

## FRANCHISE DISCLOSURE DOCUMENT



CAC Franchising, LLC  
A Florida limited liability company  
9838 Old Baymeadows Road, #158  
Jacksonville, FL, 32256  
904.962.4292  
franchise@childrensartclasses.com  
www.childrensartclasses.com

As a Children's Art Classes franchisee, you will deliver a comprehensive program of art study to children aged 3-18 that includes painting, drawing, design, printmaking, sculpture, ceramics, and much more. Our programs are designed to provide an art education and enrichment program that supplements or replaces traditional art curriculum and hands-on experience for children of all ages.

The total investment necessary to begin operation of a Children's Art Classes franchise is \$134,268 to \$264,110. This includes \$59,950 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under a two- to three-unit Multi-Unit Development Agreement (including the first unit) is \$165,218 to \$319,010, which includes \$89,900 to \$109,850 that must be paid to the franchisor. You must develop at least two Children's Art Classes units under the Multi-Unit Development Agreement.

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 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 disclosures in different formats, please contact CAC Franchising, LLC at 9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256 and 904.962.4292.

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, NW. Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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 28, 2025

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Children's Art Classes business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Children's Art Classes franchisee?</b>	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Florida. 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 with the franchisor in Florida than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Mandatory Minimum Payments.** You must make minimum royalty and advertising payments, regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

**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:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) 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.

(h) 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).

(i) 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**The fact that there is a notice of this offering on file with the 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  
 G. Mennen Williams Building, 7th Floor  
 525 W. Ottawa Street  
 Lansing, Michigan 48909  
 Telephone Number: (517) 373 7117

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### **Exhibits**

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Rider to Lease Agreement
- D. Form of General Release
- E. Financial Statements
- F. Brand Standards Manual Table of Contents
- G. Current and Former Franchisees
- H. State Addenda to Disclosure Document
- I. State Addenda to Agreements
- J. EFT Authorization Form
- K. Confidentiality and Noncompete Agreement
- L. Multi-Unit Development Agreement
- State Effective Dates
- Receipt (2 copies)

## **Item 1**

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

In this disclosure document, “we”, “us,” or “our” refers to CAC Franchising, LLC (but not to our officers, directors, agents, employees, affiliates, parents, or subsidiaries). “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

#### Us, Any Parents, and Certain Affiliates

Our name is CAC Franchising, LLC. Our principal business address is 9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

#### Our Predecessors

We do not have any predecessors.

#### Our Business Name

We use the names “CAC Franchising, LLC” and “Children’s Art Classes”. We do not intend to use any other names to conduct business.

#### Agent for Service of Process

Our agent for service of process in Florida is Stephanie Larsen, and the agent’s principal business address is 9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256. Our agents for service of process in other states are disclosed in Exhibit A.

#### Business Organization

We are a Florida limited liability company. We were formed on December 20, 2019.

#### Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a business (referred to as a “School” or a “Business”) that provides a comprehensive art education and enrichment program for children under the trade name Children’s Art Classes. If you sign a Multi-Unit Development Agreement (attached as Exhibit L to this disclosure document), you will develop multiple Children’s Art Classes outlets, on an agreed-upon schedule. You must develop at least two Children’s Art Classes units under the Multi-Unit Development Agreement. Along with the



Multi-Unit Development Agreement, you would sign the Franchise Agreement (attached as Exhibit B to this disclosure document) for your first unit outlet. For each future unit franchise, we will require you to sign our then-current form of franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.

If we provide you with any confidential information prior to executing a franchise agreement (for example, in connection with a discovery day or upon your request), we reserve the right to require you to execute a Confidentiality and Noncompete Agreement (attached as Exhibit K to this disclosure document) prior to receiving such confidential information.

The general market for Children's Art Classes is predominately focused on consumer markets, coupled with art education partnerships with schools and community services organizations. This market is relatively new and underdeveloped as many school districts across the country have eliminated or reduced classroom-based art instruction. Our customers are primarily children aged 3-18, with several classes open to adult (parent) participation. Our primary season is the school year, during which we run a 9-month curriculum that compliments the local school calendar. We also host summer sessions that are typically one-week sessions for each course offered.

Competition in the art course market is fairly light, with fewer than five national organizations offering creative sessions. You will compete against national chains, regional chains, and independent owners, as well as public arts education programs and online arts classes. Some of these competitors are franchised.

### Laws and Regulations

Many states require background checks for instructors to work with children. There may be local laws or regulations related to enrichment businesses. In some states, businesses that provide child supervision need a permit and may need to satisfy particular regulations related to safety, security, record-keeping, and other matters, as well as certified or licensed instructors or directors. You are required to comply with all local, state, and federal laws and regulations that may apply to your business. You should consult with a legal advisor about legal requirements that may apply to your business, including any permits and licenses necessary to operate in your market.

### Prior Business Experience

We have offered franchises since 2020. None of our affiliates has offered franchises in other lines of business. None of our affiliates provides products or services to our franchisees.

The first Children's Art Classes opened in Roswell, New Mexico, in 1999. In 2009, this affiliate moved to the Baymeadows neighborhood of Jacksonville, Florida. That location is operated by our affiliate, Children's Art Classes LLC. This affiliate is located at 9802 Baymeadows Rd Ste 14, Jacksonville, FL 32256. Jax Beaches LLC has operated Child Art Classes since September 2018 at 880 US Highway A1A North Suite Six, Ponte Vedra Beach, FL 32082. All of these businesses are substantially similar to the opportunity being offered to you.

## **Item 2**

### **BUSINESS EXPERIENCE**

**Stephanie Larsen – President.** Stephanie Larsen has been our President in Jacksonville, Florida, since our creation in December 2019. Stephanie taught classes and managed both the Baymeadows and Ponte Vedra locations from their respective 2009 and 2018 openings through to 2024.

**Barbara Gay – Founder.** Barbara Gay has been one of our Founders in Jacksonville, Florida since December 2019. She has been Founder, Owner, and Teacher for Children’s Art Classes in Jacksonville, Florida since 2009.

**Dennis Mulgannon – Director of Franchising.** Dennis Mulgannon has been our Director of Franchising in El Dorado Hills, CA since December 2019. He served as the Director of Franchising for Vertica Fitness Franchising in El Dorado Hills, CA since February 2022. Dennis Mulgannon has also served as CEO of Bin Masters Franchising USA Inc. in El Dorado Hills, CA since April 2022. He has also served as Director of Franchising for Surface Experts Franchising in Spokane, Washington since July 2018 and Director of Franchising for TFL Franchise Systems, LLC in Boston, Massachusetts since April 2015. He also served as Director of Franchising for GTN Capital Group in Guilford, Connecticut from February 2017 through October 2020. He was Director of Franchising for Junk King Franchise Systems, Inc. from October 2009 through August 2015 and for JKFS Canada Inc. from October 2012 through August 2015, both in San Carlos, California. Dennis has been Principal of Franchise Scale, Inc., in El Dorado Hills, CA, since January 2002.

**Sean Hansen – Franchise Development Manager.** Sean Hansen has served as our Franchise Development Manager in El Dorado Hills, CA since December 2019. He also served as the Franchise Development Manager of Vertica Fitness Franchising in El Dorado Hills, CA, since February 2022. Sean Hansen has also served as the COO of Bin Masters Franchising USA Inc. in El Dorado Hills, CA since April 2022. He has also been a Franchise Development Manager for GTN Capital Group in El Dorado Hills, CA, from May 2017 through October 2020 and was an Area Representative for GTN Capital Group from May 2017 until April 2023. Mr. Hansen has been Franchise Development Manager for Surface Experts Franchising in Spokane, Washington since July 2018 and has been an Area Representative and Franchise Developer for WaveMAX Laundry in El Dorado Hills, CA since November 2016. Mr. Hansen was a Director for Kiefer Consulting, Inc. in Folsom, CA from August 2011 to July 2017.

## **Item 3**

### **LITIGATION**

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**

Franchise Fee

When you sign your franchise agreement, you must pay us \$59,950 as the initial franchise fee. This fee is uniform and is not refundable.

Multi-Unit Development

If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement (“MUDA”) in the form of Exhibit C to this disclosure document. Your franchise fees will be reduced to \$29,950 for the second unit, and \$19,950 for each additional unit. You will pay all franchise fees upon signing the MUDA. They are not refundable.

The range of initial franchise fees we charged during the last fiscal year was \$49,950 for a single unit and \$79,900 for a multiple unit transaction.

**Item 6**  
**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty <sup>(1)(2)</sup>	The greater of 8.25% of gross sales per month, or \$500	Within five days after the end of the calendar month	The minimum royalty requirement begins six months after you open your first school. The monthly payments are paid all year. Our regular curriculum is 9 months that compliments your local school calendar. You will also host summer sessions that are typically one-week sessions for each course offered. There is no limit on the number of summer sessions you may offer.
Brand Development Fund Contribution	Up to 1% of gross sales; currently, none.	Paid in the same manner as royalty	This contribution will be used for a system-wide “Brand Development Fund” we may establish for our use in promoting and building the CAC brand. We do not currently have a Brand Development Fund.

Type of Fee	Amount	Due Date	Remarks
Local marketing requirement	\$1,000 per month until your studio has 150 enrolled students and then \$500 per month thereafter.	Payable after receipt of invoice	If you fail to meet your required local advertising requirement on local advertising, you must pay us the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Development Fund, if established, or to us.
Replacement / Additional Training fee <sup>(3)</sup>	Then-current fee (currently \$200 per person per day), plus travel and living expenses	Prior to attending training	If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.
Replacement curriculum material	Then-current charge (currently \$500 per set)	As incurred	We provide one complete set of course curriculum to your school. If your set is lost or damaged, we will provide a replacement copy at our then-current production cost.
Third party vendors	Pass-through of costs, plus reasonable administrative charge not to exceed the greater of \$500 or 10%. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Technology fees	Currently, none.	Paid in the same manner as royalty	We reserve the right to charge a commercially reasonable fee for software and other technology products and services we provide. The technology fee will not necessarily be a pass-through of our exact costs. We may add, remove, or alter the software or technology products or services that we provide.

Type of Fee	Amount	Due Date	Remarks
Software subscription	Currently, \$483 per month.	Monthly as required by vendor	<p>Currently, you pay a total of approximately \$483 per month to separate vendors for software and other technology products and services. Approximately \$200 per month is allocated to Sawyer Tools, the online scheduling software services for your school, \$15 per month is allocated to website hosting, \$10 per month for Canva, \$8 per month for Mailchimp and \$250 per month for Website SEO and Reporting features.</p> <p>These prices are subject to change. We may change vendors in the future and we may add, remove, or alter the software or technology products or services that you must purchase. We can also require that you pay us for these items in the future.</p>
Shared third-party supplier charges	Your share of any charges bills to us on behalf of your business	On demand	Sometimes it may be in the best interests of the Children's Art Classes brand for suppliers to bill us on a system-wide charge for a product or service. We will then divide the invoice among our franchisees and charge you for your share.
Non-compliance fee	\$500 per instance	On demand	We may charge you \$500 for any aspect of your business which is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.

Type of Fee	Amount	Due Date	Remarks
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection or enforcement	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees, accounting fees, and other professional costs) in attempting to collect amounts you owe to us or otherwise enforcing your franchise agreement.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Convention fee	As determined by us; currently, none.	Prior to convention	If we elect to conduct a national or regional convention, we will charge you the attendance fee even if you do not attend. You are responsible for all travel and living expenses of attending any such meeting or convention.
Customer complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.

Type of Fee	Amount	Due Date	Remarks
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any month.
Special inspection fee	Currently \$200, plus our out-of-pocket costs	On demand	You must reimburse us for our costs and expenses associated with the inspections of third-party mystery shoppers who will pose as normal customers and perform specific tasks (such as attend lessons, ask questions, or seek customer service), and evaluate the services received at your CAC school.
Evaluation and compliance program costs	Actual costs and expenses of participation in such systems	On demand	You must participate in programs required by us for evaluation and compliance, including quality assurance audits, feedback programs, and customer survey programs.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you; or if you fail to satisfy your local marketing expenditure requirement, we can purchase marketing on your behalf), and you will owe our costs plus a 10% administrative fee.
Renewal fee	\$5,000	Upon renewal	This fee is intended to defray legal and administrative costs incurred by us when you renew your franchise agreement.
Relocation fee	\$5,000	Half due when we have agreed to work with you to relocate your business and the remainder due when we have accepted a relocation request	Payable if you ask us to consider relocating your business. You cannot relocate your business to new premises without our approval. We have no obligation to approve of any relocation request.

Type of Fee	Amount	Due Date	Remarks
Transfer fee	\$5,000 per CAC school plus cost of any applicable broker fees and training	\$2,500 when you notify us of your intent to transfer or sell your business; the balance due at the closing of the transaction	Payable if you sell your business. No charge if transferred to an entity you control.
Temporary management fee	10% of gross sales plus our expenses	On demand	We have the right to temporarily manage your business and charge this fee if (i) you die or become incapacitated, (ii) we exercise our right to purchase your business after your franchise agreement end, or (iii) you operate the business in a dangerous manner.
Liquidated damages	An amount equal to average royalty fees and brand development fund contributions for the lesser of (i) 2 years or (ii) the remaining months of the franchise term.	On demand	Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.
Indemnity	All of our costs and losses from any legal action related to the operation of your franchise or any act by you or your employees	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the development or operation of your franchise, or any act or omission by you or any employee of your business (unless caused by our intentional misconduct or gross negligence).
Tax Reimbursement	Will vary under the circumstances	On demand	You must reimburse us for all sales taxes, franchise taxes, trademark license taxes, and any other taxes imposed on us or our affiliates related to any fees or transactions described in the Franchise Agreement, unless the tax is imposed based on our or our affiliates' income.



Type of Fee	Amount	Due Date	Remarks
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us (other than software subscription charges). All fees are non-refundable. We do not represent that all fees are uniform for all franchisees; we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

#### Notes

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales also includes any proceeds you receive from business interruption insurance. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used supplies not in the ordinary course of business, or (iv) sales of prepaid cards, vouchers, or similar products (but the redemption of any such card, voucher, or product will be included in Gross Sales).

We may receive information regarding your gross sales through the computer system. If we ever cease to have access to this information, and you fail to report your gross sales when due, we may debit your designated account for an estimated Royalty and Brand Fund Contribution on the date it is due. We will debit your designated account 125% of the average of the last three Royalty payments and Brand Development Fund Contributions that we debited reported (in addition to charging non-compliance and other applicable fees). If the amounts that we debit from your designated account are less than the amounts you actually owe us (once we have determined your actual gross sales), we will debit your designated account for the balance on the day we specify. If the amounts that we debit from your designated account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your designated account on the next payment due date.

2. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (EFT) or other similar means. However, we can require an alternative payment method. If we permit you to pay by credit card or any other method which causes us to incur a processing fee, you will be responsible for the amount of the processing fee.

3. We reserve the right to require new employees of your business to complete a reasonable amount of training based on their duties and responsibilities with your business. We also reserve the right to require you and (and your employees) to complete additional training should we determine that such training is reasonably required due to performance deficiencies.

4. Any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI (in addition to any other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.

