer shall also assume the responsibility for all other expenses and expenditures necessary for it to carry on the business endeavors of the Organization.

13. Publicity. All notices to third parties and all other publicity concerning the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between Seller and Buyer. No party shall act unilaterally in this regard without the prior written approval of the other party, which approval shall not be unreasonably withheld.

14. Finder's or Broker's Fees. Each of the parties represents and warrants that it has dealt with no broker or finder in connection with any of the transactions contemplated by this Agreement, and, so far as it knows, no broker or other person is entitled to any commission or finder's fee in connection with any of these transactions. Seller and Buyer each agree to indemnify and hold harmless one another against any loss, liability, damage, cost, claim or expense incurred by reason of any allegation made by any party with respect to any commission or finder's fee alleged to be payable because of any act, commission or statement of the indemnifying party.

15. Expenses. Each of the parties shall bear all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement. Escrow fees, if any, shall be split equally between the parties.

16. Representation by Attorney. Buyer and its shareholders understand and acknowledge that Seller has retained The

the negotiation and drafting of the documents memorializing the agreements of the parties relating to the transactions contemplated therein. Buyer and its shareholders understand that Seller's attorneys are not representing Buyer or otherwise acting in any manner which could be construed as creating an attorney-client relationship with Buyer or its shareholders. Buyer represents and warrants that:

a. Seller and its attorneys have disclosed in writing all of the terms of the transactions contemplated by this Agreement and that Buyer understands all of the terms and provisions thereof;

b. Buyer has been informed by Seller and its attorneys, and are aware of Buyer's responsibility to seek the advice of independent counsel with respect to these transactions which Buyer has undertaken prior to signing this Agreement; and

c. Buyer consents in writing, by execution of this document, to the transaction described herein and to each and every term and provision thereof.

## **17. Miscellaneous Provisions.**

### **17.1 Entire Agreement; Modification; Waiver.**

This Agreement constitutes the entire agreement by and between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless reduced to writing and signed by all the parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

17.2 **Resolution of Disputes.** All of the parties to this Agreement are cognizant of and acknowledge that matters of human affairs often involve misunderstandings between the parties as to what one party promises or commits to another, and specifically and exactly what all of the terms and conditions of the Agreement between the parties in fact are. All of the parties hereto acknowledge the current reality that defense of litigation, however frivolous or absent of merit the plaintiff's case may be, comprises a very real and substantial cost, and it is the perception of all parties hereto that such litigation or threat of such litigation can and has been used in the past to extort payment from innocent parties. It is the intention of the parties hereto eliminate, minimize and preclude to every extent legally permissible all avenues and amounts of "vexatious claims"

that any party hereto may prosecute against any other party hereto. Every party hereto expressly declares that it was not the express commitment of all of the other parties to agree whole-heartedly to include and endorse every provision herein having the effect of minimizing, preventing and precluding litigation between the parties, together with minimizing, preventing and precluding the presence and amounts of any awards obtainable by one party from another party hereto via litigation, that the parties, every one and all, would never have agreed to become parties to this Agreement. The parties, therefore, acknowledge and expressly agree that any disputes between or among them shall be submitted first to arbitration and, unless the parties otherwise agree in writing, arbitration shall be conducted in Los Angeles, California in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

**17.3 Arbitration Required Before Litigation.** All disputes concerning this Agreement shall first be submitted to arbitration in accordance with the provisions set forth above prior to commencement of any other form of civil litigation. If this provision is not followed and civil litigation is commenced, any party who is named as a defendant therein shall be entitled to respond by way of demurrer, or other appropriate vehicle for termination of the civil litigation; and no answer shall be required of them prior to completion of arbitration.

**17.4 Binding Nature of Arbitration.** Any decision rendered in such an arbitration proceeding shall be binding on the initiating party and shall be binding on the defending party if a decision is returned in favor of the defending party, or if the defending party accepts the decision obtained in the arbitration. In the event that the above-described arbitration procedure and the decisions obtained therein do not resolve the dispute between the parties, suit may then be filed and prosecuted in a civil court having appropriate jurisdiction over the claim except that the parties expressly agree that the aggregate of all awards obtained by such subsequent litigation may not exceed in any kind, manner or amount the amount decided and awarded as a part of the preceding arbitration process.

**17.5 Attorneys' Fees.** In all cases of arbitration and/or civil court litigation, each party shall bear One Hundred percent (100%) of its own costs, including attorneys' fees associated with any and all arbitration or litigation, and shall not be entitled to recover any portion thereof from the other party, regardless of the outcome of the dispute. Costs unable to be attributed to one party exclusively shall be shared equally between the parties.

