

# Business Models

## Business Model 3: ELL in South Korea

### Successful ELL Relationship:

- EngQ is a S. Korean operator of **learning center franchises and a publisher of ELL content**
- 89% of K12 students attend after school ELL programs; est. market size for **Korean K12 ELL: \$5 billion**
- EngQ signed a 7-year contract in Jan. 2014 to license HMH content
- **Opportunity to expand to additional markets.** RISE maintains rights to all derivative works developed by EngQ for use in countries outside of S. Korea (i.e. Middle East, Latin America, South East Asia) at a cost of a 10% royalty fee

### Content Provided

- **HMH IP leveraged:** Reading K-6 & StoryTown Phonics programs
- Leveraged <5% of total available HMH IP

<sup>1</sup>Projections reflect Management's best estimates given the last conversation and set of projections from partner. There may be updated projections and/or differences between actual and projected results and those differences may be material.

### Summary of Model:

- Using licensed HMH assets to develop ELL online platform with Readers, Assessment material, Skills test and Benchmark tests
- Distributed via EngQ's franchised ELL centers
- All upfront content conversion costs (\$250-500K) were borne by EngQ
- **A one-time license fee was paid, in addition to an ongoing 15% royalty fee (see below) at very high 95%+ margins to the license holder; Localized Product available to RISE to leverage/license/sell outside Korea**

### Financial Projections<sup>1</sup>