## Item 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT—Franchise Agreement

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee <sup>(1)</sup>	\$59,950 - \$59,950	Check or wire transfer	Upon signing Franchise Agreement	Us
Training-Related Expenses <sup>(2)</sup>	\$1,000 - \$6,000	As incurred	As agreed	Airline, Hotel, Restaurants, etc.
Initial Local Advertising <sup>(3)</sup>	\$10,000 - \$15,000	As incurred	As agreed	Approved Suppliers
Rent and Security Deposit for Lease and Utilities <sup>(4)</sup>	\$8,000 - \$16,000	As required by Landlord and Utility Companies	As required by Landlord and Utility Companies	Landlord, Utility Companies
Leasehold Improvements, including architectural services <sup>(5)</sup>	\$12,000 - \$88,000	As incurred	As agreed	Landlord, Contractors, Other Suppliers
Furniture, Fixtures, and Equipment	\$15,000 - \$20,000	As incurred	As agreed	Approved Suppliers
Initial Inventory and Supplies <sup>(6)</sup>	\$10,000 - \$16,000	As incurred	Upon Delivery	Approved Suppliers
Insurance (3 months)	\$300 - \$600	As incurred	As agreed	Insurance Provider
Business Licenses and Permits	\$200 - \$500	As incurred	As agreed	Government
Optional Teacher Recruiting Services <sup>(7)</sup>	\$0 - \$3,500	As incurred	As agreed	Approved Suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Professional Fees	\$1,000 - \$4,000	As incurred	As agreed	Attorney, Accountant
Signage <sup>(8)</sup>	\$3,500 - \$10,000	As incurred	As agreed	Approved Suppliers
Computers <sup>(9)</sup>	\$1,500 - \$2,000	As incurred	As agreed	Approved Suppliers
Software and technology services <sup>(10)</sup>	\$1,200 - \$1,500	As incurred	Monthly	Approved Suppliers
Camera & Security System	\$300 - \$500	As incurred	As agreed	3 <sup>rd</sup> Party Vendors
Fingerprinting and background Checks	\$18 - \$60	Certified check or money order	Before opening	Local police department
Uniforms <sup>(11)</sup>	\$300 - \$500	As incurred	As agreed	Approved Suppliers
Additional funds (for first 3 months) <sup>(12)</sup>	\$10,000 - \$20,000	As incurred	As agreed	Employees, suppliers, utilities
Total	\$134,268 - 264,110			

#### **YOUR ESTIMATED INITIAL INVESTMENT – Multi-Unit Development Agreement**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see table above)	\$134,268 - 264,110			
Additional initial franchise fees <sup>(13)</sup>	\$29,950 - \$49,900	Check or wire transfer	Upon signing the MUDA	Us
Business planning and miscellaneous expenses	\$1,000 - \$5,000	Check	As incurred	Vendors and suppliers
Total	\$165,218 - \$319,010			

Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

## Notes

1. Initial Franchise Fee. The initial franchise fee for a single-unit franchise is \$59,950. The franchise fee for a second unit is \$29,950 and the franchise fee for a third unit is \$19,950. To qualify for multi-unit discounts, you must make all franchise purchases at the same time.
2. Training-Related Expenses. The training expenses are incurred by you for your travel, accommodations and meals while attending our training facility.
3. Initial Local Advertising. You must spend at least \$10,000 on an approved grand opening advertising campaign.
4. Rent and Security Deposit for Lease and Utilities. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. We estimate that a typical CAC Business will be in a commercial location and need between 1,200 and 1,600 square feet of space, and we estimate lease rates to range between \$2.25 and \$6 per square foot per month. There are a variety of factors that can affect lease rates, the most prominent being location and market conditions. Our estimate in this table assumes you pay one month of rent before opening, in addition to your security deposit. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different.
5. Leasehold Improvements, including architectural services. In most cases, you will need to build-out the interior of your business prior to opening. Your site may require improvements such as HVAC, plumbing, electrical, flooring, partitions, painting and other permanent improvements. These costs include the use of a general contractor, who obtains permits, as well as the costs of construction permits and other approvals. You may be able to obtain a tenant improvement (“TI Allowance”) from the landlord; however, our estimates do not contemplate a TI Allowance, and a TI Allowance may result in an adjustment of your improvement costs and rent. The high end of this range was related to opening in a historical building in midtown Manhattan, where the municipality required installation of a fire suppression system in the studio, which was not standard. Your cost of improvements will vary depending on factors including the size, condition and location of your facility, local wage rates and the cost of materials. The amounts you pay for improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.
6. Initial Inventory and Supplies. You must have opening inventory and supply items on hand when you begin the onsite training at your CAC Business. You will purchase these items from third-party vendors.
7. Optional Teacher Recruiting Services. You have the option to utilize a teacher recruitment service offered through our approved vendor, EmployLogix, a boutique search firm specializing in tailored education oriented recruitment strategies. The service includes candidate sourcing, screening, interviewing, and onboarding support. Franchisees who choose to handle recruitment independently incur no cost.
8. Signage. The estimate is the cost of the interior and exterior signs you will need for your CAC Business.

9. Computers. You must purchase a computer and certain other related items necessary to operate and manage your CAC Business.
10. Software and Technology Services. You will pay our required vendor for the setup and hosting of your CAC – Children’s Art Classes sub-website, initial Search Engine Optimization (SEO), setup of Google My Business (GMB), email, Microsoft Office 365 Business Premium, and setup of class management software. There is an initial fee for service, plus an ongoing monthly fee. You will also order our required class management software, for which you will pay a monthly fee. The exact amount you pay for these services before you open will depend on how far in advance of your opening you begin paying your monthly fee.
11. Uniforms. You are required to have at least one clean, branded apron per employee.
12. Additional Funds. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. It does not include any salary or compensation for you. Your costs will depend on factors such as your management skill, experience, business knowledge, local economic conditions, local market for services, prevailing wage rate, competition, and sales level reached during the initial period. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of Children’s Art Classes locations by our affiliates, and our general knowledge of the industry.
13. MUDA. This estimate assumes you sign a Multi-Unit Development Agreement for 2 or 3 franchises. The franchise fee for your first unit is counted in the “Estimated Initial Investment – Franchise Agreement” table. Your initial franchise fees are reduced to 29,950 for the second and \$19,950 for the third franchise. You will pay all franchise fees upon signing the MUDA. Other than the adjustment to initial franchise fees, you should anticipate incurring all of the costs under the “Estimated Initial Investment – Franchise Agreement” table for each of your franchises

## **Item 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications. You must comply with any changes we make in the future to these requirements.

#### Specific Obligations

The following are our current specific obligations for purchases and leases:

- A. Real Estate. Your business location is subject to our approval and must meet our specifications. If you lease your location, you must use reasonable efforts to have the landlord sign

our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D). If you sign a Multi-Unit Development Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Brand Standards Manual (the “Manual”), which includes (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, and (iv) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

C. Computer hardware and software systems. You must purchase the computer hardware and software systems that we specify. See Item 11 for more details. You must use our required vendors for software and technology services.

D. Advertising and Marketing. Except as otherwise provided in the Brand Standards Manual and advertising or marketing materials that we furnish to you, you must submit all advertising and marketing materials to us for our written approval before use. You must ensure that all advertising or marketing materials that you use are clear, factual, ethical, and not misleading; comply with our brand standards; and comply with all laws. We have the right to establish and control all digital marketing.

#### Us or our Affiliates as Supplier

Except as described above, neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve the right to be a supplier (or the sole supplier) of a good or service in the future.

#### Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

#### Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We have the sole discretion to approve or reject an alternative supplier. We may condition our approval on criteria we deem appropriate, such as evaluations of the supplier’s capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our

approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

#### Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications after evaluating the intended changes.

We may also conduct market research and testing in one or more outlets to determine consumer trends and salability of new products, materials and services. You must cooperate by participating in our market research programs, test marketing new products and services, and providing timely reports and other relevant information regarding marketing research. In connection with such test marketing, you may be required to purchase a reasonable quantity of products to be tested and effectively promote and make a reasonable effort to sell such products, materials and services.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all franchises in our franchise system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that refusal would be in the best interests of the franchise system or the network of franchises.

#### Revenue to Us and Our Affiliates

We currently do not derive revenue from the required purchases and leases by franchisees. However, the franchise agreement does not prohibit us from doing so. We have the right to earn a profit from any product we supply or from designated suppliers. We are not required to give you an accounting of any payments we receive from designated suppliers, nor are we required to share any benefits of supplier payments with you or with any other franchisee.

#### Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 60% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 60% to 80% of your total purchases and leases of goods and services to operate your business.

### Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so. We have the right to earn a profit from any product we supply or from designated suppliers. We are not required to give you an accounting of any payments we receive from designated suppliers, nor are we required to share any benefits of supplier payments with you or with any other franchisee.

### Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

### Negotiated Arrangements

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. However, we may do so in the future.

### Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

## **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 disclosure document.**

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.4, 6.6, 7.8, 8.4, 10.5, 11.2, 11.3, 11.13, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3 – 7.5, 7.9 – 7.13, 7.15, 9.1, 9.2, 10.1, 10.4, 11.1	Items 8, 11 and 14



<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§§ 2.4, 7.5	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§§ 3.2, 18.11	Items 6 and 17
v. Post-termination obligations	Articles 13 and 14	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

## **Item 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligations.

## **Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, CAC Franchising, LLC is not required to provide you with any assistance.**

## Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.3). We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

- (i) We generally do not own your premises and lease it to you.
- (ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. You must find a potential site and submit your site to us for approval, together with all information and documents about the site that we request. When we accept a site, we will issue a Location Acceptance Letter (in the form of Attachment 2 to the Franchise Agreement).
- (iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.
- (iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement.
- (v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises.* We will advise you regarding the layout of your business. We will provide you with our specifications for required décor. (Section 5.2)

C. *Hiring and training employees.* We will provide you with our online training program for instructors (Section 5.2). You must have at least 2 qualified and trained instructors (you may serve as one of these instructors). All hiring decisions and conditions of employment are your sole responsibility.

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.3) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Brand Standards Manual (including School Curriculum)*. We will give you access to our Manual and proprietary course curriculum for use in your Business in such format as we deem appropriate. (Section 5.1).

F. *Initial Training Program*. We will conduct our initial training program. (Section 5.3). The current initial training program is described below.

G. *Business plan review*. If you request, we will review your pre-opening business plan and financial projections. (Section 5.3)

H. *Market introduction plan*. We will advise you regarding the planning and execution of your market introduction plan. (Section 5.3)

### Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is two to six months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your school, obtain business permits and licenses, and hire employees.

### Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers*. Although it is our intent to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees*. We will provide you with our online training program for instructors (Section 5.2). You must have at least two qualified and trained instructors (you may serve as one of these instructors). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter*. If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.4)

D. *Establishing prices*. Upon your request, we will provide recommended prices for products and services. (Section 5.4). We have the right to set minimum, maximum, and/or exact prices that franchisees may charge for products and services (but only to the extent permitted by applicable law). (Section 7.3).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures*. To the extent we determine, we will provide you our recommended procedures

for administration, bookkeeping, accounting, and inventory control (Section 5.4). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Brand Development Fund.* We will administer the Brand Development Fund once it is established. (Section 5.4). We will prepare an unaudited annual financial statement of the Brand Development Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon written request. (Section 9.3)

G. *Website.* We will maintain a website for the CAC – Children’s Art Classes brand, which will include your business information, telephone number and online class registration capabilities. (Section 5.4)

### Advertising

*Our obligation.* If we create a Brand Development Fund, we will use the Brand Development Fund for marketing and related purposes and costs. We may use the Brand Development Fund for local, regional, or national advertising; promotions and promotional materials; public and consumer relations; website development; and search engine optimization; the development of technology for the franchise system; and any other purpose to promote the Children’s Art Classes brand. We may reimburse ourselves, our authorized representatives, or our affiliates from the Brand Development Fund for administrative costs; collections; audits; reasonable accounting, bookkeeping, reporting, and legal expenses; taxes; and all other direct or indirect expenses associated with the programs or materials funded by the Brand Development Fund. We use outside vendors and consultants to produce advertising and promotional materials. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located, and we are not required to ensure that Brand Development Fund contributions directly benefit you or any other franchisees. We will maintain the brand website (which may be paid for by the Brand Development Fund). We have no other obligation to conduct advertising.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you. We have the right to establish and control all social media accounts and other digital marketing. You must ensure that all advertising or marketing materials that you use are clear, factual, ethical, and not misleading; comply with our brand standards; and comply with all laws.

*Advertising council.* We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

*Advertising Co-operatives.* You are not required to participate in local or regional advertising co-operatives.

*Advertising Fund.* After we start the Brand Development Fund, you and all other franchisees must contribute to it. Your contribution is up to 1% of gross sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate.

Businesses that we or our affiliates own are not obligated to contribute to the Brand Development Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

We did not spend any money from the Brand Development Fund in our most recently concluded fiscal year.

If less than all Brand Development Funds are spent in the fiscal year in which they accrue, the money will remain in the Brand Development Fund to be spent in the next year.

No money from the Brand Development Fund is spent principally to solicit new franchise sales; however, as part of any materials produced by or for the Brand Development Fund, we do have the right to include a notation in any advertisement indicating “Franchises Available” (or similar phrasing), and we have the right include information regarding acquiring a franchise on or as a part of such materials.

*Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. The plan should include your budget and describe the types of marketing you will implement in connection with the opening of your business and must comply with our requirements. At a minimum, you must commit a minimum of 120 hours to local marketing efforts during the initial launch phase. This involves visiting local elementary schools and district offices to promote our programs. You, or a designated representative who has attended our marketing training, must carry out these visits between normal school hours, as per a detailed daily action plan. Marketing materials, including flyers and scholarship certificates, should be distributed during these visits to foster community engagement and support local market penetration.

*Required spending.* After you open, you must spend at least \$1,000 on marketing your business each month; however, once your business has 150 enrolled students, then you need only spend at least \$500 per month marketing your business. We have the right to dictate that at least \$350 of this is paid to our designated supplier for certain advertising, including digital and social media marketing, newsletter support, and localization of advertising.

#### Point of Sale and Computer Systems

You are required to purchase a computer system that consists of the following hardware and software: (a) one laptop computer; one printer; one wireless hotspot; and (b) Microsoft Office 365 Business Premium, QuickBooks Online, and Sawyer Tools, our required cloud-based class management software.

We estimate the cost of purchasing computer system hardware will be \$1,500 and \$2,000, plus \$1,200 to \$1,500 for software and technology services before you open.

Our required class management software will manage the daily workflow of your school; coordinate the customer ordering experience; track class and instructor schedules; and enable you to collect information about students and their parents, prices, sales, and other information. It will generate financial and operation reports on your business.

Your class management software is payable by monthly subscription, as are Microsoft Office 365 Business Premium and QuickBooks Online, and will include upgrades and updates as provided by the software vendor. Otherwise, we are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates, and we do not require you to enter into any such contract with a third party.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts (including the technology fee) will be \$3,600 to \$7,200.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

#### Brand Standards Manual

See Exhibit F for the table of contents of our Manual as of the date this disclosure document, with the number of pages devoted to each subject. The Manual has 473 pages.

#### Training Program

Our training program consists of the following:

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
<b>Pre-Opening</b>			
Introduction, History and Philosophy of Children's Art Classes	2	0	Pre-Training Conference Call
Setting up Your Business	2	0	Pre-Training Conference Call
Market Introduction Plan Overview	2	0	Pre-Training Conference Call
Becoming an Art Educator	2	0	Pre-Training Conference Call
Educational Principles	2	0	Pre-Training Conference Call
Market Research Introduction	2	0	Pre-Training Conference Call
Marketing, Part I	2	0	Pre-Training Conference Call
Site Selection/Real Estate	1	0	Pre-Training Conference Call
Construction	2	0	Pre-Training Conference Call
Architectural Design	1	0	Pre-Training Conference Call

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Branding	1	0	Pre-Training Conference Call
Goal Setting	2	0	Jacksonville, FL
Curriculum & Sample Classes	5	0	Jacksonville, FL
Teacher Classroom Training	4	0	Jacksonville, FL
Class Structure	5	0	Jacksonville, FL
Art Techniques	3	0	Jacksonville, FL
Business Management	0	2	Online
Technology	0	5	Online
Customer Service	0	1	Online
Employees/Staffing	0	5	Online
Marketing, Part II	0	5	Online
<b>TOTAL Pre-Opening</b>	38	18	
<b>Post Training</b>			
Market Research in Action	16	0	Online
Instructor Training	0	8	Online
Grand Opening	0	8	Online
Technology and Digital Marketing	0	8	Online
<b>TOTAL Post Training</b>	16	24	
<b>TOTALS:</b>	54	42	

Training classes will be scheduled in accordance with the needs of new franchisees. Franchisees must complete the “pre-opening” portion of initial training program at least six weeks after signing the franchise agreement, and the franchisees must complete the “post training” portion prior to opening. We anticipate holding training classes six to nine times per year. Except as provided above, training will be held at our offices and business location in Jacksonville, Florida. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led or supervised by Stephanie Larsen and/or by Barbara Gay. Their experience is described in Item 2. Stephanie has over 16 years of experience in our industry, and 16 years of experience with us or our affiliates. Barbara is the founder of the Children’s Art Classes Curriculum, and has taught art education for over 40 years; she has over 40 years of experience in our industry and 26 years of experience with us or our affiliates.

There is no fee for up to three people to attend training. You must pay the travel and living expenses of people attending training.

You must attend training. If you are not going to be the day-to-day general manager and school director of your Children's Art Classes business, then your school director must also attend training. You may send any additional people to training that you want (up to the maximum described above). You must complete the pre-opening training to our satisfaction at least two weeks before opening your business.

In addition to the initial training program, you and your lead teacher (whether that is you or someone else), must travel to our headquarters for approximately 2 days to shadow our instructors. This must be completed prior to the opening of your Children's Art Classes business. You must pay the travel and living expenses of those attending this shadowing.

Your business must at all times be under your on-site supervision or under the on-site supervision of a school director who has completed our training program. If you need to send a new school director to our training program, we will charge a fee, which is currently \$200 per day.

We do require your instructors to attend monthly virtual training sessions. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### **Your Location**

Your franchise is for a specific school location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

### **Grant of Territory**

Your franchise agreement will specify a territory, which will be determined by us. Your territory will have a population of approximately 45,000 to 55,000 people, of which at least 15% are children under the age of 18. The boundaries of your territory may be described in terms of a radius around your location, contiguous zip codes, street boundaries, and county boundaries or depicted on a map that is attached to your Franchise Agreement. We will do an analysis that considers average household income, average household size, number of children under 18, and number of schools in the area as input to defining your territory and school location. If you do not have a location selected and approved before you sign your franchise agreement, then we will determine your territory when you have selected (and we have approved) the location for your business. If we do not state your territory in writing within 90 days after you open your school to the public, your territory will be deemed to be a three-mile radius from your school.

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on a case-



by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

If you request our approval for you to relocate your business, you must pay us a \$5,000 fee. Half is due when you make the request, and the other half is due if and when we approve the request. If we approve, you must comply with the conditions described in the franchise agreement for developing a location and satisfy any other conditions we require.

You do not have the right to establish additional franchised outlets unless you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit L to this disclosure document. If you and we sign a MUDA, then you will have the right to establish a mutually-agreed number of additional outlets on a mutually-agreed schedule. Under the MUDA, your right to develop additional outlets is subject to (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional Children’s Art Classes business, (3) you must be in compliance with all brand requirements at your open Children’s Art Classes business(es), and (4) you must not be in default under any other agreement with us. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. For each future site, you must sign our then-current form of Franchise Agreement, which may be materially different than the original Franchise Agreement that you signed. You are not obligated to develop additional outlets under the MUDA, and you may terminate it any time without penalty. If you do not meet your development schedule in the MUDA, we have the right to terminate your right to develop additional outlets.

#### Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

#### Territory Protection

In your franchise agreement, you will receive an exclusive territory. In your territory, we will not establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as a Children’s Art Classes business. Continuation of territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency. We do not reserve the right to modify your territorial rights, even if there is an increase in population in your territory.

Neither we nor an affiliate has used or reserves the right to use other channels of distribution to make sales within your territory using our principal trademarks, except we reserve the right to run a website or use sales methods to direct customers gained in this way in your territory to your school.

If you sign a MUDA, you do not receive an exclusive territory as an area developer. Therefore, with respect to a MUDA, we make the following disclosure: 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.

### Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

### Soliciting by You Outside Your Territory

You are prohibited from soliciting to customers outside of your exclusive territory, including the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing without our prior approval. You are prohibited from soliciting customers from the territory of another franchisee. We realize certain types of digital marketing cannot be limited to an individual territory. Those types of advertising will be allowed but must be approved by us.


### Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services like those you will offer. However, the franchise agreement allows us to do so.

## **Item 13 TRADEMARKS**

### Principal Trademark

The following is the principal trademark that we license to you. This trademark is owned by us. It is registered on the Principal Register of the United States Patent and Trademark Office. Because the mark is less than six years old, no affidavits have been filed, and no affidavits are required.

Trademark	Registration Date	Registration Number
	January 26, 2021	6254838

### Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

### Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

### Agreements

On or about September 21, 2020, we entered into an agreement with Pinal County Community College District, the holder of a trademark registration for “CAC” (U.S. Reg. No. 3434682) which limits our ability to use the principal trademark listed above for general education services, as opposed to the services our franchisees are authorized to provide. Other than this, there are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

### Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense, and you have no right to compensation or otherwise under the franchise agreement if we require you to modify or discontinuing using any trademarks. You will have a reasonable period of time to comply with the change, not to exceed 90 days. After such period, you will no longer have the right to use the unmodified or discontinued trademark. Your rights under the franchise agreement do not change, other than the modification or discontinuation of the trademark.

### Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your business name.

## **Item 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

#### Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

#### Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Manual as well as all other sales, training, management, and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

#### Proprietary Information

We have a proprietary, confidential Manual and related materials that include guidelines, standards and policies for the development and operation of your business. Our school curricula

are proprietary. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how.

All customer data and other point-of-sale data generated by your business is confidential information and is exclusively owned by us. We license such data back to you without charge solely for your use in connection with your Children's Art Classes business.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

You must disclose to us all ideas, plans, improvements, concepts, methods, and techniques relating to your Children's Art Classes business that you conceive or develop, including any new art programs. We will automatically own all such innovations, and we will have the right to incorporate any innovations into our system for use by all franchisees, without any compensation to you.

## **Item 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

#### **Your Participation**

You must devote substantial time and attention to your business.

If you are the sole owner of the business, then you are deemed the "Principal Executive". If the business is a partnership or is owned through a corporation, limited liability company, or other entity, you must designate one owner as your "Principal Executive". The Principal Executive is the owner primarily responsible for the business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings. The Principal Executive must devote substantial time and attention to the Business and must be present at the Location for at least 4 hours per week during the first 48 months beginning with the opening of the Business.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B).

### “On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as school director) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor; however, the school director of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the school director own any equity in the entity.

### Restrictions on Your Manager

If we request, you must have your school director sign a confidentiality and non-compete agreement. We will not require you to obtain a confidentiality and non-compete agreement that violates applicable state law or that prohibits a person from being employed by another Children’s Art Classes outlet. Your school director must pass a background check and must complete our initial training program. We do not require you to place any other restrictions on your school director.

## **Item 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale only goods and services (including all classes, camps, and other programs) that we have approved and that meet our standards and specifications. You must use only our approved curricula.

You must offer for sale all goods and services (including all classes, camps, and other programs) that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

You cannot conduct programs at any location other than your premises.

## **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.**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	§ 3.1 (MUDA §1(a))	10 years from date of franchise agreement.

Provision	Section in franchise or other agreement	Summary
		The MUDA will expire on the date that your last franchise is scheduled to open.
b. Renewal or extension of the term	§ 3.2	You may obtain a successor franchise agreement for up to 2 additional 10-year terms.
c. Requirements for franchisee to renew or extend	§§ 3.2, 18.11	<p>For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional ten-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; must have substantially complied with the franchise agreement and other agreements with us throughout the term; have not defaulted more than twice under the franchise agreement; complied with all requirements of ethics and values; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); pay renewal fee; sign general release (unless prohibited by applicable law).</p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either consider the agreement as having expired (meaning that you are in violation of our rights) or consider the term to continue on a month-to-month basis.</p>
d. Termination by franchisee	§ 14.1 (MUDA § 4)	<p>If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.</p> <p>If you sign a MUDA, you may terminate it at any time.</p> <p>(subject to state law)</p>
e. Termination by franchisor without cause	Not Applicable	

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with cause	§ 14.2 (MUDA § 4)	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity.  If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.
g. “Cause” defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. “Cause” defined--non-curable defaults	§ 14.2 (MUDA § 4)	Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; fail to open by specified deadline; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of ethics and values; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations; operate in a manner dangerous to health or safety (if not corrected within 48 hours); three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.  MUDA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it.
i. Franchisee’s obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; cancel assumed names; cancel or transfer phone, post office boxes, directory listings, and digital marketing accounts; cease doing business; remove identification; purchase option by us.



<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
j. Assignment of agreement by franchisor	§ 15.1 (MUDA § 7)	Unlimited
k. “Transfer” by franchisee - defined	Article 1 (MUDA: Background Statement)	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	§ 15.2 (MUDA § 7)	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release (subject to state law); business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor’s right of first refusal to acquire franchisee’s business	§ 15.5	If you want to transfer your business (other than to your co-owner or to your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	§ 14.6	When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your business.
p. Death or disability of franchisee	§§ 2.4, 15.4	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months. We have the right to temporarily operate the business if you die or become incapacitated.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial

Provision	Section in franchise or other agreement	Summary
		assistance to, provide services to, or be employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within twenty-five miles of your former territory (or of your site selection area if no territory had been set) or within twenty-five miles of the territory of any other Children's Art Classes business operating on the date of termination.
s. Modification of the agreement	§ 18.4 (MUDA § 7)	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	§ 18.3 (MUDA § 7)	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or MUDA) may not be enforceable. However, no claim made in any franchise agreement (or MUDA) is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 17.1 (MUDA § 7)	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5 (MUDA § 7)	Arbitration will take place where our headquarters is located (currently, Jacksonville, Florida) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 18.8 (MUDA § 7)	Florida (subject to applicable state law).

For additional disclosures required by certain states, refer to Exhibit H - State Addenda to Disclosure Document.

## **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 outlets 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.

As of December 31, 2024, we had two affiliate-owned Children's Art Classes locations, and we had 14 franchisees in operation.

Table 1 reflects historical financial information for all 14 of those outlets. As indicated below, Table 2 reflects historical information from 2 affiliate-owned outlets, respectively. Except as noted in the footnotes to the tables below, we are not aware of any characteristics of these locations which will differ materially from those of the outlet that may be offered to you

For all tables, "Gross Sales" means the total revenue derived from the sale of goods or services less sales tax and discounts.

We prepared the information below from our information and from information provided by our franchisees and affiliates. These reported results are not audited, and we have not independently verified this data. However, we believe it to be accurate.

**Table 1-Gross Sales for 2024**

The following table shows the historical reported information for the Gross Sales for the 2 affiliate owned locations and for the 12 franchisee owned locations that were open as of December 31, 2024.

<b>Location</b>	<b>Date Opened</b>	<b>2022 Gross Sales</b>	<b>2023 Gross Sales</b>	<b>2024 Gross Sales</b>
Ponte Vedra Beach, FL*	2009	\$139,826	\$147,337	\$147,321
Jacksonville, FL*	2018	\$332,554	\$390,412	\$359,449

Nolensville, TN**	2/21/2018	\$177,253	\$260,449	\$232,370
Richmond, VA	9/19/2021	\$100,730	\$156,842	\$166,622
Geneva, IL	10/3/2021	\$53,040	\$64,201	\$81,754
Brownsburg, IN	2/1/2022	\$75,502	\$116,492	\$126,689
Hanover, MA	10/1/2023	NA	\$31,209	\$160,690
Greenville, SC	6/4/2023	NA	\$55,073	\$117,865
Sarasota, FL	6/3/2023	NA	\$51,530	\$165,592
Fairfield, CT	10/31/2023	NA	\$ 9,017	\$113,875
Murfreesboro, TN	10/31/2023	NA	\$27,464	\$118,616
Saratoga Springs, UT	9/8/2024	NA	NA	\$95,365
St. Petersburg, FL	9/3/2024	NA	NA	\$28,251
Manhattan, NY	9/29/2024	NA	NA	\$24,753

\* Affiliate owned locations

\*\* This outlet had a license agreement with an associate of ours and converted to a franchise outlet in 2022; however, during 2022, it operated in a similar manner as a franchise outlet.

### **Table 2-Summary Income Statement for Affiliate Owned Locations for 2024**

The following tables are a summary income statement for the 2 affiliate owned locations for 2018 through 2024. Beaches opened in September 2018, so the tables below include operating results only for 2019 through 2024, the years in which that was open for 12 full months. The affiliates whose performance is disclosed in this Item 19 are subject to the same territory and solicitation restrictions as the franchises being offered.

	2017	2018	2019		2019 Total	2020		2020 Total	2021	
	Baymeadows	Baymeadows	Baymeadows	Beaches	Two Locations	Baymeadows	Beaches	Two Locations	Baymeadows	Beaches
<b>Gross Sales</b>	<b>\$124,863</b>	<b>\$141,424</b>	<b>\$179,221</b>	<b>\$76,282</b>	<b>\$255,503</b>	<b>\$136,021</b>	<b>\$94,560</b>	<b>\$230,581</b>	<b>\$231,085</b>	<b>\$122,242</b>
<b>Operating Expenses</b>										
Art Supplies	(\$12,424)	(\$14,154)	(\$10,451)	(\$5,340)	(\$15,791)	(\$15,290)	(\$6,221)	(\$21,511)	(\$10,727)	(\$6,221)
Rent	(\$25,994)	(\$27,034)	(\$30,249)	(\$32,779)	(\$63,028)	(\$29,029)	(\$36,052)	(\$65,081)	(\$34,945)	(\$35,450)
Utilities	(\$3,202)	(\$2,611)	(\$2,059)	(\$937)	(\$2,996)	(\$1,758)	(\$1,131)	(\$2,890)	(\$3,166)	(\$786)
Insurance	(\$1,211)	(\$827)	(\$1,284)	(\$570)	(\$1,854)	(\$1,329)	(\$765)	(\$2,094)	(\$707)	(\$765)
Advertising (above Local Advertising Requirement)	(\$1,948)	(\$3,264)	(\$4,696)		(\$4,696)			\$0	(\$2,240)	(\$2,366)
Awards & Art Show	\$0	\$0	(\$1,594)	\$0	(\$1,594)	(\$225)	(\$600)	(\$825)	(\$452)	(\$425)
Miscellaneous	\$0	\$0	(\$5,532)	(\$166)	(\$5,698)	\$0	(\$1,634)	(\$1,634)	\$0	\$500
Cleaning										
Merchant Services Fee										
Technology Fee	(\$2,388)	(\$2,388)	(\$2,388)	(\$2,388)	(\$4,776)	(\$2,388)	(\$2,388)	(\$4,776)	(\$2,388)	(\$2,388)
Royalty Fee	(\$10,301)	(\$11,667)	(\$14,786)	(\$6,293)	(\$21,079)	(\$11,222)	(\$7,801)	(\$19,023)	(\$19,065)	(\$10,085)
Local Advertising Requirement	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$12,000)	(\$6,000)	(\$6,000)	(\$12,000)	(\$6,000)	(\$6,000)
<b>Total Expenses (including franchise costs)</b>	<b>(\$65,880)</b>	<b>(\$70,357)</b>	<b>(\$82,031)</b>	<b>(\$56,885)</b>	<b>(\$138,916)</b>	<b>(\$69,653)</b>	<b>(\$65,004)</b>	<b>(\$134,657)</b>	<b>(\$77,459)</b>	<b>(\$70,592)</b>
<b>Adjusted Discretionary Income</b>	<b>\$58,983</b>	<b>\$71,067</b>	<b>\$97,190</b>	<b>\$19,397</b>	<b>\$116,587</b>	<b>\$66,368</b>	<b>\$29,556</b>	<b>\$95,924</b>	<b>\$153,626</b>	<b>\$51,649</b>

	2022		2022 Total	2023		2023 Total	2024		2024 Total
	Baymeadows	Beaches		Baymeadows	Beaches		Baymeadows	Beaches	
<b>Gross Sales</b>	<b>\$332,554</b>	<b>\$139,826</b>	<b>\$472,380</b>	<b>\$390,412</b>	<b>\$147,337</b>	<b>\$537,749</b>	<b>\$359,449</b>	<b>\$147,321</b>	<b>\$506,770</b>
<b>Operating Expenses</b>									
Art Supplies	(\$16,592)	(\$9,952)	(\$26,544)	(\$28,308)	(\$6,931)	(\$35,239)	(\$26,888)	(\$6,394)	(\$35,239)
Rent	(\$42,922)	(\$39,368)	(\$82,290)	(\$46,232)	(\$42,708)	(\$88,940)	(\$45,549)	(\$45,530)	(\$88,940)
Utilities	(\$5,011)	(\$3,962)	(\$8,973)	(\$3,230)	(\$1,397)	(\$4,627)	(\$3,252)	(\$2,437)	(\$4,627)
Insurance	(\$504)	(\$740)	(\$1,244)	(\$509)	(\$815)	(\$1,324)	(\$509)	(\$938)	(\$1,324)
Advertising (above Local Advertising Requirement)	(\$6,668)	(\$7,518)	(\$14,186)	(\$4,433)	(\$6,687)	(\$11,120)	(\$5,171)	(\$9,521)	(\$11,120)
Awards & Art Show	(\$1,578)	(\$813)	(\$2,391)	(\$1,613)	(\$900)	(\$2,513)	(\$1,149)	\$0	(\$2,513)
Miscellaneous	(\$3,077)	(\$2,961)	(\$6,038)	(\$6,191)	(\$8,548)	(\$14,739)	(\$6,479)	(\$5,975)	(\$14,739)
Cleaning	(\$2,800)	(\$1,685)	(\$4,485)	(\$2,934)	(\$1,245)	(\$4,179)	(\$3,230)	(\$2,600)	(\$4,179)
Merchant Services Fee	(\$10,446)	(\$4,385)	(\$14,831)	(\$12,205)	(\$4,599)	(\$16,804)	(\$11,862)	(\$4,420)	(\$16,804)
Technology Fee	(\$2,388)	(\$2,388)	(\$4,776)	(\$6,093)	(\$3,180)	(\$9,273)	(\$3,180)	(\$3,210)	(\$9,273)
Royalty Fee	(\$27,436)	(\$11,536)	(\$38,971)	(\$32,209)	(\$12,155)	(\$44,364)	(\$29,655)	(\$12,154)	(\$44,364)
Local Advertising Requirement	(\$6,000)	(\$6,000)	(\$12,000)	(\$6,000)	(\$6,000)	(\$12,000)	(\$6,000)	(\$6,000)	(\$12,000)
<b>Total Expenses (including franchise costs)</b>	<b>(\$125,422)</b>	<b>(\$91,308)</b>	<b>(\$216,730)</b>	<b>(\$149,957)</b>	<b>(\$95,166)</b>	<b>(\$245,122)</b>	<b>(\$142,922)</b>	<b>(\$99,179)</b>	<b>(\$245,122)</b>
<b>Adjusted Discretionary Income</b>	<b>\$207,132</b>	<b>\$48,518</b>	<b>\$255,650</b>	<b>\$240,455</b>	<b>\$52,172</b>	<b>\$292,626</b>	<b>\$216,528</b>	<b>\$48,142</b>	<b>\$261,648</b>

1. “Miscellaneous” expenses include phone, post office box, and accounting expenses.

2. Expenses includes the royalty fee (the greater of \$500 per month or 8.25% of gross sales) that these outlets would have paid if they were franchises.

3. A franchisee is also required to spend money on local marketing (\$1,000 per month unless a school has at least 150 enrolled students in which case the requirement is only \$500 per month). Because both locations had over 150 enrolled students for all years reflected in this Table, this spending is shown as \$500 per month and is reflected under “Local Advertising Requirement”. We deducted the same amount from the “Advertising” actually spent on the outlets. Therefore, to calculate the amount actually spent on advertising by each outlet, you would add “Advertising (above Local Advertising Requirement)” and the “Local Advertising Requirement” (except for Beaches in 2019, which spent \$4,699 on advertising; Beaches for 2020, which spent \$5,210 on advertising; and Baymeadows in 2020, which spent \$5,018 on advertising). The Advertising expense includes print and digital paid ads as well as our affiliate’s website.

4. We currently do not require franchisees to contribute to the Brand Development Fund, but we have the right to start a Brand Development Fund in the future and require franchisees to pay up to 1% of gross sales to the fund.

5. “Adjusted Discretionary Income” is Gross Sales minus Total Expenses (including franchise costs). It does not reflect any interest on loans, taxes, depreciation, or amortization.