**17.6 Limitations of Liability.** In no event shall any employee, shareholder, agent or representative of any party

der this Agreement or for any claim or liability arising by reason of any act or omission of any person in the course of the negotiation of this Agreement or such party's performance or failure to perform hereunder, regardless of whether such obligation or liability is based on breach of contract or warranty, tort (including negligence or fraud of any kind), or otherwise, and each party hereby waives and releases all such claims it may have or hereafter acquire against such employees, agents and representatives. A party's sole recourse in any such event shall be to pursue its legal remedies solely against the other party, and no suit or other proceeding shall be brought against any other party's employees, shareholders, agents or representatives individually.

**17.7 Notices.** All notices required or contemplated by this Agreement shall be in writing and shall be delivered either (i) by personal delivery, (ii) by U.S. mail postage prepaid, (iii) by express delivery service or (iv) telefaxed, confirmed by U.S. mail postage prepaid. All notices shall be delivered to the addresses indicated below, unless notice of a party's change of address is received in accordance with the requirements of this Section:

**Seller:** Werner Erhard  
c/o Martin N. Leaf, Esq.  
Morrison, Cohen, Singer & Weinstein  
750 Lexington Avenue  
New York, New York 10022

**Buyer:** Transnational Education Corp.  
62 First Street  
San Francisco, California 94105  
Attention: Art Schreiber, Esq.

The effective date of any notice delivered in accordance with this Section shall be (i) the date of personal delivery, (ii) the fourth day after the date of mailing, or (iii) the first business day after transmission by telefax or dispatched by express delivery service.

**17.8 Governing Law.** This Agreement shall be construed in accordance with, and governed by, the Laws of the State of California.

**17.9 Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

17. Number and Gender. In this Agreement, the masculine, feminine, neuter gender and the singular or plural number, shall each be deemed to include the others whenever the context so requires.

**SELLER**

DATED: January 31, 1991

Werner Erhard  
WERNER ERHARD

**BUYER**

DATED: January 31, 1991

TRANSNATIONAL EDUCATION CORP.

By Brian H. Rehnert  
Its: Vice-President

LIABILITIES ASSUMED PURSUANT TO SECTIONS 1 AND 1.2

	Allocation of Purchase Price <sup>2/</sup>	
<u>Assets Purchased</u>		
Cash in All WEA Bank Accounts, Including Cash Equivalents	\$625,000	
Accounts Receivable (net of allowance for doubtful accounts of \$98,000)	120,000	
Prepaid Expenses	365,000	
Travel Advances	50,000	
Inventory - Printed Items	10,000	
Total Current Assets		\$1,170,000
Land, Building and Improvements		
West Coast 6 Day Site	4,700,000	
East Coast 6 Day Site	2,050,000	
Total		6,750,000
Equipment, Furniture and Vehicles		270,000
Leasehold Improvements		200,000
Intangible Assets - Program Rights		10,000
Other Assets - Security Deposits		200,000
Total Assets Purchased		<u>\$8,600,000</u>
<u>Liabilities Assumed</u>		
Advanced Deposits		\$3,100,000
Mortgage on West Coast 6 Day Site		3,550,000
Specific Employee Claims		150,000
Total Liabilities Assumed		<u>\$6,800,000</u>
Net Purchase Price		<u>\$1,800,000</u>

<sup>2/</sup> The amounts set forth above are pro forma and are subject to accounting adjustments relating to the closing of the books of WEA for the period through January 31, 1991.

EXHIBIT "B"

SCHEDULE OF WEA REAL PROPERTY LEASES  
SUBLEASED TO BUYER PURSUANT TO SECTION 1.3 A

<u>City</u>	<u>Address</u>
Albuquerque	4107 Montgomery Blvd. N.E. Albuquerque, NM 87109
Atlanta	3980 DeKalb Technology Parkway Building 700, Suite 720 Atlanta, GA 30340
Boston (Cambridge)	1 Alewife Place, 3rd Floor Cambridgepark Drive Cambridge, MA 02140
Charlotte	417 East Blvd. Suite 205 Charlotte, NC 28203
Chicago	820 North Orleans Chicago, IL 60610
Cincinnati	487 Circle Freeway Drive Showcase Center Cincinnati, OH 45246
Cleveland	Beachwood Plaza 24500 Chagrin Blvd. Cleveland, OH 44122
Dallas/Fort Worth (Irving)	580 Decker Drive Suite 230 Irving, TX 75062
Denver (Englewood)	5600 S. Quebec Street Suite 100D Englewood, CO 80111
Detroit (Troy)	570 Kirts Boulevard Suite 210 Troy, MI 48084
Edison, NJ	275 Raritan Center Parkway Edison, NJ 08837  80 Campus 275 Raritan Center Parkway Edison, NJ 08837



Exhibit "B"

