

# Business Models (Cont'd)

*Business Model 1A: ELL through RISE China*

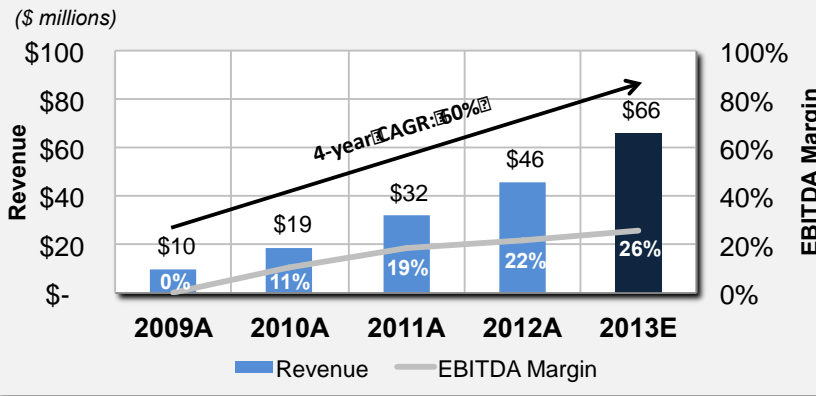
## Successful ELL Deal:

- **Initial investment** of \$6mm was used to tailor existing content to local needs a create a world class, standardized curriculum
- **Market** for the materials was for English language learners (**ELL**) in China. Specifically after school English language training
- The **operating model** was a franchise model, with franchise partners opening self-owned learning centers (“SOLCs”) and licensing from RISE China<sup>1</sup>
- By Dec 2012, operated 33 SOLCs and 102 Partner centers across China, with over 37,000 students enrolled
- RISE brand built a strong cohort of loyal stakeholders across its students (70%+ retention rates), parents and partner center operators
- **RISE China sold to Bain Capital**

## Content Provided:

- **HMH IP leveraged** included: Destination Reading & Math, Edmark, and HMH leveled Readers<sup>2</sup>
- Content used for this venture was est. at 5-10% of total available HMH IP. **Highly impactful monetization strategy**

## Financial Results



<sup>1</sup>RISE is a business entity created by DHG and is excluded from this transaction.

<sup>2</sup>The Destination and Edmark series will be retained as RISE assets, but may be available on a “white-labeling” basis in select countries excluding China.