The foregoing tables are historic financial performance representation.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Other than the preceding financial performance representation, CAC Franchising, LLC does not make any financial performance representations. 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 outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Stephanie Larsen, 9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256, and 904.962.4292, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For Years 2022 to 2024**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2022	5	6	+1
	2023	6	9	+3
	2024	9	12	+3
Company-Owned*	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
<b>Total Outlets</b>	<b>2022</b>	<b>7</b>	<b>8</b>	<b>+1</b>
	<b>2023</b>	<b>8</b>	<b>11</b>	<b>+3</b>
	<b>2024</b>	<b>11</b>	<b>14</b>	<b>+3</b>

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2022 to 2024**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
N/A	2022	0
	2023	0
	2024	0
<b>Total</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
	<b>2024</b>	<b>0</b>



**Table 3**  
**Status of Franchised Outlets**  
**For Years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Connecticut	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	2	0	0	0	0	0	2
	2023	2	1	2	0	0	0	1
	2024	1	1	0	0	0	0	2
Illinois	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachusetts	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Tennessee	2022	0	1*	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Utah	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Virginia	2022	1	0	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals	2022	5	1	0	0	0	0	6
	2023	6	5	2	0	0	0	9
	2024	9	3	0	0	0	0	12

\* This outlet had a license agreement with an associate of ours and converted to a franchise outlet during 2022.

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Florida	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Totals	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

**Table 5**  
**Projected Openings As Of December 31, 2024**

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year
Arizona	3	3	0
California	2	2	0
Colorado	2*	2*	0
Connecticut	1*	1*	0
Florida	3*	3*	0
Georgia	0	1	0

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year
Idaho	1	1	0
Illinois	0	3	0
Louisiana	0	1	0
Massachusetts	0	1	0
Mississippi	0	1	0
Montana	1	1	0
New York	3	3	0
New Jersey	0	1	0
North Carolina	2	2	0
Ohio	1	1	0
Pennsylvania	1	1	0
South Carolina	1	1	0
Tennessee	1	1	0
Texas	2	4	0
Virginia	3	3	0
Wisconsin	0	1	0
<b>Totals</b>	<b>27</b>	<b>38</b>	<b>0</b>

\* These may be part of a multi-unit agreement.

### Current Franchisees

Exhibit G contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

### Former Franchisees

Exhibit G contains 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 the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

### Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

### Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

## **Item 21 FINANCIAL STATEMENTS**

Exhibit E contains our audited financial statements as of December 31, 2024; December 31, 2023; and December 31, 2022. Our fiscal year end is December 31.

## **Item 22 CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Rider to Lease Agreement
- D. Form of General Release
- I. State Addenda to Agreements
- J. EFT Authorization Form
- K.. Confidentiality and Noncompete Agreement
- L. Multi-Unit Development Agreement

## **Item 23 RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 866-275-2677 www.dfpi.ca.gov Ask.DFPI@difpi.ca.gov	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue Building 68-2 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 261-7577

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



# Children's Art Classes

## FRANCHISE AGREEMENT

SUMMARY PAGE		
1.	Franchisee	
2.	Initial Franchise Fee	\$
3.	Site Selection Area	
4.	School Location	
5.	Protected Territory	
6.	Opening Deadline	180 days from Effective Date
7.	Principal Executive	
8.	Franchisee's Address	



## FRANCHISE AGREEMENT

This Agreement is made between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”), and Franchisee effective as of the date signed by CAC Franchising (the “Effective Date”).

### Background Statement:

A. CAC Franchising and its affiliate Children’s Art Classes have created and own a system (the “System”) for developing and operating Art Education and Enrichment businesses under the trade name “Children’s Art Classes”.

B. The System includes (1) methods, procedures, standards for developing and operating a Children’s Art Classes business, (2) plans, specifications, equipment, signage and trade dress for Children’s Art Classes businesses, (3) curricula and other products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by CAC Franchising from time to time.

C. The parties desire that CAC Franchising license the Marks and the System to Franchisee for Franchisee to develop and operate a Children’s Art Classes business on the terms and conditions of this Agreement.

## ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, or judgment, or appeal thereof, whether formal or informal.

“**Advertising and Promotional Content**” means all advertising, marketing, promotional, customer relationship management, public relations, and other brand-related programs, materials, and content relating to Children’s Art Classes or the Business, including without limitation any printed materials (such as business cards, signs, counter cards, banners, posters, displays, window clings, leaflets, direct mail materials, coupons, and published advertisements); promotional items (such as branded specialty and novelty items, products, and clothing); audio or video advertising (such as radio, television, or podcast ads or online video postings); and Digital Marketing.

“**AI Tools**” means any technology in the artificial intelligence, machine learning, deep learning, generative artificial intelligence, or other autonomous learning fields, including proprietary algorithms, software or systems that make use of such technologies.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by CAC Franchising.

“**Brand Development Fund**” means the fund established (or which may be established) by CAC Franchising into which Brand Development Fund Contributions are deposited.

“**Competitor**” means any business which offers art education or art enrichment programs.

**“Confidential Information”** means all non-public information of or about the System, CAC Franchising, and any Children’s Art Classes business, including without limitation the Manual, trade secrets, all school curricular, all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

**“Data Security Event”** means any act, both actual or suspected, that initiates either internally or from outside the Business’s computers, point-of-sale terminals, and other technology or networked environment and violates any laws or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the System, other Children’s Art Classes schools, or their data or to view, copy, or use Privacy Information or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of data; and changes to system hardware, firmware, or software characteristics without CAC Franchising’s knowledge, instruction, or consent.

**“Digital Marketing”** means social media accounts (such as Facebook, Twitter, Instagram, Pinterest, Snapchat, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, online videos, display banner campaigns, branded content social media campaigns, e-mail marketing campaigns, or other means of digital advertising on the Internet or any other means of digital or electronic communications that are intended to promote Children’s Art Classes and/or the Business.

**“Gross Sales”** means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales also includes the proceeds from any business interruption insurance. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards, vouchers, or similar products (but the redemption of any such card, voucher, or product will be included in Gross Sales).

**“Input”** means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

**“Location”** means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of CAC Franchising’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

**“Manual”** means CAC Franchising’s confidential Brand Standards Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

**“Marks”** means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by CAC Franchising from time to time for use in a Children’s Art Classes business.

**“Owner”** means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

**“Privacy Information”** means all information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. Privacy Information includes but is not limited to, the following if it identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household: identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver’s license or state identification card number, passport number, signature, physical characteristics or description, telephone number, insurance policy number, bank account number, credit card number, debit card number or any other financial information, medical information or health insurance information; characteristics of protected classifications under state or federal law; commercial information, including records of personal property, products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies; biometric information; Internet or other electronic network activity information including, but not limited to, browsing history, search history, and information regarding a consumer’s interaction with an internet website, application, or advertisement; geolocation data; audio or electronic information; professional or employment-related information; education information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 USC § 1232g; 34 CFR Part 99); and inferences drawn from any of the information identified in this subsection to create a profile about a consumer reflecting the consumer’s preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities and aptitudes. Privacy Information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

**“Programs”** means the classes, camps, curricula, and other programs and service offerings required by or approved by CAC Franchising for use by franchisees.

**“Remodel”** means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Children’s Art Classes business.

**“Required Vendor”** means a supplier, vendor, or distributor of Inputs which CAC Franchising requires franchisees to use.

**“School”** (or **“Business”**) means the Children’s Art Classes business owned by Franchisee and operated under this Agreement.

**“School Director”** means the person who acts as the day-to-day general manager of the Business.

**“System Standards”** means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by CAC Franchising, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, data protection and privacy, design (such as construction, decoration, layout, furniture, fixtures and signs), environmental protection and sustainability, equipment, inventory, maintenance, marketing and public relations, minimum numbers and types of personnel, operating days, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), refund and replacement policies, reporting, safety procedures, security systems, Technology, temporary operational changes due to special circumstances (such as a pandemic), uniforms, and vehicles.

**“Technology”** means point-of-sale systems, back-office systems, information management systems, customer-facing software, and other software; computers, computer peripheral equipment, cash registers, smartphones, tablets, and similar equipment; communications systems (including email, audio, and video systems); backup and archiving systems; payment acceptance systems (including credit and debit card systems, check verification services, and other payment systems, as well as any compliance programs relating to those systems), and internet access, as well as upgrades, supplements, and modifications to any Technology.

**“Territory”** means the Protected Territory stated on the Summary Page. If no Protected Territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

**“Transfer”** means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## **ARTICLE 2. GRANT OF LICENSE**

**2.1 Grant.** CAC Franchising grants to Franchisee the right to operate a Children’s Art Classes Business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Children’s Art Classes business at the Location for the entire term of this Agreement. Franchisee shall exert its best efforts to promote and enhance the Business.

**2.2 Protected Territory.** CAC Franchising shall not establish, nor license the establishment of, another business within the Territory selling the same or similar goods or services under the same or similar trademarks or service marks as a Children’s Art Classes business. This prohibition does not apply to any Children’s Art Classes business operating or under construction when the Territory is determined. CAC Franchising and its affiliates retain the right to do any of the following (all without any compensation to Franchisee):

- (i) establish and license others to establish and operate Children’s Art Classes businesses outside the Territory, notwithstanding their proximity to the Territory or their potential impact on the Business;

- (ii) operate and license others to operate businesses anywhere, including within the Territory, that sell the same or similar goods or services as a Children's Art Classes business under trademarks or service marks that are not the same as or similar to the Marks;
- (iii) sell and license others to sell any products and services in the Territory under any trademarks or service marks (including the Marks) through channels of distribution (including the internet) other than Children's Art Classes outlets;
- (iv) acquire or be acquired by (under any form of business transaction) a Competitor that has (or may in the future have) outlets in the Territory which compete with the Business under trademarks or service marks other than the Marks; and
- (v) engage in any action not specifically precluded by the express terms of this Agreement.

**2.3 Restriction.** Franchisee shall not solicit or market to customers outside of the Territory without approval from CAC Franchising. Franchisee shall not solicit or market to customers in the protected territory of another franchisee. Franchisee shall use best efforts to target digital marketing only within Franchisee's Territory.

**2.4 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify CAC Franchising within 10 days.

**2.5 Principal Executive.** Franchisee agrees that the person designated as the "Principal Executive" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. CAC Franchising is entitled to rely on any communication, decision, or act by the Principal Executive as being the communication, decision, or act of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager/Director of the School, but the Principal Executive must devote substantial time and attention to the Business and must be present at the Location for at least 3 hours per week during the first 48 months beginning with the opening of the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to CAC Franchising's reasonable approval.

**2.6 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to CAC Franchising, in the form of Attachment 3.

**2.7 No Conflict.** Franchisee represents to CAC Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for 10 years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for the Location for up to 2 additional periods of 10 years each, subject to the following conditions prior to each expiration:

- (i) Franchisee notifies CAC Franchising of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with CAC Franchising (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee (and its affiliates) have been in substantial compliance with this Agreement and all other agreements with CAC Franchising (or any of its affiliates) throughout the term of this Agreement and any other such agreement(s);
- (iv) Franchisee did not (A) receive written notice of default under this Agreement from CAC Franchising more than twice during the term, or (B) failed to cure a written notice of default under this Agreement within the cure period (if any) provided in this Agreement;
- (v) Franchisee and its Owners complied with Section 7.24 of this Agreement at all times during the term;
- (vi) Franchisee has made or agrees to make (within a period of time acceptable to CAC Franchising) renovations and changes to the Business as CAC Franchising requires to conform to the then-current System Standards; such renovations and changes may include, without limitation, a Remodel, making changes to the façade, installing furnishings or fixtures, changing signage, and making upgrades to any technological features required by the System Standards;
- (vii) Franchisee and its Owners execute CAC Franchising's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that the form of the franchise agreement will be amended to provide that Franchisee will not pay another initial franchise fee and to provide that Franchisee will not receive more renewal or successor terms than originally granted to Franchisee;
- (vi) Franchisee pays a renewal fee of \$5,000;
- (vii) Franchisee and each Owner executes a general release (on CAC Franchising's then-standard form) of any and all claims against CAC Franchising, its affiliates, and their respective owners, officers, directors, agents and employees.

Franchisee agrees that if it has not complied with each of the foregoing conditions, CAC Franchising is not required to permit Franchisee to enter into a successor agreement as originally provided hereunder.

#### **ARTICLE 4. FEES**

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable under any circumstances.

**4.2 Royalty Fee.** Franchisee shall pay CAC Franchising a monthly royalty fee (the “Royalty Fee”) equal to 8.25% of Gross Sales during the first six months of operation. Thereafter, the monthly Royalty Fee will equal the greater of 8.25% of Gross Sales or \$500. Franchisee shall pay the Royalty Fee for any given month so that it is received by CAC Franchising on or before the 5<sup>th</sup> calendar day of the following month.

**4.3 Brand Development Fund Contribution.** Franchisee shall pay CAC Franchising a contribution to the Brand Development Fund (the “Brand Development Fund Contribution”) equal to up to 1% of Franchisee’s Gross Sales (or such lesser amount as CAC Franchising determines), at the same time as the Royalty Fee.

**4.4 Replacement / Additional Training Fee.** If Franchisee sends an employee to CAC Franchising’s training program after opening, CAC Franchising may charge its then-current training fee. As of the date of this Agreement, the training fee is \$200 per person per day.

**4.5 Non-Compliance Fee.** CAC Franchising may charge Franchisee \$500 for each instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to CAC Franchising) which Franchisee fails to cure after 30 days’ notice. Thereafter, CAC Franchising may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of CAC Franchising’s internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of CAC Franchising’s other rights and remedies (including default and termination under Section 14.2).

**4.6 Reimbursement.** CAC Franchising may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If CAC Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to CAC Franchising within 15 days after invoice by CAC Franchising accompanied by reasonable documentation.

**4.7 Curriculum Replacement Fee.** If your curriculum set is lost or damaged, CAC Franchising will provide a replacement copy at its then-current cost. As of the date of this Agreement, the cost of a replacement curriculum is \$500.

**4.8 Technology Fee.** CAC Franchising reserves the right to charge Franchisee a commercially-reasonable fee (the “Technology Fee”) in exchange for software and other technology-related services and products provided by or through CAC Franchising. The Technology Fee does not have to be a pass-through of CAC Franchising’s exact costs. CAC Franchising has no liability or

obligation to Franchisee with respect any third-party software or other technology-related services and products that CAC Franchising provides to Franchisee. The Technology Fee for a given period is due and payable at the same time as the Royalty Fee, unless CAC Franchising determines otherwise. CAC Franchising may add, remove, or alter the software or technology products or services that it provides. CAC Franchising may change Technology Fee after at least 30 days' notice.

**4.9 Shared Fees.** CAC Franchising reserves the right to have suppliers bill CAC Franchising or one of its affiliates for goods or services that benefit the Children's Art Classes franchisees. Franchisee agrees to pay its pro rata share of these goods and service costs and fees to CAC Franchising.

#### **4.10 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Brand Development Fund Contribution, Technology Fee, and any other amounts owed to CAC Franchising by pre-authorized bank draft or in such other manner as CAC Franchising may require. Franchisee shall comply with CAC Franchising's payment instructions, including executing all documents reasonably required by CAC Franchising. If CAC Franchising permits Franchisee to pay by credit card or other method which causes CAC Franchising to incur a processing fee, Franchisee shall be responsible for the amount of the processing fee.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to CAC Franchising by the second calendar day of the following month. If Franchisee fails to report monthly Gross Sales and CAC Franchising cannot determine them directly from Franchisee's computer systems, then CAC Franchising may withdraw estimated Royalty Fees and Brand Development Fund Contributions based on 125% of the Gross Sales reported to CAC Franchising for the prior three months, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that CAC Franchising has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. CAC Franchising may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection and Enforcement. Franchisee shall repay any costs incurred by CAC Franchising in attempting to collect payments owed by Franchisee or to enforce any other provision of this Agreement (including, without limitation, reasonable attorney fees, accounting fees, and other professional costs).

(f) Application. CAC Franchising may apply any payment received from Franchisee to any obligation and in any order as CAC Franchising may determine, regardless of any designation by Franchisee.



(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to CAC Franchising any fees or amounts described in this Agreement are not dependent on CAC Franchising's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

(h) Taxes. Franchisee will be responsible for (and shall immediately remit to CAC Franchising upon demand) all sales taxes, use taxes, and other taxes imposed on the fees payable by Franchisee to CAC Franchising or its affiliates and on services or goods furnished to Franchisee by CAC Franchising or its affiliates, unless the tax is an income tax assessed on CAC Franchising or its affiliate for doing business in the state where the Business is located.

(i) CPI. Any fee expressed as a fixed dollar amount in this Agreement is subject to adjustment based on changes to the Consumer Price Index ("CPI") in the United States. CAC Franchising may periodically review and increase these fees based on changes to the CPI (in addition to any other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the Effective Date (for the initial fee adjustments); or (b) the date CAC Franchising implemented the last fee adjustment (for subsequent fee adjustments). CAC Franchising will notify Franchisee of any CPI adjustment at least 60 days before the fee adjustment becomes effective. CAC Franchising will implement no more than one CPI-related fee adjustment during any calendar year.

## ARTICLE 5. ASSISTANCE

**5.1 Manual and Curricula.** CAC Franchising shall give Franchisee access to CAC Franchising's Manual and proprietary course curriculum for use in Franchisee's Business.