Honolulu	1188 Bishop Street Suite 3410 Honolulu, HI 96813
Houston	5850 San Felipe Road Houston, TX 77057
Los Angeles (Santa Monica)  (Hollywood)	2700 Pennsylvania Avenue Santa Monica, CA 90404  1645 N. Vine, 5th Floor Hollywood, CA 90404
Meriden, CT	250 Pomeroy Avenue Suite 101 Meriden, CT 06450
Miami (North Miami Beach)	1380 Miami Gardens Drive Suite 165 North Miami Beach, FL 33179
Minneapolis/St. Paul (Bloomington)	2 Appletree Square Concourse Level Bloomington, MN 55425
New Orleans	650 Poydras Street Suite 209 New Orleans, LA 70130
Newport Beach (Irvine)	18231 West McDurnett Suite 200 Irvine, CA 92714
New York	425 Fifth Avenue New York, NY 10016
Philadelphia	401 North Broad Philadelphia, PA 19108
Phoenix	11034 North 23rd Drive Suite 106 Phoenix, AZ 85029
Pittsburgh	533 Penn Avenue Pittsburgh, PA 15222
Portland	2003 S.E. Hawthorne Blvd. Portland, OR 97214

Exhibit "B"

St. Louis (Clayton)	222 South Meramec Suite 100 Clayton, MO 63105
Sacramento	1451 River Park Drive Suite 148 Sacramento, CA 95815
San Diego	4241 Jutland Drive Suite 216 San Diego, CA 92117
San Francisco	62 First Street San Francisco, CA 94105
San Jose (Sunnyvale)	975 Stewart Drive Sunnyvale, CA 94086
Santa Barbara	5266 Hollister Avenue Suite 222 Santa Barbara, CA 93111
Sarasota	1231 Second Street Sarasota, FL 34230
Seattle	936 North 34th Street Suite 300 Seattle, WA 98103
Tampa	324 N. Dale Mabry Suite 302 Tampa, FL 33609
Washington, DC (Alexandria, VA)	4875 Eisenhower Avenue Alexandria, VA 22304

EXHIBIT "C"

SCHEDULE OF WEA PERSONAL PROPERTY LEASES  
SUBLEASED TO BUYER PURSUANT TO SECTION 1.3 B

<u>Name of Lessor</u>	<u>Location of Personal Property</u>	<u>Personal Property</u>
Eastman Kodak Credit Corp.	Atlanta, GA Boston, MA Chicago, IL Houston, TX Miami, FL New York, NY New York, NY (EC 6 Day Ofc.) San Francisco, CA San Francisco, CA San Jose, CA Washington, DC	Konica 4090 Copier Konica 3290 Copier Konica 4090/S Copier Konica 4090 Copier Konica 4090/S Copier Kodak 235FS Copier  Konica 4290 Copier Kodak 235S Copier Konica 4090 Copier Konica 4090 Copier Konica 3290 Copier
Eaton Financial	San Jose, CA	Cannon 3225 Copier
Ford Motor Credit	Santa Rosa, CA	1987 Ford Truck
General Electric Capital	San Francisco, CA San Francisco, CA San Francisco, CA San Francisco, CA	2 Toshiba 3100/ 1 Compaq Port III 20MB 3 Compaq Port III/ 5 Printers
General Motors Acceptance Corp. (GMAC)	San Francisco, CA	Geo Metro Automobile
Hewlett Packard	New York, NY San Francisco, CA San Francisco, CA San Francisco, CA San Francisco, CA San Francisco, CA San Francisco, CA	HP LAN Item 1/SchA HP LAN Item 2/SchB HP LAN Item 3/SchC HP LAN Item 4/SchD HP LAN Item 5/SchE HP LAN Item 6/SchF HP LAN Item 7/SchG
Mydar Technologies	Houston, TX New York, NY Newport Beach, CA Philadelphia, PA	Telephone System Telephone System Telephone System Telephone System
New York Telephone Co.	New York, NY	Intelipath II System

EXHIBIT "D"

SCHEDULE OF STOCK OF WEAI AND  
OTHER INTERNATIONAL ENTITIES SOLD TO BUYER

I. Stock Purchased by Transnational Pursuant to Section 1.5

1. Werner Erhard & Associates International, Inc. ("WEAI")  
- United States - [Includes branches in Canada, Great Britain, Sweden and Switzerland and excludes branch in Japan] --  
  
1,000 shares, no par value, representing 100 percent ownership.
2. Werner Erhard and Associates Pty. Ltd. - Australia -  
  
2 shares, Australian \$1 par value, representing 100 percent ownership.
3. Werner Erhard e Associados, Ltda. - Brazil -  
  
5,988,000 shares, par value 1 cruzado, representing 99.8 percent ownership.
4. The Centers Network Gesellschaft für Kontextuelle  
Studienseminare GmbH - Germany -  
  
100 percent ownership.
5. Werner Erhard and Associates, Ltd. - New Zealand -  
  
1,000 shares, New Zealand \$1 par value, representing 100 percent ownership.

II. Purchase Price of Stock As Provided in Sections 1.5 and 2

Total Purchase Price of Stock of WEAI  
(excluding Japan) and Other  
International Entities set forth in  
I, above, Purchased by Transnational

\$1,200,000

TRANSNATIONAL EDUCATION  
CORPORATION  
62 First Street  
San Francisco, California 94105

January 31, 1991

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
MORRISON, COHEN, SINGER & WEINSTEIN  
750 Lexington Avenue  
New York, New York 10022


Re: Use of Videotapes Entitled "Beyond the Winning Formula," "Forward from the Future," and "Saturday Satellites Seminar Series" (hereinafter collectively referred to as the "videotapes")

Dear Werner:

Transnational has requested the right to use the videotapes entitled "Beyond the Winning Formula," "Forward from the Future," and "Saturday Satellites Seminar Series" (hereinafter referred to as the "Videotapes") for a one year period (through January 31, 1992) with an option to extend its use of the videotapes for one or more additional years.

Please indicate your permission to allow Transnational to utilize the Videotapes on these terms and conditions by executing this letter in the space provided for below.

Yours very truly,

  
Brian H. Ragnier  
Vice-President

I hereby grant permission to Transnational Education Corporation to utilize the videotapes entitled "Beyond the Winning Formula," "Forward from the Future," and "Saturday Satellites Seminar Series" for a one year period (extending through January 31, 1992), and grant Transnational the option to extend its use of the Videotapes for one or more additional years.

  
WERNER ERHARD

TRANSNATIONAL EDUCATION  
CORPORATION  
62 First Street  
San Francisco, California 94105

January 31, 1991

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
MORRISON, COHEN, SINGER & WEINSTEIN  
750 Lexington Avenue  
New York, New York 10022

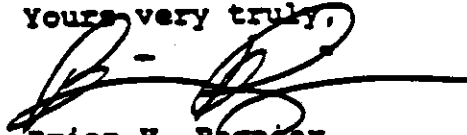
Re: Use of Video - "Productivity as Accomplishment"

Dear Werner:

Transnational has requested the right to use the video tape entitled "Productivity as Accomplishment" (hereinafter referred to as the "videotape") for a one year period (through January 31, 1992) with an option to extend its use of the videotape for one or more additional years. Transnational also requests the ability to assign to affiliates its right to use the videotape.

Please indicate your permission to allow Transnational to utilize the videotape on these terms and conditions by executing this letter in the space provided for below.

Yours very truly,



Brian H. Ragnier  
Vice-President

I hereby grant permission to Transnational Education Corporation to utilize the videotape entitled "Productivity as Accomplishment" for a one year period (extending through January 31, 1992), and grant Transnational the option to extend its use of the videotape for one or more additional years. Transnational may assign its right to utilize this videotape to affiliates of Transnational.

  
WERNER ERHARD

TRANSNATIONAL EDUCATION  
CORPORATION  
62 First Street  
San Francisco, California 94105

January 31, 1991

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
MORRISON, COHEN, SINGER & WEINSTEIN  
750 Lexington Avenue  
New York, New York 10022


Re: Offset of Royalty Payments

Dear Werner:

Reference is made to Section 5 (Hold Harmless) and Section 5.1 (Indemnity Agreement) of the Agreement between the parties entered into effective February 1, 1991. Pursuant to Section 3.1 of the Agreement, Transnational is required to make royalty payments to you. In the event that one of your creditors obtains a judgment against Transnational and wholly or partially satisfies such a judgment with assets of Transnational, then Transnational shall have the right to offset future royalty payments to you, up to such amounts.

Please indicate your Agreement to this supplemental term by executing the letter in the space provided for below.

Yours very truly,

  
Brian H. Regnier  
Vice-President

I accept the additional terms and conditions to the Agreement dated February 1, 1991, as set forth in this letter.

  
WERNER ERHARD

TRANSNATIONAL EDUCATION  
CORPORATION  
62 First Street  
San Francisco, California 94105

January 31, 1991

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
MORRISON, COHEN, SINGER & WEINSTEIN  
750 Lexington Avenue  
New York, New York 10022

Re: Definition of "Net Profit"

Dear Werner:

Reference is made to Section 3.1 of the Agreement between the parties dated effective February 1, 1991.