**5.2 Assistance in Training Employees.** CAC Franchising shall provide a system of online instructions and training for Franchisee's teachers. Franchisee is responsible for ensuring that its teachers complete all online training. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

### **5.3 Pre-Opening Assistance.**

(a) Selecting Location. CAC Franchising shall provide its criteria for Children's Art Classes locations to Franchisee. CAC Franchising will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. CAC Franchising will advise Franchisee regarding the layout of the Business. Within a reasonable period of time after the Effective Date, CAC Franchising shall provide Franchisee with (i) applicable System Standards and other specifications as CAC Franchising deems appropriate (which may include specifications regarding décor, inventory, supplies, materials, and other matters), and (ii) CAC Franchising's lists of Approved Vendors and/or Required Vendors.

(c) Business Plan Review. If requested by Franchisee, CAC Franchising shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that CAC Franchising accepts no responsibility for the performance of the Business.**

(d) Pre-Opening Training. CAC Franchising shall make available its standard pre-opening training to the Principal Executive and up to two other employees, at CAC Franchising's headquarters and/or at a Children's Art Classes business designated by CAC Franchising. CAC Franchising shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. CAC Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(e) Market Introduction Plan. CAC Franchising shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

If Franchisee believes that CAC Franchising has failed to adequately provide any pre-opening assistance as required by this Section 5.2, Franchisee shall notify CAC Franchising in writing within 30 days of the opening of the Business. Absent timely provision of notice to CAC Franchising, Franchisee shall be deemed to have conclusively acknowledged that all pre-opening training and opening services required to be provided hereunder were sufficient and satisfactory in Franchisee's judgment.

#### **5.4 Post-Opening Assistance.**

(a) Advice, Consulting, and Support. If Franchisee requests, CAC Franchising shall provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent CAC Franchising deems reasonable. If CAC Franchising provides in-person support in response to Franchisee's request, CAC Franchising may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, CAC Franchising shall provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. To the extent CAC Franchising determines in its sole discretion, CAC Franchising shall provide Franchisee with CAC Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures. CAC Franchising may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. CAC Franchising shall manage the Brand Development Fund.

(e) Internet. CAC Franchising shall maintain a website for Children's Art Classes, which will include Franchisee's location (or territory) and contact information.

### **ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING**

**6.1 Determining Location and Territory.** If the Location and Territory are not stated on the Summary Page, then Franchisee shall identify a potential Location within the Site Selection Area described on the Summary Page. Franchisee acknowledges that Franchisee does not have any territorial or other rights to the Site Selection Area and that it is only provided for the purpose of delineating the area within which Franchisee must locate an acceptable Location for the Business. Franchisee shall submit its proposed Location to CAC Franchising for acceptance, with all related

information and documents CAC Franchising may request. If CAC Franchising does not accept the proposed Location in writing within 30 days, then it is deemed rejected. When CAC Franchising accepts the Location, it will issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. CAC Franchising shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document. If CAC Franchising fails to state the Territory in writing before Franchisee opens the Business to the public, the Territory will be deemed to be a 3-mile radius around the Location. **CAC Franchising's advice regarding or acceptance of a proposed Location is not a representation or warranty that the Business will be successful or that the Business is permitted to be operated at the Location under applicable laws or zoning ordinances, and CAC Franchising has no liability to Franchisee with respect to the location of the Business.**

**6.2 Lease.** In connection with any lease (a "Lease") between Franchisee and the landlord of the Location: (i) if requested by CAC Franchising, Franchisee must submit the proposed Lease to CAC Franchising for written approval, (ii) the term of the Lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the Lease in the form required by CAC Franchising.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with CAC Franchising's System Standards. If required by CAC Franchising, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining CAC Franchising's approval of Franchisee's plans and without first obtaining any required permits or licenses necessary to commence such construction or remodeling work. Franchisee must engage a qualified licensed general contractor to perform such construction or remodeling work. CAC Franchising may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by CAC Franchising or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and CAC Franchising assumes no liability with respect thereto. CAC Franchising's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

**6.4 New Franchisee Training.** Franchisee's Principal Executive must complete CAC Franchising's training program for new franchisees to CAC Franchising's satisfaction within six weeks after the Execution Date. If the Principal Executive is not going to be the School Director, then the School Director must also attend training.

**6.5 Conditions to Opening.** Franchisee shall notify CAC Franchising at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) CAC Franchising has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of CAC Franchising's required pre-opening training and pre-opening shadowing;

and (7) CAC Franchising has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

**6.7 Relocation.** Franchisee shall not relocate the Business to new premises without the prior written approval of CAC Franchising. If Franchisee requests approval of a relocation, Franchisee must pay \$2,500 upon submitting the request. If CAC Franchising approves the relocation, Franchisee must (i) pay an additional \$2,500 relocation fee to CAC Franchising upon approval, (ii) comply with the conditions set for in Sections 6.1, 6.2, and 6.5 with respect to the new location, and (iii) satisfy any other conditions required by CAC Franchising.

**6.8 Damage to the Location.** If the Location is damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than one month following such casualty, initiate repairs of or the process for reconstruction of the Location, and Franchisee shall in good faith and with due diligence continue until such repairs or reconstruction are completed. Any repairs or reconstruction shall otherwise comply with the System Standards (including the then-current design and décor) and the requirements of this Agreement.

## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards, as they are now or hereafter established. Franchisee acknowledges and agrees that the products and services offered under the Marks have a reputation for excellence and that Franchisee's compliance with all System Standards is of the utmost importance to CAC Franchising.

**7.2 Compliance with Law.** Franchisee and the Business shall comply with all laws, rules, ordinances, and regulations applicable to Franchisee or to the Business. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business. Franchisee is solely responsible for all such compliance, notwithstanding any information provided by CAC Franchising.

### **7.3 Programs.**

(a) Program Offerings. Franchisee must offer all Programs specified by CAC Franchising from time to time. Franchisee shall not offer any Programs or other products or services which have not been approved by CAC Franchising. CAC Franchising retains the right to designate certain Programs as "core offerings" which Franchisee must offer and other Programs as optional. CAC Franchising may change designation from mandatory to optional or vice versa, in CAC Franchising's sole discretion. Franchisee shall not alter any Programs without the prior consent of CAC Franchising.

(i) As of the date of this Agreement, Franchisee must offer the following mandatory Programs:

- Tiny Hands 1
- Tiny Hands 2
- Intro to Art 1
- Intro to Art 2
- Beginning Art 1 (offered alternating years with Beginning Art 2)
- Beginning Art 2 (offered alternating years with Beginning Art 1)
- Art 1
- Art 2 (added second year in operation)
- Art 3 (added third year in operation)
- Art 4 (added fourth year in operation)
- Art 5 level and higher (add one level each year in operation after year 4)
- Summer Workshops - minimum 4 weeks in summer. Each week, four or more workshops offered
- Approved Summer Camps

(ii) As of the date of this Agreement, Franchisee has the option to offer following Programs:

- Birthday Parties
- Field trips
- Work Events
- Scout Workshops
- Holiday Workshops
- “Mommy and Me Do Art” (morning class times)
- Special Needs
- Art Therapy (but only with instructors with the appropriate qualifications)
- Adult Classes

(b) Program Development by Franchisee. Franchisee may develop and implement its own Programs only with the prior approval of CAC Franchising. Any Programs developed by Franchisee are considered “Innovations” under Section 11.6.

(c) Curricula. Franchisee shall use only the art curricula specified by CAC Franchising.

(d) Quality. Franchisee shall provide and perform all Programs in a high-quality manner that meets or exceeds the customer’s reasonable expectations and all applicable System Standards.

(e) Location. Franchisee shall offer and provide Programs only at the Location. Franchisee cannot provide any Programs at any other location or setting.

(f) Prices. Franchisee acknowledges that the System Standards determined by CAC Franchising may include the minimum, maximum, and/or exact prices that franchisees may charge for products or services sold (except to the extent such authority is limited or prohibited by applicable law).

**7.4 Security and Cameras.** Franchisee must implement effective security measures for protection of the Business and all children at the Business. Without limiting the foregoing, Franchisee must deploy a security camera system that meet System Standards, and Franchisee must give CAC Franchising remote access to the cameras and recordings at all times. CAC Franchising bears no responsibility to Franchisee or any third-party for security at the Business.

**7.5 Personnel.**

(a) Management. The Business must at all times be managed by the Principal Executive or by a School Director who has completed CAC Franchising's training program. If the School Director leaves Franchisee's employment, Franchisee must have a new School Director complete the training program within 30 days (or have the Principal Executive act as School Director).

(b) Instructors. Franchisee must have two trained instructors per School. The Principal Executive may be one of the trained instructors. One teacher can substitute teach until needed full time. Instructors must complete all online or other training as required by CAC Franchising. CAC Franchising reserves the right to require Franchisee's instructors to attend up to 2 hours of monthly instructor training/meetings hosted virtually by CAC Franchising, at Franchisee's expense.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual or the System Standards.

(d) Qualifications. CAC Franchising may set minimum qualifications for instructors and other personnel working for the Business. As of the date of this Agreement, CAC recommends (but does not require) that instructors have two years teaching experience, or education degree, or art degree (either associates or bachelor's).

(e) Background Checks. Franchisee must conduct background checks on all employees and independent contractors before engaging to work at the Business. Franchisee must conduct annual updates of backgrounds.

(f) Staffing. Franchisee must hire or engage a sufficient number of personnel to service its volume of business, and Franchisee must comply with any System Standards regarding staffing levels. Franchisee shall maintain a competent and trained staff and shall take all reasonable steps to ensure that Franchisee's staff preserve good customer relations and render competent, prompt, courteous, and knowledgeable service.

(h) Sole Responsibility. Franchisee is solely responsible for all hiring decisions and all of the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and CAC Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of CAC Franchising. Within seven days of CAC Franchising's request, Franchisee and each of its employees shall sign an acknowledgment form stating that Franchisee alone (and not CAC Franchising) is the employee's sole employer. Franchisee shall use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, timecards, pay checks, and

employment and independent contractor agreements, and Franchisee shall not use the Marks on any of these documents.

**7.6 Post-Opening Training.** CAC Franchising may at any time require that the Principal Executive and/or any other teachers, instructors, or employees complete training programs, in any format and in any location determined by CAC Franchising. CAC Franchising may charge a reasonable fee for any training programs. CAC Franchising may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other persons, then Franchisee shall pay all travel, living and other expenses.

**7.7 Technology.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all Technology required by CAC Franchising. CAC Franchising has the right to prohibit Franchisee from using any Technology which is not approved or required by CAC Franchising. Franchisee shall enter into any subscription and support agreements related to the Technology that CAC Franchising may require. Franchisee shall upgrade, update, or replace any Technology from time to time as CAC Franchising may require. Franchisee shall protect the confidentiality and security of all Technology, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give CAC Franchising unlimited access to Franchisee's Technology used in the Business, by any means designated by CAC Franchising. Despite Franchisee's obligation to acquire and use Technology according to System Standards, Franchisee has sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading Franchisee's Technology; (b) the manner in which Franchisee's Technology interfaces with CAC Franchising's and any third party's computer system; (c) any and all consequences if Franchisee's Technology is not properly operated, maintained, and upgraded; (d) complying at all times with the most current version of the Payment Card Industry Data Security Standards, and (e) complying at all times with all laws governing the use, disclosure, and protection of Privacy Information.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. CAC Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and CAC Franchising may require Franchisee to reimburse CAC Franchising for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by CAC Franchising for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. CAC Franchising shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by CAC Franchising for such programs. CAC Franchising may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by CAC Franchising (which may include, for example, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by CAC Franchising..

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by CAC Franchising, in the manner specified by CAC Franchising in the Manual, the System Standards, or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Children's Art Classes business. Franchisee shall comply with all procedures and specifications of CAC Franchising related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

**7.12 Maintenance, Repair, and Alterations.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all of the property of the Business in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as CAC Franchising may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn-out signage, floor coverings, furnishings, equipment, and décor. If such work is reserved to Franchisee's landlord under the terms of Franchisee's lease, then Franchisee shall use reasonable efforts to cause its landlord to perform such work. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, replacement, and repair. Franchisee shall not alter or replace the equipment, fixtures, furniture, signs, décor, or other aspects of the interior or exterior of the Business except in compliance with all applicable System Standards or except with prior approval from CAC Franchising.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, CAC Franchising may require Franchisee to undertake and complete a Remodel of the Location to CAC Franchising's satisfaction. Franchisee must complete the Remodel in the time frame specified by CAC Franchising. CAC Franchising may require Franchisee to submit plans for CAC Franchising's reasonable approval prior to commencing a required Remodel, and CAC Franchising may require Franchisee to engage a qualified licensed contractor to perform the Remodel. CAC Franchising's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

**7.14 Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls) that CAC Franchising requires, including any national or regional brand conventions or conferences. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings. CAC Franchising may charge Franchisee the attendance fee for Children's Art Classes' national or regional brand convention, regardless of whether the Principal Executive attends. Franchisee is responsible for all travel and living expenses of attending any such meeting or convention.



## **7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by CAC Franchising in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);
- (ii) Business interruption insurance covering at least 12 months of income;
- (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit; and
- (iv) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies (other than Workers Compensation) must (1) list CAC Franchising and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of CAC Franchising and its affiliates, (3) be primary and non-contributing with any insurance carried by CAC Franchising or its affiliates, and (4) stipulate that CAC Franchising shall receive 30 days’ prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to CAC Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time within 15 days after request from CAC Franchising.

**7.16 Obligations to Third Parties.** Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its Lease for the Location and make all rent payments when due.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Children’s Art Classes, the Business, or any particular incident or occurrence related to the Business, without CAC Franchising’s prior written approval, which will not be unreasonably withheld.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization or cause, or (ii) act in support of any such organization or cause, without CAC Franchising’s prior written approval, which will not be unreasonably withheld.

**7.19 No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the Children’s Art Classes Business. Franchisee shall not use assets of the Business for any purpose other than the Business.

If Franchisee is an entity, the entity shall not own or operate any other business except Children's Art Classes businesses.

**7.20 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of CAC Franchising, which will not be unreasonably withheld.

**7.21 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by CAC Franchising. Franchisee must display at the Business signage prescribed by CAC Franchising identifying the Location as an independently owned franchise.

**7.22 Privacy Practices.**

(a) With respect to Privacy Information, Franchisee must comply with all of their obligations under applicable privacy laws, including any local, state, or federal data privacy or data security law or regulation.

(b) Franchisee shall not sell any Privacy Information. Franchisee further agrees to not access, use, or process the Privacy Information except in the furtherance of its obligations under this Agreement, but in all times, in compliance with applicable privacy laws.

(c) To the extent CAC Franchising does not have the then-current ability to address requests made under any applicable privacy law by individuals that are the subject of any of the Privacy Information, Franchisee shall, upon CAC Franchising's request, provide reasonable assistance to CAC Franchising in responding to such requests.

(d) In the event of a Data Security Event, Franchisee must notify CAC Franchising immediately after becoming aware of the Data Security Event and shall cooperate with CAC Franchising and follow all of CAC Franchising's reasonable requests to address the Data Security Event and to protect any Privacy Information and/or Confidential Information. CAC Franchising, or its designee, has the right, but not the obligation, to take any action or pursue any proceeding with respect to the Data Security Event.

(e) CAC Franchising has the right, and Franchisee hereby consents, to CAC Franchising using and disclosing all Privacy Information and any other personal information collected from Franchisee and its Owners (including providing or listing contact information for Franchisee, its Owners, and management employees) for: (i) any purpose connected with the System, this Agreement, or this Agreement's enforcement, (ii) communication purposes (including communications with landlords and other suppliers of goods or services, or prospective franchisees); (iii) posting on franchise system websites listing franchisees; (iv) or in connection with CAC Franchising's disclosure documents; (v) prospectuses, statements of material facts and other securities filings and documents; (vi) making reports pertaining to the Business or the System; and (vii) making such information available for inspection by prospective franchisees to substantiate information contained in CAC Franchising's disclosure documents. CAC Franchising may also share such Privacy Information and other personal information where needed with CAC Franchising's professional advisors, lenders or affiliates or under agreements with third parties relating to the Business or the System. CAC Franchising may give access to or transfer CAC Franchising's files containing such Privacy Information and other personal information to a

prospective purchaser or purchaser of the System. Franchisee is responsible to obtain any required consents from its Owners and management employees as may be necessary for Franchisee to comply with these provisions.

**7.23 Communication.** Franchisee shall respond promptly to requests for communication from CAC Franchising, and in any event within three business days. Franchisee and each Owner shall be courteous and respectful to Franchisor and its personnel and shall comply with any rules adopted by CAC Franchising from time to time establishing procedures and requirements for communications between Franchisee's personnel and CAC Franchising's personnel.

**7.24 Business Practices and Values.** Franchisee and each Owner shall comply with and uphold any code of ethics or statement of values adopted by CAC Franchising. Franchisee and each Owner shall be honest and fair in all interactions with customers, employees, vendors, governmental authorities, and other third parties. Neither Franchisee nor any Owner shall engage in or permit any employee to engage in any (i) violence or a threat of violence against any person or group of persons, (ii) sexual harassment of any person, (iii) discrimination against any person or group of persons on account of sex, race, color, religion, ancestry, national origin, sexual orientation, or disability, or any legally protected class in the jurisdiction where the Business is located, or (iv) any act which injures or is likely to injure the goodwill associated with the Marks, in CAC Franchising's reasonable opinion.