Pursuant to Section 3.1 of the Agreement, Transnational has agreed to pay you 2% of its gross revenues, as determined under General Accepted Accounting Principles (GAAP), (hereinafter referred to as the "Gross Revenue" payments) and Fifty Percent (50%) of its pre-tax profits, as determined under GAAP, (hereinafter referred to as the "Net Profit" payments) for Eighteen (18) years, provided, however, that the maximum amount of payment shall not exceed Fifteen Million Dollars (\$15,000,000.00).

It is the intention of Transnational to deduct the Gross Revenue and Net Profit payments to you as royalty payments in arriving at its taxable income for federal income tax purposes. In the event that the Internal Revenue Service challenges the deductibility of such payments, and is successful in disallowing Transnational's deduction of these payments, then the definition of "Net Profit" payments set forth in the Agreement shall automatically be amended to change the term "pre-tax" to "after-tax." The term "after-tax" profits shall mean the net profits of Transnational, as determined under GAAP, and after provision for applicable income taxes.



Mr. Werner Erhard  
January 31 1991  
Page 2

Please indicate your Agreement to this supplemental term by executing the letter in the space provided below.

Yours very truly,

  
Brian H. Regnier  
Vice-President

I accept the additional terms and conditions to the Agreement dated February 1, 1991, as set forth in this letter.

  
WERNER ERHARD

Transnational Education  
Corporation  
62 First Street  
San Francisco, CA 94105

February 8, 1991

Werner Erhard  
c/o Martin N. Leaf, Esq.  
Morrison, Cohen, Singer  
& Weinstein  
750 Lexington Avenue  
New York, NY 10022

Dear Werner:

Pursuant to Section 3.2 of the Agreement for Purchase and Sale of Assets, License of Intellectual Property and Covenant Not to Compete, Transnational Education Corporation received a license from you for the use of intellectual property. Under Section 3.2B, Transnational, as Licensee, agreed to protect against any unauthorized use of the licensed intellectual property, in whole or in part, in the United States by any third party.

In order to effectuate its agreement to protect the licensed intellectual property, Transnational must be able to enforce the rights which you have, both directly and through WEA, pursuant to No Resale Agreements executed prior to February 1, 1991 by different groups of individuals who have had access to the licensed intellectual property. These groups include, but are not limited to, the following:

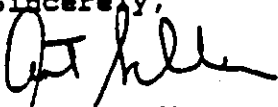
1. Forum Leaders and Forum Leader Candidates
2. WEA Staff Members
3. WEA Seminar Directors
4. Participants in the Forum and all other programs delivered by WEA prior to February 1, 1991.

The inability of Transnational to enforce the rights provided by the No Resale Agreements would severely impede its ability to fulfill its agreement to protect the licensed intellectual property.

Werner Erhard  
February 8, 1991  
Page 2

It is therefore requested that you assign to Transnational all of the rights which you and WEA have under all of the No Resale Agreements executed prior to February 1, 1991. Please indicate your agreement to this assignment by executing this letter in the space provided below.

Sincerely,

  
Art Schreiber  
General Counsel

I hereby consent to the assignment as set forth in this letter.

Dated: 2/8/91

  
Werner Erhard

TRANSNATIONAL EDUCATION  
CORPORATION  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

March 18, 1991

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
Morrison, Cohen, Singer & Weinstein  
750 Lexington Avenue  
New York, NY 10022

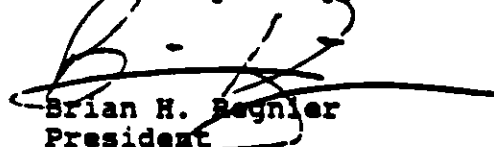
Re: Offset of Royalty Payments

Dear Werner:

Reference is made to Section 5 (Hold Harmless) and Section 5.1 (Indemnity Agreement) of the Agreement between the parties entered into effective February 1, 1991. Pursuant to Section 3.1 of the Agreement, Transnational is required to make royalty payments to you. In the event that Transnational is required to make payments on behalf of Werner Erhard and Associates as part of the completion of the Agreement, or Transnational is required to incur costs under Section 4 of the Agreement, then Transnational shall have the right to offset the portion (16 percent) of future royalty payments otherwise payable to the Creditors Trust pursuant to Section 3.1A(iii) of the Agreement, up to the amounts so paid or the costs so incurred.

Please indicate your agreement to this supplemental term to the Agreement by executing this letter in the space provided for below.

Yours very truly,

  
Brian H. Regnier  
President

I accept the additional terms and conditions to the Agreement dated February 1, 1991 as set forth in this letter.

  
Werner Erhard

July 22, 1991

**Landmark Education**

Mr. Werner Erhard  
c/o Martin N. Leaf, Esq.  
Morrison, Cohen, Singer & Weinstein  
750 Lexington Avenue  
New York, NY 10022


Re: Offset of Royalty Payments

Dear Werner:

Reference is made to Section 5 (Hold Harmless) and Section 5.1 (Indemnity Agreement) of the Agreement between Transnational Education Corporation (now Landmark Education Corporation) and yourself effective February 1, 1991. Pursuant to Section 3.1 of the Agreement, Landmark is required to make royalty payments in the manner provided in the Agreement. In the event that Landmark Education International, Inc. (formerly Werner Erhard and Associates International, Inc.) is hereafter held obligated for Japanese income taxes (including corporation, inhabitant and enterprise taxes) on the operations of its former branch in Japan for the short taxable year ended January 31, 1991, Landmark shall have the right to offset such tax liability, together with any penalties and interest thereon, against the portion (16 percent) of future royalty payments otherwise payable to the Creditors Trust pursuant to Section 3.1A(iii) of the Agreement, up to the amount required to be paid to the Japanese tax authorities.

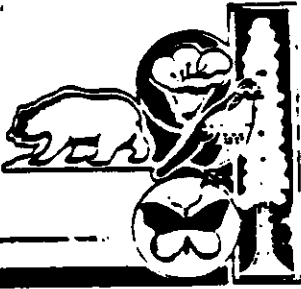
Please indicate your Agreement to this supplemental term by executing the letter in the space provided for below.

Very truly yours,

  
Brian Regnier  
President

I accept the additional terms and conditions to the Agreement dated February 1, 1991 as set forth in this letter.

  
Werner Erhard



# State of California

OFFICE OF THE SECRETARY OF STATE

## CORPORATION DIVISION

I, **MARCH FONG EU**, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute  
this certificate and affix the Great  
Seal of the State of California this

JAN 16 1991



*March Fong Eu*

Secretary of State

ARTICLES OF INCORPORATION  
OF  
BREAKTHROUGH TECHNOLOGIES, INC.

ENDORSED  
FILED  
in the office of the Secretary of State  
of the State of California

JAN 16 1991

I

The name of the corporation is **BREAKTHROUGH TECHNOLOGIES, INC.**

MARCH FONG EU, Secretary of State

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The name and address in the State of California of the corporation's initial agent for service of process is:

Mr. Arthur Schreiber  
62 First Street  
San Francisco, CA 94105

IV

The corporation is authorized to issue only one class of shares of stock; and the total number of shares authorized to be issued is One Million (1,000,000).

V

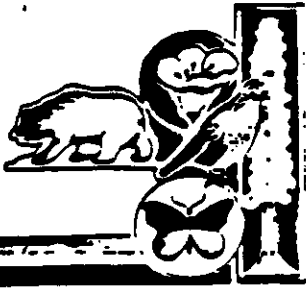
The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

VI

The corporation is authorized to provide indemnification of agents (as defined in Corporations Code Section 317) through bylaw provisions, agreements with agents, votes of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Corporations Code Section 317, subject only to the applicable limits set forth in Corporations Code Section 204 with respect to actions for breach of duty to the corporation and its shareholders.

Dated: January 16, 1991

  
DONALD R. SHARE



State  
of  
California  
OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute  
this certificate and affix the Great  
Seal of the State of California this

JAN 24 1991



*March Fong Eu*

Secretary of State



CERTIFICATE OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION

RECORDED  
FILED  
In the office of the Secretary of State  
of the State of California

JAN 23 1991

MARCH FONG EL Secretary of State

I, DONALD R. SHARE, hereby certify that:

1. I am the sole incorporator of BREAKTHROUGH TECHNOLOGIES, INC., a California corporation.
2. I hereby adopt the following amendment of the corporation's articles of incorporation:

Article I is amended to read as follows:

The name of the corporation is TRANSNATIONAL  
EDUCATION CORP.

Article IV is amended to read as follows:

The corporation is authorized to issue only one  
class of shares of stock; and the total number  
of shares authorized to be issued is 1,000,000,  
par value \$.01 per share.

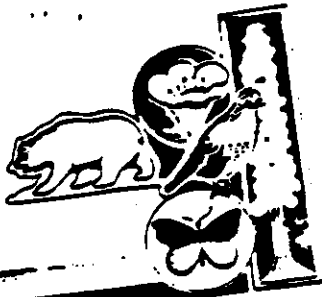
3. No directors were named in the original articles of incorporation and none have been elected.
4. No shares have been issued.

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of my own knowledge.