**7.25 Restriction on Use of AI Tools.** Franchisee represents and warrants that it will not operate the Business using any AI Tools without the prior written consent of CAC Franchising. Under no circumstances will Franchisee (i) use any Confidential Information or any of the Marks for the purpose of training, development, or improvement of any AI Tools (ii) create or use any marketing or advertising of the Business using AI Tools which have not been approved by the CAC Franchising in writing. Franchisee shall not supply any third-parties with access to any Confidential Information or any of the Marks, or to any data related to the Business in connection with any AI Tools without having first received CAC Franchising's written permission.

## **ARTICLE 8. SUPPLIERS AND VENDORS**

**8.1 Generally.** Franchisee shall acquire all Inputs required by CAC Franchising from time to time in accordance with System Standards. CAC Franchising may require Franchisee to purchase or lease any Inputs from CAC Franchising, CAC Franchising's designee, Required Vendors, Approved Vendors, and/or under CAC Franchising's specifications. CAC Franchising may change any such requirement or change the status of any vendor. To make such requirement or change effective, CAC Franchising shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If CAC Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CAC Franchising. CAC Franchising may approve or disapprove the alternative vendor in its sole discretion. CAC Franchising may condition its approval on such criteria as CAC Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. CAC Franchising will provide

Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If CAC Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CAC Franchising. CAC Franchising may approve or disapprove the alternative Input in its sole discretion. CAC Franchising shall provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** CAC Franchising may negotiate prices and terms with vendors on behalf of the System. CAC Franchising may receive rebates, payments, or other consideration from vendors in connection with purchases by franchisees. CAC Franchising has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor and to impose a reasonable markup or charge for administering the payment program (not to exceed the greater of \$500 or 10% of Franchisee's payment). CAC Franchising may implement a centralized purchasing system. CAC Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as CAC Franchising may determine.

**8.5 No Liability of Franchisor.** CAC Franchising and its affiliates shall not have any liability to Franchisee for any claim, loss, or other Action related to any product provided or service performed by any Approved Vendor or Required Vendor (unless CAC Franchising or its affiliate, as applicable, is the vendor), including without limitation for defects, delays, unavailability, failure, or breach of contract related to such products or services.

**8.6 Product Recalls.** If CAC Franchising or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from CAC Franchising or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

## **ARTICLE 9. MARKETING**

**9.1 Advertising Standards.** Except as otherwise provided in the Manual, Franchisee may use only Advertising and Promotional Content that CAC Franchising has furnished or approved in writing in advance. Franchisee must ensure that all Advertising and Promotional Content that Franchisee uses is clear, factual, ethical, and not misleading; complies with all laws; and conforms to System Standards. Except as otherwise provided in the Manual and Advertising and Promotional Content that CAC Franchising furnishes to Franchisee, Franchisee must submit to CAC Franchising for its written approval, at least 14 days before use, copies of all proposed Advertising and Promotional Content that Franchisee intends to use or implement. If CAC Franchising does not respond, the material is deemed rejected. CAC Franchising has the right to approve or disapprove any Advertising and Promotional Content, as well as the media in which Franchisee intends to use them, in its sole discretion. CAC Franchising reserves the right to require Franchisee to discontinue the use of any Advertising and Promotional Content for any reason.

**9.2 Digital Marketing.** CAC Franchising may (but is not obligated to) establish and operate all Digital Marketing and has the sole right to control all aspects of Digital Marketing, including those related to the Business. Without limiting the generality of Section 9.1, Franchisee shall not, directly or indirectly, conduct or be involved in any Digital Marketing without the prior written consent of CAC Franchising. If CAC Franchising permits Franchisee to conduct any Digital Marketing, Franchisee must (a) comply with any System Standards and must immediately modify or delete any Digital Marketing that CAC Franchising determines, in its sole discretion, is not compliant with such System Standards; (b) only use materials that CAC Franchising has approved and submit any proposed modifications to CAC Franchising for approval; (c) not use any Mark (or words or designations similar to any Mark) in any domain name, electronic address, website, or other source identifier except as CAC Franchising expressly permits; (d) include only the links that CAC Franchising approves or requires; and (e) immediately take all actions necessary or that CAC Franchising requests to provide CAC Franchising with access to, or to transfer ownership of, all Digital Marketing relating to the Business to Franchisor, including, without limitation, providing login and password details and promptly signing all directions and authorizations as CAC Franchising deems necessary to effect the intent and provisions of this Section. If Franchisee uses any Mark (or words or designations similar to a Mark) in any domain name, electronic address, website, or other source identifier, CAC Franchising may register such name, address, website, or identifier and then license use of the registered item back to Franchisee under a separate agreement. Franchisee must pay all costs due for registration, maintenance, and renewal of any such names, addresses, websites, or identifiers that CAC Franchising approves and maintains on Franchisee's behalf. CAC Franchising may withdraw its approval for any Digital Marketing at any time.

**9.3 Implementation.** Franchisee shall implement any advertising or marketing materials, plans or campaigns (including Digital Marketing) required by CAC Franchising.

**9.4 Use by CAC Franchising.** CAC Franchising may use any Advertising and Promotional Content developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to CAC Franchising for such purpose.

**9.5 Brand Development Fund.** CAC Franchising may establish a Brand Development Fund to promote the System on a local, regional, national, and/or international level. If CAC Franchising has established a Brand Development Fund:

(a) Account. CAC Franchising is not required to hold the Brand Development Fund Contributions in a bank account separate from CAC Franchising's other accounts.

(b) Use. CAC Franchising shall use the Brand Development Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as CAC Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Brand

Development Fund (including the compensation of CAC Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal, collections, and other expenses related to the Brand Development Fund).

(c) Discretion. Franchisee agrees that expenditures from the Brand Development Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Brand Development Fund will be spent at CAC Franchising's sole discretion, and CAC Franchising has no fiduciary duty with regard to the Brand Development Fund.

(d) Contribution by Other Outlets. CAC Franchising is not obligated to (i) have all other Children's Art Classes businesses (whether owned by other franchisees or by CAC Franchising or its affiliates) contribute to the Brand Development Fund, or (ii) have other Children's Art Classes businesses that do contribute to the Brand Development Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. CAC Franchising may accumulate funds in the Brand Development Fund and carry the balance over to subsequent years. If the Brand Development Fund operates at a deficit or requires additional funds at any time, CAC Franchising may loan such funds to the Brand Development Fund on reasonable terms.

(f) Financial Statement. CAC Franchising shall prepare an unaudited annual financial statement of the Brand Development Fund within 120 days of the close of CAC Franchising's fiscal year and shall provide the financial statement to Franchisee upon written request.

**9.6 Required Spending.** Franchisee shall spend at least \$1,000 each month on marketing the Business; however, once Franchisee's Business has at least 150 enrolled students, Franchisee need only spend at least \$500 each month on marketing the Business. Within 10 days after request by CAC Franchising, Franchisee shall furnish proof of its compliance with this Section. CAC Franchising has the sole discretion to determine what activities constitute "marketing" under this Section. If Franchisee fail to meet the minimum spending requirement hereunder, then Franchisee must pay to CAC Franchising the difference between the amount spent and the required advertising expenditure (which CAC Franchising will contribute to the Brand Development Fund if it has been established; if it has not been established, then CAC Franchising may retain the amount). CAC Franchising reserves the right to dictate that at least \$350 of this is paid to CAC's designated supplier for certain advertising, including digital and social media marketing, newsletter support, and localization of advertising.

**9.7 Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain CAC Franchising's approval of the market introduction plan at least 30 days before the projected opening date of the Business. Franchisee must spend at least \$10,000 on the market introduction campaign. Franchisee must comply with our requirements related to the market introduction plan and must commit a minimum of 120 hours to local marketing efforts during this initial launch phase. This involves visiting local elementary schools and district offices to promote our programs. Franchisee, or a designated representative trained in CAC Franchising's marketing, must execute these visits between normal school hours, as per a detailed daily action plan required by CAC Franchising.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as CAC Franchising may specify in the Manual, the System Standards, or otherwise in writing.

### 10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as CAC Franchising may require in the Manual, the System Standards, or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of CAC Franchising's fiscal year; and
- (iii) any information CAC Franchising requests in order to prepare a financial performance representation for CAC Franchising's franchise disclosure document within 30 days after request.

(b) Legal Actions, Investigations, and Lease Defaults. Franchisee shall promptly notify CAC Franchising of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving Franchisee or the Business. Franchisee shall also promptly notify CAC Franchising of any default or claimed default under any Lease. Franchisee shall provide such documents and information related to any such Action or Lease as CAC Franchising may request.

(c) Government Inspections. Franchisee shall give CAC Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to CAC Franchising such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that CAC Franchising may reasonably request (either upon specific request or on a regular basis as directed by CAC Franchising, as applicable). CAC Franchising acknowledges that all personnel records of the Business belong to Franchisee and that this Agreement does not grant CAC Franchising the right to access personnel records of Franchisee's employees.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to CAC Franchising a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of CAC Franchising's Franchise Disclosure Document and with such other information as CAC Franchising may request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as CAC Franchising may specify in the Manual, the System Standards, or otherwise in writing.

**10.5 Records Audit.** CAC Franchising may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. CAC Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by CAC Franchising. Franchisee shall also reimburse CAC Franchising for all costs and expenses of the examination or audit if (i) CAC Franchising conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any calendar month.

**10.6 Alert of Significant Issues.** Franchisee shall alert CAC Franchising as soon as possible (and in any event within 12 hours) of any significant issue or potential crisis relating to the Business. Franchisee shall follow CAC Franchising's policies and procedures for managing public relations and crisis communications as CAC directs in the Manual or otherwise, provided that CAC Franchising cannot require Franchisee to act contrary to guidance issued by law enforcement or regulatory agencies. For purposes of this Agreement, a "significant issue or potential crisis" includes (but is not limited to) any allegation or occurrence of abuse, neglect, or mistreatment of a child; any serious injury to child on the premises of the Business, any act of violence at the Business, any outbreak of serious illness associated with the Business; any occurrence of unlawful conduct in the Business; or any claim or allegation of the foregoing.

## **ARTICLE 11. FRANCHISOR RIGHTS**

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by CAC Franchising. CAC Franchising may supplement, revise, or modify the Manual, and CAC Franchising may change, add or delete System Standards at any time in its discretion. CAC Franchising may inform Franchisee thereof by any method that CAC Franchising deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, CAC Franchising's master copy will control.

**11.2 Inspections.** CAC Franchising may enter the premises of the Business from time to time at any reasonable time (including during normal business hours) and conduct an inspection. Franchisee shall cooperate with CAC Franchising's inspectors. CAC Franchising will use commercially reasonable efforts to not disrupt Franchisee's business operations during any such inspection. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. CAC Franchising may videotape and/or take photographs of the inspection and the Business. CAC Franchising may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting CAC Franchising's other rights under this Agreement, Franchisee will, as soon as reasonably practical,



correct any deficiencies noted during an inspection. If CAC Franchising conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then CAC Franchising may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 CAC Franchising's Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, CAC Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee, including entering the premises of the Business and curing the default without notice to Franchisee. Franchisee shall reimburse CAC Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, CAC Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by CAC Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by CAC Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of CAC Franchising are in addition to any other right or remedy available to CAC Franchising.

**11.5 Business Data.** All customer data collected or generated by the Business and all data collected or generated by the point-of-sale system (other than data regarding employees) is deemed to be Confidential Information and is exclusively owned by CAC Franchising. CAC Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.6 Innovations.** Franchisee shall disclose to CAC Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee or by its employees, agents or contractors. CAC Franchising will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by CAC Franchising to document CAC Franchising's ownership of Innovations.

**11.7 Communication Systems.** If CAC Franchising provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes CAC Franchising to access such communications.

**11.8 Communication with Employees.** Franchisee irrevocably authorizes CAC Franchising to communicate with Franchisee's employees and contractors on any matter related to the System or the Business. Franchisee will not prohibit any employee or contractor from communicating with CAC Franchising on any matter related to the System or the Business.

**11.9 Communications with Landlord and Lenders.** Franchisee irrevocably authorizes CAC Franchising to communicate with Franchisee's landlord and lender(s), or prospective landlord and lender(s), about matters relating to the Business, and to provide information about the Business to them.

**11.9 Delegation.** CAC Franchising may delegate any duty or obligation of CAC Franchising under this Agreement to an affiliate or to a third party.

**11.10 System Variations.** CAC Franchising may vary or waive any System Standard for any one or more Children's Art Classes franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.11 Temporary Public Safety Closure.** If CAC Franchising discovers or becomes aware of any aspect of the Business which, in CAC Franchising's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon CAC Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. CAC Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

**11.12 Franchisor's Discretion.** CAC Franchising may engage in any activity not expressly prohibited by this Agreement. Whenever this Agreement provides that CAC Franchising has a certain right, that right is absolute and the parties intend that CAC Franchising's exercise of that right will not be subject to any limitation or review. CAC Franchising has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement. Whenever CAC Franchising agrees to exercise its rights reasonably or in good faith, CAC Franchising will have satisfied its obligations whenever it exercises reasonable business judgment in making a decision or exercising its rights. CAC Franchising's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if CAC Franchising's decision or action is intended, in whole or significant part, to promote or benefit the System or the Children's Art Classes brand generally even if the decision or action also promotes CAC Franchising's financial or other individual interest. Examples of items that will promote or benefit the System or the Children's Art Classes brand include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System and Children's Art Classes outlets.

**11.13 Temporary Management.** If (i) the Principal Executive dies or becomes incapacitated, (ii) this Agreement is terminated or expires and CAC Franchising elects to purchase assets of the Business as provided in Section 14.6, (iii) CAC Franchising has the right to terminate this Agreement in accordance with Section 14.2(c), regardless of whether CAC Franchising exercises that right; or (iv) Franchisee is operating the Business in a manner which, in CAC Franchising's reasonable opinion, constitutes a danger to the health or safety of any person, then CAC Franchising or CAC Franchising's designee may (but is not obligated to) enter the Location and

operate and manage the Business for Franchisee's (or Franchisee's estate's) account until this Agreement is terminated, the Business is transferred, the Business is purchased by CAC Franchising, or CAC Franchising returns the Business to Franchisee. The operation and management under this section will not continue for more than 90 days without Franchisee's consent (or the consent of the representatives of Franchisee's estate). If this Agreement has not terminated or expired, then CAC Franchising or its designee will account to Franchisee for all net income from the Business during the period in which the Business is operated under this section. In addition to any other amounts set forth in this Agreement, CAC Franchising may collect a temporary management fee equal to 10% of Adjusted Gross Sales for the period in which CAC Franchising operates the Business, plus all expenses (including internal costs of personnel and overhead) incurred by CAC Franchising, which is in addition to Royalty Fees, Brand Development Fund Contributions, or other amounts owed under this Agreement. If CAC Franchising or its designee assumes the Business's management, Franchisee acknowledges that CAC Franchising or its designee party will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its Owners for any losses the Business incurs or obligations to creditors.

**11.14 Temporary Public Safety Closure.** If CAC Franchising discovers or becomes aware of any aspect of the Business which, in CAC Franchising's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon CAC Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. CAC Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## **ARTICLE 12. MARKS**

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by CAC Franchising, and only in the manner as CAC Franchising may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of CAC Franchising.

**12.2 Change of Marks.** CAC Franchising may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after CAC Franchising makes any such change (not to exceed 90 days), Franchisee must comply with the change, at Franchisee's expense.

### **12.3 Infringement.**

(a) **Defense of Franchisee.** If Franchisee has used the Marks in accordance with this Agreement, then (i) CAC Franchising shall defend Franchisee (at CAC Franchising's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) CAC Franchising shall indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify CAC Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party. CAC Franchising may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. CAC Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the word[s] “Children’s Art Classes” or any confusingly similar words in its legal name.

## **ARTICLE 13. COVENANTS**

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by CAC Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized in writing by CAC Franchising, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by CAC Franchising (except for Confidential Information which CAC Franchising licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely. Nothing in this Section or elsewhere in this Agreement shall be deemed to limit or prohibit Franchisee from communicating about potential law violations with the Federal Trade Commission or other government agency acting within its statutory mandate.

### **13.2 Covenants Not to Compete.**

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within twenty-five miles of Franchisee’s Territory or within twenty-five miles of the territory of any other Children’s Art Classes business operating on the date of expiration, termination or transfer, as applicable. If this Agreement is terminated before the Territory is determined, then the area of non-competition will be the area within twenty-five miles of the Site Selection Area and within twenty-five miles of the territory of any other Children’s Art Classes business operating on the date of termination, expiration, or transfer, as applicable. If a given Children’s Art Classes business does not have a defined territory, then for purposes of this Section its territory will be deemed to be a 3-mile radius.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this

Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court shall be permitted to modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CAC Franchising. Franchisee agrees that the existence of any claim it may have against CAC Franchising shall not constitute a defense to the enforcement by CAC Franchising of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 School Director and Key Employees.** If requested by CAC Franchising, Franchisee shall cause its School Director and other key employees to sign CAC Franchising's then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

## **ARTICLE 14. DEFAULT AND TERMINATION**

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if CAC Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after CAC Franchising receives written notice of termination.

### **14.2 Termination by CAC Franchising.**

(a) Subject to 10-Day Cure Period. CAC Franchising may terminate this Agreement if Franchisee does not make any payment to CAC Franchising when due, or if Franchisee does not have sufficient funds in its account when CAC Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after CAC Franchising gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to CAC Franchising's satisfaction within 30 days after CAC Franchising gives notice to Franchisee of such breach, then CAC Franchising may terminate this Agreement.