Dated: January 22, 1991

*Donald R. Share*

\_\_\_\_\_  
DONALD R. SHARE



State  
of  
California

OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, MARCH FONG EU, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute  
this certificate and affix the Great  
Seal of the State of California this

MAY 17 1991



*March Fong Eu*

Secretary of State

ARTICLES OF INCORPORATION

OF

MAY 14 1991

LANDMARK EDUCATION CORPORATION MARCH FONGEL Secretary of State

Brian Regnier certifies that:

1. He is the President and the Secretary of LANDMARK EDUCATION CORPORATION, a California corporation.

2. The Articles of Incorporation of this corporation, as amended to the date of the filing of this certificate, including amendments set forth herein but not separately filed (and with the omissions required by Section 910 of the Corporations Code) are restated as follows:

I

The name of this corporation is Landmark Education Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue two classes of shares, designated "Common Shares" and "Preferred Shares." The total number of shares which this corporation is authorized to issue is 2,000,000. The number of Common Shares which this corporation is authorized to issue is 1,000,000. The par value of the Common Shares is \$.01 per share. The number of Preferred Shares which this corporation is authorized to issue is 1,000,000. The par value of the Preferred Shares is \$.01 per share.

The Preferred Shares may be issued from time to time in one or more series. The Board of Directors of this corporation is authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Shares, and within the limitations or restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series, to determine the designation of any series and to fix the number of shares of any series.

#### IV

A. Limitation of Directors' Liability. The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

B. Indemnification of Corporate Agents. The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the Corporations Code) through Bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders. The corporation is further authorized to provide insurance for agents as set forth in Section 317 of the California Corporations Code, provided that, in cases where the corporation owns all or a portion of the shares of the company insuring the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317, as amended.

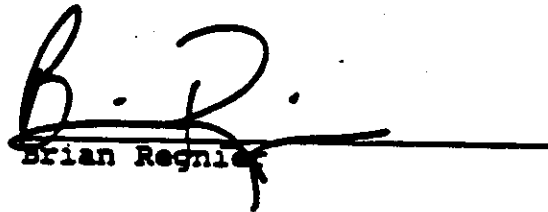
C. Repeal or Modification. Any repeal or modification of the foregoing provisions of this Article IV shall not adversely affect any right of indemnification or limitation of liability of an agent of this corporation relating to acts or omissions occurring prior to such repeal or modification.

3. The foregoing Amended and Restated Articles of Incorporation have been duly approved by the Board of Directors of the corporation.

4. The foregoing Amended and Restated Articles of Incorporation have been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the corporation is 1,000. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in the certificate are true and correct of my own knowledge.

DATED: May 13, 1991

  
Brian Regnier

# Commonwealth of Virginia



## STATE CORPORATION COMMISSION

*Richmond,* February 12, 1991

*This is to certify that a certificate of authority to transact business in Virginia was this day issued and admitted to record in this office for*

TRANSNATIONAL EDUCATION CORP.

*a corporation organized under the laws of CALIFORNIA and that the said corporation is authorized to transact business in Virginia, subject to all Virginia laws applicable to the corporation and its business.*



*State Corporation Commission*

*Attest:*

*William J. Bridge*

*Clk of the Commission*

THEODORE V. MORRISON, JR.  
CHAIRMAN

THOMAS F. HARWOOD, JR.  
COMMISSIONER

PRESTON C. SHANNON  
COMMISSIONER

COMMONWEALTH



VIRGINIA

WILLIAM J. BRIDGE  
CLERK OF THE COMMISSION  
P. O. BOX 1197  
RICHMOND, VIRGINIA 23284-1197

STATE CORPORATION COMMISSION

June 4, 1991

Leslie M. Chappell  
C T Corporation System  
5511 Staples Mill Road  
Richmond, VA 23228

RE: LANDMARK EDUCATION CORPORATION  
(formerly TRANSNATIONAL EDUCATION CORP. )  
ID: F106557 - 4  
DCN: 91-06-04-0505

The Commission acknowledges receipt from LANDMARK EDUCATION CORPORATION (formerly TRANSNATIONAL EDUCATION CORP. ), a foreign corporation authorized to transact business in Virginia, of a duly authenticated copy of an amendment to its articles of incorporation, changing its corporate name, on June 4, 1991, together with the fee of \$525.00 covering the filing of this amendment with this office.

Sincerely yours,

*William J. Bridge*

William J. Bridge  
Clerk of the Commission

AMENACPT  
CIS20436

0 9177005779

*Ok for name*

FIRST INTERSTATE BANK of California  
San Francisco Main Office #621  
465 California Street  
San Francisco, CA 94104

110003

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

11-57/1210

DATE: 02/04/91 CHECK NO.: 110003 AMOUNT: \*\*\*\*\*\$74,938.52

SEVENTY-FOUR THOUSAND NINE HUNDRED THIRTY-EIGHT AND 52/100 DOLLARS  
VOID 90 DAYS FROM DATE ISSUED

PAY TO THE ORDER OF

WERNER ERHARD  
C/O GARY GRACE  
444 DE HARO, SUITE 220  
SAN FRANCISCO, CA 94107

*N/D* *Harry Rosenberg*  
*[Signature]*

(IF AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED)