(c) Without Cure Period. CAC Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to CAC Franchising;
- (iii) a receiver or trustee for the Business, or for all or substantially all of Franchisee's property, is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by

Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;

- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 7.24 (business practices and values), Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee ceases operation of the Business for more than five consecutive days, Franchisee informs CAC Franchising that Franchisee is going to permanently close the Business prior to the end of the term of this Agreement, or CAC Franchising reasonably concludes that Franchisee has ceased operation of the Business ;
- (viii) Franchisee or any Owner slanders or libels CAC Franchising or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by CAC Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (x) the Business is operated in a manner which, in CAC Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from CAC Franchising or otherwise);
- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) CAC Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give CAC Franchising the right to terminate this Agreement);
- (xiii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or
- (xiv) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in CAC Franchising's opinion is reasonably likely to materially and unfavorably affect the Children's Art Classes brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to

non-competition (Section 13.2(b)), confidentiality (Section 13.1), indemnity (Article 16), and dispute resolution (Article 17), will remain in effect, and Franchisee must:

- (i) pay—within 10 days of such expiration or termination—all amounts owed to CAC Franchising based on the operation of the Business through the effective date of termination or expiration;
- (ii) immediately return to CAC Franchising all copies of the Manual, Confidential Information and any and all other materials provided by CAC Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) immediately take all action required (a) to cancel all assumed name or equivalent registrations relating to Franchisee’s use of the Marks; and (b) to cancel or transfer to CAC Franchising or its designee all telephone numbers, post office boxes, directory listings, and Digital Marketing accounts used by Franchisee in connection with the Business or the Marks, including, without limitation, by providing login and password details and promptly signing all directions and authorizations necessary or appropriate to accomplish the foregoing. Franchisee hereby irrevocably appoints CAC Franchising, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing. The telephone company, the postal service, registrars, Internet service providers and each listing agency may accept such direction by CAC Franchising pursuant to this Agreement as conclusive evidence of CAC Franchising’s exclusive rights in such accounts and its authority to direct their transfer; and
- (iv) immediately cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense “de-identify” the Location so that it no longer contains the Marks, signage, or any trade dress of a Children’s Art Classes business, to the reasonable satisfaction of CAC Franchising. Franchisee shall comply with any reasonable instructions and procedures of CAC Franchising for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, CAC Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, CAC Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by CAC Franchising.

**14.5 Liquidated Damages.** If CAC Franchising terminates this Agreement based upon Franchisee’s default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to CAC Franchising a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average monthly Royalty Fees and Brand Development Fund Contributions that Franchisee owed to CAC

Franchising under this Agreement for the last 12 full months that Franchisee operated the Business (disregarding any fee waivers or reductions granted to Franchisee); multiplied by (y) the lesser of (1) 24 or (2) the number of months remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 12 full months, then (x) will equal the average monthly Royalty Fees and Brand Development Fund Contributions that Franchisee owed to CAC Franchising during the full months that Franchisee operated the Business. The “average Royalty Fees and Brand Development Fund Contributions that Franchisee owed to CAC Franchising” shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and Brand Development Fund Contributions set forth in an addendum to this Agreement unless this Section 14.5 is specifically amended in such addendum. Franchisee acknowledges that a precise calculation of the full extent of CAC Franchising’s damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee’s payment to CAC Franchising under this Section will be in lieu of any direct monetary damages that CAC Franchising may incur as a result of CAC Franchising’s loss of Royalty Fees and Brand Development Fund Contributions that would have been owed to CAC Franchising after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, CAC Franchising’s right to injunctive relief for enforcement of Article 13, and any attorneys’ fees and other costs and expenses to which CAC Franchising is entitled under this Agreement. Except as provided in this Section, Franchisee’s payment of this lump sum shall be in addition to any other right or remedy that CAC Franchising may have under this Agreement or otherwise. If liquidated damages are prohibited by applicable law or are otherwise deemed unenforceable for any reason, then Franchisee shall be liable for CAC Franchising’s actual damages (including, without limitation, lost future profits) instead of liquidated damages.

#### **14.6 Purchase Option.**

(a) Option. When this Agreement expires or is terminated, CAC Franchising will have the option (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to CAC Franchising. To exercise this option, CAC Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated.

(b) Price. The purchase price for all assets that CAC Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee’s last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 20 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. CAC Franchising’s purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or “going concern” value for the Business.

(c) Due Diligence. For a period of 30 days following the determination of the fair market value (the “Due Diligence Period”) whether by agreement or by the determination by the appraiser as provided herein, CAC Franchising shall have the right to conduct a due diligence investigation of the assets related to the Business. Franchisee must give CAC Franchising



reasonable access to Franchisee's facilities, books, and records during the Due Diligence Period. CAC Franchising shall have the right to require Franchisee to continue to operate the Business during the Due Diligence Period, and CAC Franchising shall also have the right to operate the Business during the Due Diligence Period in accordance with Section 11.13. CAC Franchising is under no obligation to continue with due diligence or to exercise its purchase option, and CAC Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets.

(d) Closing. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by CAC Franchising. CAC Franchising will be entitled to all customary warranties and representations in connection with this asset purchase, including, representations and warranties as to ownership and condition of and title to assets, as to liens and encumbrances, validity of contracts, and liabilities affecting the assets. If CAC Franchising exercises the purchase option, CAC Franchising may deduct from the purchase price: (i) all amounts due from Franchisee; (ii) Franchisee's portion of the cost of any appraisal conducted hereunder; and (iii) amounts paid or to be paid by CAC Franchising to cure defaults under Franchisee's Lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, CAC Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. CAC Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid.

(e) Assignment. CAC Franchising may assign this purchase option to an affiliate or a third party.

## **ARTICLE 15. TRANSFERS**

**15.1 By CAC Franchising.** CAC Franchising may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and CAC Franchising may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that CAC Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing CAC Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining CAC Franchising's consent. In granting any such consent, CAC Franchising may impose conditions, including, without limitation, the following:

- (i) CAC Franchising receives a transfer fee equal to \$5,000 plus any broker fees and other out-of-pocket costs incurred by CAC Franchising (of which \$2,500 is due and non-refundable when Franchisee notifies CAC Franchising or asks CAC Franchising to consider a Transfer; and the balance of which is due when the Transfer is effective), this transfer fee shall be waived if transferred to an immediate family member;

- (ii) the proposed Transferee and its owners have completed CAC Franchising's franchise application processes, meet CAC Franchising's then-applicable standards for new franchisees, and have been approved by CAC Franchising as franchisees;
- (iii) the proposed Transferee is not a Competitor;
- (iv) the proposed Transferee executes CAC Franchising's then-current form of franchise agreement and any related documents, which form may contain materially different provisions than this Agreement (provided, however, that the form will be amended to provide that the proposed Transferee will not be required to pay an initial franchise fee);
- (v) all owners of the proposed Transferee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to CAC Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to CAC Franchising or its affiliates;
- (vii) the proposed Transferee and its owners and employees undergo such training as CAC Franchising may require;
- (viii) Franchisee, its Owners, and the Transferee and its owners execute a general release of CAC Franchising in a form satisfactory to CAC Franchising; and
- (ix) the Business fully complies with all of CAC Franchising's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to CAC Franchising, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by CAC Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by CAC Franchising (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 CAC Franchising's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), CAC Franchising will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to CAC Franchising a copy of the terms and conditions of any

Transfer. For a period of 30 days from the date of CAC Franchising's receipt of such copy, CAC Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that CAC Franchising may substitute cash for any other form of payment). If CAC Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## **ARTICLE 16. INDEMNITY**

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to CAC Franchising) CAC Franchising, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against CAC Franchising and/or any Indemnatee directly or indirectly related to, or alleged to arise out of, the development or operation of the Business (including any Data Security Event), or the acts or omissions of Franchisee or any of Franchisee's Owners, officers, directors, employees, or agents. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnatee from Actions which Franchisee proves arose solely as a result of any Indemnatee's intentional misconduct or gross negligence. Any delay or failure by an Indemnatee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnatee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnatee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## **ARTICLE 17. DISPUTE RESOLUTION**

### **17.1 Arbitration.**

(a) Disputes Subject to Arbitration. Except as expressly provided in subsections (c) and (d), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation, and including any question of arbitrability) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where CAC Franchising's headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of CAC Franchising's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for CAC Franchising to comply with laws and regulations applicable to the sale of franchises.

(f) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, CAC Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date of the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by CAC Franchising related to non-payment of Royalty Fees and other amounts owed by Franchisee, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that such proceeding will be brought in the United States District Court where CAC Franchising's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where CAC Franchising's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs, and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

**17.7 Franchisor Personnel.** The provisions of this Article 17 will apply to any Action by Franchisee or its Owners against CAC Franchising's officers, directors, shareholders, members, employees, and/or agents. Nothing in this Agreement authorizes any Action against CAC Franchising's officers, directors, shareholders, members, employees, and/or agents or makes those persons liable for CAC Franchising's conduct.

## **ARTICLE 18. MISCELLANEOUS**

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. CAC Franchising is not a fiduciary of Franchisee. CAC Franchising does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect CAC Franchising's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. CAC Franchising has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** Except as stated in Article 16 and Article 17, this Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, CAC Franchising, and CAC Franchising's affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by CAC Franchising in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit CAC Franchising's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance, or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** The rights of the parties are cumulative, and no exercise or enforcement by a party of any right or remedy under this Agreement shall preclude the exercise or enforcement by that party of any other right or remedy in this Agreement, or to which it is entitled by applicable law.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of Florida (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers (including the Florida Sale of Business Opportunities Act, Fla. Stat. §§ 559.80-559.815) will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to CAC Franchising, addressed to 9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notices will be effective upon the earlier of: (i) receipt by the recipient, (ii) first rejection by the recipient, (iii) three business days after mailing if sent via registered or certified mail; or (iv) the next business day after mailing if sent via overnight courier. Notwithstanding the foregoing, CAC Franchising may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication, in which case notice would be effective on Franchisee upon the delivery of the electronic mail or other electronic communication.

**18.10 Force Majeure.** If either party is unable to perform an obligation due to riots, terrorist act, war, disaster (such as an earthquake, hurricane, or tornado), health emergency (such as epidemics, pandemic, and quarantines), or any other act of God or nature beyond the reasonable control of such party (a “Force Majeure”), such party’s performance of the obligation shall be excused for so long as the Force Majeure exists, but not longer than 180 days. This section shall not excuse a party’s obligation to make a payment owed under this Agreement.

**18.11 Holdover.** If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any communication or course of dealing by CAC Franchising), CAC Franchising may determine that (a) this Agreement expired as of the date of expiration with Franchisee then operating the Business without a license to do so and in violation of CAC Franchising’s rights or (b) this Agreement continues on an interim basis until 30 days after one party notifies the other party of termination (the “Interim Period”), in which case all of Franchisee’s obligations hereunder remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed at the expiration of this Agreement will take effect upon termination of the Interim Period.

**18.12 Joint and Several Liability.** If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

**18.13 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by CAC Franchising does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and CAC Franchising.

**18.14 Release of Existing Claims.** By executing this Agreement, Franchisee, individually and on behalf its Owners, hereby forever releases and discharges, to the fullest extent allowed by

applicable law, CAC Franchising and its affiliates, and their respective owners, officers, directors, managers, agents, representatives, franchise sellers, employees, successors and assigns, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement, whether presently known or unknown, including any and all claims arising under franchise, securities, or antitrust laws of the United States or any state thereof.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE:

*[if an individual:]*

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

*[if an entity:]*

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

\_\_\_\_\_ California  
\_\_\_\_\_ Illinois  
\_\_\_\_\_ Indiana  
\_\_\_\_\_ Maryland  
\_\_\_\_\_ Minnesota  
\_\_\_\_\_ New York  
\_\_\_\_\_ North Dakota  
\_\_\_\_\_ Ohio  
\_\_\_\_\_ Rhode Island  
\_\_\_\_\_ Washington



**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

- 1. Form of Ownership.** Franchisee is a (check one):

\_\_\_\_\_ *Sole Proprietorship*  
\_\_\_\_\_ *Partnership*  
\_\_\_\_\_ *Limited Liability Company*  
\_\_\_\_\_ *Corporation*

State: \_\_\_\_\_

- 2. Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

- 3. Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

**Attachment 2 to Franchise Agreement**

**LOCATION ACCEPTANCE LETTER**

To: \_\_\_\_\_

This Location Acceptance Letter is issued by CAC Franchising, LLC for your Children's Art Classes franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

\_\_\_\_\_

2. The Territory of the Business is:

\_\_\_\_\_

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### Attachment 3 to Franchise Agreement

#### **GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”).

**Background Statement:** \_\_\_\_\_ (“Franchisee”) desires to enter into a Franchise Agreement with CAC Franchising for the franchise of a Children’s Art Classes business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce CAC Franchising to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to CAC Franchising and its affiliates that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to CAC Franchising and its affiliates, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and CAC Franchising or its affiliates upon demand from CAC Franchising. Guarantor waives (a) acceptance and notice of acceptance by CAC Franchising of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that CAC Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled. Guarantor also agrees that no modification, extension, or indulgence granted to Franchisee (including any amendment or modification of the Franchise Agreement) shall release Guarantor from this Guaranty, and that this Guaranty shall continue in full force and effect as to any renewal, extension, amendment, or modification of the Franchise Agreement.

**2. Confidential Information.** With respect to all Confidential Information, Guarantor shall (a) adhere to all security procedures prescribed by CAC Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by CAC Franchising, (d) exercise the highest

degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by CAC Franchising or its affiliates (except for Confidential Information which CAC Franchising licenses from another person or entity). Guarantor acknowledges that all customer data collected or generated by the Business and all data collected or generated by the point-of-sale system (other than data regarding employees) is Confidential Information belonging to CAC Franchising. This Section will survive the termination or expiration of the Franchise Agreement indefinitely. Nothing in this Section or elsewhere in this Guaranty or the Franchise Agreement shall be deemed to limit or prohibit Guarantor from communicating about potential law violations with the Federal Trade Commission or other government agency acting within its statutory mandate.

### **3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within twenty-five miles of Franchisee's Territory or within twenty-five miles of the territory of any other Children's Art Classes business operating on the date of expiration, termination or transfer, as applicable. If the Franchise Agreement is terminated before the Territory is determined, then the area of non-competition will be the area within 25 miles of the Site Selection Area and within twenty-five miles of the territory of any other Children's Art Classes business operating on the date of termination, expiration, or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator shall be permitted to modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CAC Franchising. Guarantor agrees that the existence of any claim it or Franchisee may have against CAC Franchising shall not constitute a defense to the enforcement by CAC Franchising of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Modification.** Guarantor also agrees that no modification, extension, or indulgence granted to Franchisee (including any amendment or modification of the Franchise Agreement) shall release Guarantor from or otherwise affect this Guaranty, and that this Guaranty shall continue in full force and effect as to any renewal, extension, amendment, or modification of the Franchise Agreement. In addition, Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence

which CAC Franchising may from time-to-time grant to Franchisee or to any other person or entity, or by the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Florida (without giving effect to its principles of conflicts of law). The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers (including without limitation the Florida Sale of Business Opportunities Act, Fla. Stat. §§ 559.80-559.815) will not apply unless its jurisdictional requirements are met independently without reference to this Section 5. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to CAC Franchising and its affiliates all costs incurred by CAC Franchising or its affiliates (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

## Attachment 4 to Franchise Agreement

### CONDITIONAL ASSIGNMENT OF BRAND ACCOUNTS

This Assignment of Brand Accounts (this “Assignment”) is executed by the undersigned (“Franchisee”) in favor of CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”).

**Background Statement:** CAC Franchising and Franchisee are parties to a Franchise Agreement pursuant to which CAC Franchising granted Franchisee a license to operate a Children’s Art Classes franchised business (the “Business”). CAC Franchising or its affiliates are the sole owner of the Children’s Art Classes brand and all names, logos, trademarks, service marks, and other intellectual property associated therewith. To protect CAC Franchising’s interest in and control of Children’s Art Classes, Franchisee acknowledges and agrees that CAC Franchising has the right to control all telephone numbers, directory listings, and internet marketing accounts related to Children’s Art Classes.

Franchisee agrees as follows:

- 1. Conditional Assignment.** Franchisee hereby assigns to CAC Franchising (or its designee) all of Franchisee’s rights, title, and interest in and to all telephone numbers, directory listings, email accounts, websites, social media accounts, and all other accounts and profiles for advertising and marketing on the internet or any electronic communications network (“Brand Accounts”) associated with Children’s Art Classes and registered by Franchisee from time to time in connection with the operation of Franchisee’s Business, such assignment to be effective upon (a) termination or expiration of the Franchise Agreement, or (b) notice from CAC Franchising to Franchisee, at which time CAC Franchising will have the right to assume ownership of any one or all Brand Accounts.
- 2. Transfer or Deletion.** Franchisee hereby authorizes the service provider of each Brand Account (the “Provider”) to transfer the Brand Account to CAC Franchising (or its designee) or to delete the Brand Account upon the written instruction of CAC Franchising. Franchisee hereby grants CAC Franchising an irrevocable limited power of attorney on behalf of Franchisee to direct any Provider to transfer or delete a Brand Account. In such an event, Franchisee will have no further right, title or interest in the Brand Account but will remain liable to the Provider for all past due fees owing to the Provider on or before the date on which the assignment is effective. CAC Franchising will have no liability or obligation of any kind to a Provider arising prior to the effective date of transfer or deletion. Franchisee agrees to take all reasonable steps necessary to effectuate the transfer or deletion (as determined by CAC Franchising) of each Brand Account.