⑈ 110003 ⑈ ⑆ 121000578 ⑆ 621523896 ⑈ ⑆ ⑆ ⑈ 0007493852 ⑈

FIRST INTERSTATE BANK of California  
San Francisco Main Office #621  
465 California Street  
San Francisco, CA 94104

110038

*Ok Re-name*

11-57/1210

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

DATE: 02/07/91 CHECK NO.: 110038 AMOUNT: \*\*\*\*\*\$75,884.33

SEVENTY-FIVE THOUSAND EIGHT HUNDRED EIGHTY-FOUR AND 33/100 DOLLARS  
VOID 90 DAYS FROM DATE ISSUED

PAY TO THE ORDER OF

WERNER ERHARD  
C/O GARY GRACE  
444 DE HARO, SUITE 220  
SAN FRANCISCO, CA 94107

*N/D* *Harry Rosenberg*  
*[Signature]*

(IF AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED)

⑈ 110038 ⑈ ⑆ 121000578 ⑆ 621523896 ⑈ ⑆ ⑆ ⑈ 0007588433 ⑈

0000197



ok  
for  
Mayer

First Interstate Bank

FIRST INTERSTATE BANK of California  
San Francisco Main Office #621  
465 California Street  
San Francisco, CA 94104

110030

11-57/1210

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

~~452~~

DATE	CHECK NO.	AMOUNT
02/06/91	110030	*****207,341.18

0 HUNDRED SEVEN THOUSAND THREE HUNDRED FORTY-ONE AND 18/100 DOLLARS  
VOID 90 DAYS FROM DATE ISSUED

PAY TO THE ORDER OF

WERNER ERHARD  
C/O GARY GRACE  
444 DE HARC, SUITE 220  
SAN FRANCISCO, CA 94107

*Patricia P. O'Neil*  
*Stanley Rosenberg*

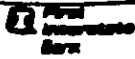
IF AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED

⑈ 110030⑈ 1210005781621523896⑈ 11

⑈0020734118⑈

0000199

No  
607



FIRST INTERSTATE BANK of California  
San Francisco Main Office #621  
488 California Street  
San Francisco, CA 94104

110135

11-5771240

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

DATE	CHECK NO.	AMOUNT
02/19/91	110135	*****978,904.00

TWENTY-EIGHT THOUSAND NINE HUNDRED FOUR AND NO/100 DOLLARS

VOID 90 DAYS FROM DATE ISSUED

PAY  
TO THE  
ORDER OF

• WENDE EMMARD  
 • 170 LIPP GRAFT  
 • 400 LE HARRIS, SUITE 220  
 SAN FRANCISCO, CA 94107

*John P. Dick*  
 \_\_\_\_\_  
*Harry D. ...*  
 \_\_\_\_\_  
 (IF AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED.)

⑈ 110135⑈ ⑆ 121000578⑆ 621523896⑈ ⑆ 11

⑆0007890400⑆

0000201

First Interstate Bank

FIRST INTERSTATE BANK of California  
San Francisco Main Office #821  
485 California Street  
San Francisco, CA 94104

110145

11-571210

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

DATE: 02/21/91 CHECK NO: 110145 AMOUNT: \*\*\*\*\*\$35,573.07

HIRTY-FIVE THOUSAND FIVE HUNDRED SEVENTY-THREE AND 5/100 DOLLARS  
VOID 90 DAYS FROM DATE ISSUED

PAY TO THE ORDER OF

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

*John P. O'Neil*  
*Harry Rosenberg*  
AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED

⑈ 110145 ⑈ ⑆ 1210005781621523896 ⑈ ⑆ ⑆ ⑈ 0003557305 ⑈

First Interstate Bank

FIRST INTERSTATE BANK of California  
San Francisco Main Office #821  
485 California Street  
San Francisco, CA 94104

110149

11-571210

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

DATE: 02/22/91 CHECK NO: 110149 AMOUNT: \*\*\*\*\*\$31,753.07

THIRTY-ONE THOUSAND SEVEN HUNDRED FIFTY-THREE AND 5/100 DOLLARS  
VOID 90 DAYS FROM DATE ISSUED

PAY TO THE ORDER OF

TRANSNATIONAL EDUCATION CORP.  
62 FIRST STREET  
SAN FRANCISCO, CA 94105

*John P. O'Neil*  
*Harry Rosenberg*  
AMOUNT EXCEEDS \$5000.00 COUNTER SIGNATURE IS REQUIRED

⑈ 110149 ⑈ ⑆ 1210005781621523896 ⑈ ⑆ ⑆ ⑈ 0003175303 ⑈

0000203