*[Signatures on next page]*

Executed by:

FRANCHISEE:

*[if an individual:]*

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

*[if an entity:]*

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT C

### RIDER TO LEASE AGREEMENT

Landlord: \_\_\_\_\_

Notice Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

Franchisor: CAC Franchising, LLC

Notice Address: 9838 Old Baymeadows

Road, #158, Jacksonville, FL, 32256

Telephone: 904.962.4292

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Children's Art Classes business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease; Amendment. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease. Landlord and Tenant shall not amend the Lease without Franchisor's written permission.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor or its affiliate, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease unless otherwise agreed by Landlord. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Children's Art Classes brand. Any provision of the Lease which limits Tenant's right to own or operate other Children's Art Classes outlets in proximity to the Leased Premises shall not apply to Franchisor or its affiliates.



6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

TENANT:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT D

### FORM OF GENERAL RELEASE

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases CAC Franchising, its affiliates, and their respective directors, officers, franchise sellers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that CAC Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

**5. State Addenda.**

**[Maryland Residents]:** This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**[Washington Residents]:** A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel.

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E**  
**FINANCIAL STATEMENTS**

**CAC Franchising, LLC**

**Independent Auditor's Report  
And  
Financial Statements  
December 31, 2024**

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

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## Independent Auditor's Report

To the Members of  
CAC Franchising, LLC

### Opinion

We have audited the accompanying financial statements of CAC Franchising, LLC (the Company), which comprise the balance sheet as of December 31, 2024 and the related statements of operations, members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAC Franchising, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CAC Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CAC Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CAC Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAC Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
April 28, 2025



CAC Franchising, LLC  
Balance Sheet  
December 31, 2024

	2024
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 103,684
Accounts receivable	132,436
Deferred commission, current portion	80,844
Total Current Assets	<u>316,964</u>
Non-Current Assets	
Deferred commission, net of current portion	728,177
Total Non-Current Assets	<u>728,177</u>
Total Assets	<u>\$ 1,045,141</u>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 99,719
Due to related parties	37,937
Deferred revenue - current portion	140,895
Total Current Liabilities	<u>278,551</u>
Non-Current Liabilities	
Deferred revenue - net of current portion	1,274,672
Total Non-Current Liabilities	<u>1,274,672</u>
Total Liabilities	<u>1,553,223</u>
Members' Equity (Deficit)	
Members' equity (Deficit)	(508,082)
Total Members' Equity (Deficit)	<u>(508,082)</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 1,045,141</u>

*The accompanying notes are an integral part of the financial statements.*

CAC Franchising, LLC  
Statement of Operations  
Year Ended December 31, 2024

---

	2024
Revenues	
Initial franchise fees	\$ 201,281
Royalties	121,345
Other revenue	1,573
Total Revenue	<u>324,199</u>
Operating Expenses	
Management fee - related parties	358,798
General and administrative	115,822
Legal and professional	94,622
Commission expense	36,480
Total Operating Expenses	<u>605,722</u>
Net Income / (Loss)	<u>\$ (281,523)</u>

*The accompanying notes are an integral part of the financial statements.*

CAC Franchising, LLC  
Statement of Members' Equity (Deficit)  
Year Ended December 31, 2024

---

Members' Equity (Deficit) At December 31, 2023	<u>\$ (224,138)</u>
Net income / (loss)	(281,523)
Members' distributions	<u>(2,421)</u>
Members' Equity (Deficit) At December 31, 2024	<u>\$ (508,082)</u>

*The accompanying notes are an integral part of the financial statements.*

CAC Franchising, LLC  
Statement of Cash Flows  
Year Ended December 31, 2024

---

	2024
Cash Flows From Operating Activities:	
Net income / (loss)	\$ (281,523)
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(80,912)
Deferred commission	(809,021)
Accounts payable and accrued liabilities	74,234
Due to related parties	30,801
Deferred revenue	1,088,414
Net Cash Provided By (Used In) Operating Activities	<u>21,993</u>
Cash Flows From Investing Activities	
Net Cash Flows Provided By (Used In) Investing Activities	<u>-</u>
Cash Flows From Financing Activities	
Members' distributions	(2,421)
Net Cash Flows Provided By (Used In) Financing Activities	<u>(2,421)</u>
Net Change In Cash And Cash Equivalents During The Year	<u>19,572</u>
Cash - beginning of the year	<u>84,112</u>
Cash And Cash Equivalents - End of The Year	<u>\$ 103,684</u>

*The accompanying notes are an integral part of the financial statements.*

**CAC Franchising, LLC**  
**December 31, 2024**  
**Notes To Financial Statements**

**1. COMPANY AND NATURE OF OPERATIONS**

CAC Franchising, LLC (the Company) was formed on December 20, 2019 as a Florida limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchisee location of Children's Art Classes, a comprehensive program of art education and enrichment that supplements or replaces traditional art curriculum and provides hands-on art experiences for children of all ages.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Accounts Receivable**

Accounts receivable arises primarily from initial franchise fees and royalties that are collected monthly and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. Management has determined that no allowance for doubtful accounts was necessary on December 31, 2024.

**D. Federal Income Taxes**

The Company has elected to be taxed for U.S. Federal, and to the extent applicable, U.S. State purposes under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, federal income tax liabilities relating to the Company's profits are the stockholders' responsibility; therefore, no provision has been made for federal income taxes.

**E. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

#### F. Use of Estimates

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

#### G. Advertising and Marketing

Advertising and marketing costs are charged to operations in the year incurred.

#### H. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

##### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable monthly.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

#### **I. Recent Accounting Pronouncements**

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2018-19"), which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04"), which clarifies the treatment of certain credit losses. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05"), which provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, the FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses ("ASU 2019-11"), which provides guidance around how to report expected recoveries. ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2019-11 (collectively, "ASC 326") are effective for fiscal year beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2023. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.



### 3. CASH AND CASH EQUIVALENTS

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2024, the Company's cash balances didn't exceed the FDIC insurance.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of December 31, 2024 the Company had approximately \$103,684 in cash in its bank accounts.

The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash.

### 4. ACCOUNTS RECEIVABLE

At the year ended December 31, 2024, accounts receivable consisted of the following:

	<u>2024</u>
Initial franchise fees receivable	\$ 119,850
Royalty's receivable	<u>12,586</u>
Total Accounts Receivable	<u>\$ 132,436</u>

### 5. RELATED PARTY TRANSACTIONS

At December 31, 2024, the Company had a payable to a related party in the amount of \$37,937, which resulted from various intercompany transactions including management fee payable. These amounts are presented in the accompanying balance sheet statement.

During the year ended December 31, 2024, the Company paid commissions, royalties, and consulting expenses to various companies that share ownership with one or more members. The amounts paid are based on a fixed percentage of royalties or franchise fees collected. The following is a summary of transactions with related parties as of and for the year ended December 31, 2024:

	<u>2024</u>
Expenses	
Sales commission paid – included in commission expense and deferred commission	\$ 356,601
Management fee	358,798
Royalty expense	51,334
Consulting	<u>\$ 32,000</u>



## 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the year ended December 31:

	2024
Revenue recognized over time	\$ 201,281
Revenue recognized at a point in time	122,918
Total Revenue	<u>\$ 324,199</u>

### Contract Balances

The following table provides information about the change in the franchise deferred expenses balances during the year ended December 31:

	2024
Beginning balance	\$ -
Additional deferred expenses	845,501
Expenses recognized – additional deferred expenses	<u>(36,480)</u>
Deferred expenses	809,021
Less: current maturities	<u>(80,844)</u>
Deferred expenses, net of current maturities	<u>\$ 728,177</u>

The following table provides information about the change in the franchise contract liability balances during the year ended December 31, 2024, respectively. Franchise contract liability is included in deferred revenue on the accompanying balance sheets.

	2024
Beginning balance	\$ 327,153
Additional deferred revenue	1,289,695
Revenue recognized – additional deferred revenue	<u>(201,281)</u>
Deferred revenue	1,415,567
Less: current maturities	<u>(140,895)</u>
Deferred Revenue, net of current maturities	<u>\$ 1,274,672</u>

## 7. ADVERTISING EXPENSES

Advertising costs for the year ended December 31, 2024, was \$14,193, and included in the general and administrative expenses in the statements of operations.

## 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

CAC FRANCHISING LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

FOR THE THREE YEARS ENDED

DECEMBER 31, 2023

DASH Business Solutions, LLC  
1127 Royal Palm Beach Blvd #408  
Royal Palm Beach, FL 33411  
561.247.5303  
info@dash.cpa

## CAC FRANCHISING LLC

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## **DASH Business Solutions, LLC**

### *Independent Auditor's Report*

To the Members of  
CAC Franchising LLC

#### *Opinion*

We have audited the accompanying financial statements of CAC Franchising LLC, which comprise the balance sheets as of December 31, 2023, and the related statements of operations, members' equity, and cash flows for the three years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAC Franchising LLC as of December 31, 2023, and the results of its operations and its cash flows for the three years then ended, in accordance with the generally accepted accounting principles in the United States of America.

#### *Basis for Opinion*

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditor is required to be independent of CAC Franchising LLC and meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CAC Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## **DASH Business Solutions, LLC**

### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CAC Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAC Franchising LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters the auditor identified during the audit.

*DASH Business Solutions, LLC*

DASH Business Solutions, LLC  
Royal Palm Beach, FL  
April 2, 2024

# CAC FRANCHISING LLC

## Balance Sheets December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 84,112	\$ 24,170	\$ 20,606
Accounts Receivable	51,524	12,475	12,475
Due From Member	-	-	14,985
Total Current Assets	<u>135,636</u>	<u>36,645</u>	<u>48,066</u>
<b>TOTAL ASSETS</b>	<u>\$ 135,636</u>	<u>\$ 36,645</u>	<u>\$ 48,066</u>
 <b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities			
Accounts Payable	\$ 25,485	\$ -	\$ -
Due To Member	7,136	8,834	-
Deferred Revenue	327,153	99,900	49,950
Total Current Liabilities	<u>359,774</u>	<u>108,734</u>	<u>49,950</u>
Total Liabilities	<u>359,774</u>	<u>108,734</u>	<u>49,950</u>
Members' Equity			
Retained Earnings	(224,138)	(72,089)	(1,884)
Members' Equity	<u>(224,138)</u>	<u>(72,089)</u>	<u>(1,884)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$ 135,636</u>	<u>\$ 36,645</u>	<u>\$ 48,066</u>

See accompanying Notes to Financial Statements

# CAC FRANCHISING LLC

## Statements of Operations For The Three Years Ending December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Franchise Fees	\$ 199,750	\$ 49,950	\$ 159,800
Royalty Revenue	46,568	23,424	1,754
Other Revenue	196	976	389
Total Revenues	<u>246,514</u>	<u>74,350</u>	<u>161,943</u>
Expenses			
Advertising and Marketing	2,255	8,608	2,701
Bad Debt Expense	12,475	-	-
Bank Fees	510	169	131
Commissions	260,728	74,402	148,598
Continuing Education	398	398	-
Contract Labor	49,423	31,770	72,755
Fuel	729	962	-
Gifts	3,625	-	-
Insurance	286	3,494	-
Legal and Professional	20,882	11,334	8,025
Meal Expense	8,348	4,791	730
Merchant Fees	196	378	124
Office Supplies and Expense	9,955	4,240	1,246
Postage and Shipping	592	-	-
Royalty Expenses	13,727	-	-
Software	6,950	-	-
Supplies	880	1,128	342
Taxes and Licenses	139	4,201	139
Travel Expense	6,469	6,684	2,379
Total Expenses	<u>398,567</u>	<u>152,559</u>	<u>237,170</u>
Operating Income (Loss)	<u>(152,053)</u>	<u>(78,209)</u>	<u>(75,227)</u>
Interest Income	<u>4</u>	<u>4</u>	<u>16</u>
Net Income (Loss)	<u><u>\$ (152,049)</u></u>	<u><u>\$ (78,205)</u></u>	<u><u>\$ (75,211)</u></u>

See accompanying Notes to Financial Statements

# CAC FRANCHISING LLC

## Statements of Changes in Members' Equity For The Three Years Ended December 31

Equity at January 1, 2021	\$ 70,327
Member Contributions	3,000
Net Income (Loss)	<u>(75,211)</u>
Equity at December 31, 2021	<u>\$ (1,884)</u>
Equity at January 1, 2022	\$ (1,884)
Member Contributions	8,000
Net Income (Loss)	<u>(78,205)</u>
Equity at December 31, 2022	<u>\$ (72,089)</u>
Equity at January 1, 2023	\$ (72,089)
Member Contributions	-
Net Income (Loss)	<u>(152,049)</u>
Equity at December 31, 2023	<u>\$ (224,138)</u>

See accompanying Notes to Financial Statements



# CAC FRANCHISING LLC

## Statements of Cash Flows For The Three Years Ended December 31, 2023

	2023	2022	2021
<u>Cash Flows From Operating Activities:</u>			
Net Income (Loss)	\$ (152,049)	\$ (78,205)	\$ (75,211)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(39,049)	-	37,425
Increase (Decrease) in Accounts Payable	25,485	-	-
Increase (Decrease) in Deferred Revenue	227,253	49,950	49,950
Net Cash Provided by Operating Activities	<u>61,640</u>	<u>(28,255)</u>	<u>12,164</u>
<u>Cash Flows From Investing Activities:</u>			
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash Flows From Financing Activities:</u>			
Due To/From Members	(1,698)	23,819	-
Members' Contributions	-	8,000	3,000
Net Cash Provided by Financing Activities	<u>(1,698)</u>	<u>31,819</u>	<u>3,000</u>
Net Change in Cash	59,942	3,564	15,164
Cash - Beginning of Period	<u>24,170</u>	<u>20,606</u>	<u>5,442</u>
Cash - End of Period	<u>\$ 84,112</u>	<u>\$ 24,170</u>	<u>\$ 20,606</u>
 Supplementary Disclosures Of Cash Flows			
Cash Paid For Interest	\$ -	\$ -	\$ -
Cash Paid For Income Taxes	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements

## CAC FRANCHISING LLC

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Organization and Nature of Business*

CAC Franchising LLC (the "Company") was formed on December 20, 2019 as a Florida limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchisee location of Children's Art Classes, a comprehensive program of art education and enrichment that supplements or replaces traditional art curriculum and provides hands-on art experiences for children of all ages.

##### *Basis of Accounting*

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

##### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

##### *Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

##### *Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

##### *Advertising Costs*

The Company expenses advertising costs as they are incurred.

## CAC FRANCHISING LLC

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and other revenues. These receivables are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of outstanding amounts. Management regularly evaluates individual customer receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible and reflected as bad debt expense in the financial statements. Recoveries of accounts receivable previously written off are recorded as income when received.

##### *Revenue Recognition*

The Financial Accounting Standards Board issued codification Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The Company has instituted ASC 606 by recognizing the initial franchise fee once the location is open based on the value of the pre-opening services provided. The pre-opening services provided include a developed curriculum, training at the corporate location, on-site training at the franchise location, preparation of the operating manual, preparation of the market introduction plan, hiring support and site selection support. ASC 606 was implemented without an effect to the financial statements as the first contract was signed during the year ending December 31, 2020.

The Company's revenues consist of fees from franchises such as initial franchise fees, royalties, and other fees. The initial franchise fees are deferred as a liability and recognized upon the opening of the franchise location once the Company has supplied the franchise with the pre-opening services. The initial franchise fee is not refundable, it is collected upon contract signing, and future allocation of the fee has no risk of impairment. The franchise fee revenue may include amounts collected and deferred from the prior year. The commissions and expenses related to new franchises are not dependent upon the opening of the franchise location and are paid upon contract signing and receipt of the franchise fee.

The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract. The Company is obligated to provide the franchise with ongoing support, trademark use and other services as outlined in the franchise disclosure document, for a period of ten years. The royalty fee represents payment for the post-opening activities provided by the Company.

##### *Subsequent Events*

Management has reviewed and evaluated subsequent events through April 2, 2024, the date on which the financial statements were available to be issued.

## CAC FRANCHISING LLC

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *Income Taxes*

The entity is structured as a limited liability company under the laws of the State of Florida and has elected to be classified as a Subchapter S Corporation for federal and state income tax purposes. Accordingly, the income or loss of the Company will be included in the income tax returns of the shareholders. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

#### NOTE 2 - RELATED PARTY TRANSACTIONS

During the three years ended December 31, 2023, the Company has paid commissions, royalty expenses, and contractor expenses to various companies that share ownership with one or more shareholder. The amounts paid are based on a fixed percentage and conducted at fair market value.

#### NOTE 3 - RECLASSIFICATIONS

Certain reclassifications and combinations have been made to allow for conformity and clarity. The updates have not materially changed the financial statements and were completed as part of the audit process.

#### NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of inurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.



## CAC FRANCHISING LLC

### Notes to the Financial Statements

#### NOTE 5 - FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. Other requirements as outlined in the Franchise Disclosure Document.

#### NOTE 6 - DEFERRED REVENUE

As stated in Note 1, under ASC 606, franchisor may recognize the initial franchise fee when the franchisor has substantially performed all services required to earn the initial franchise fee, or if pre-opening activities contain any distinct goods or services that can be allocated from the initial franchise fee. Management has determined that revenue from the initial franchise fees should be recognized upon the opening of the franchise based on the pre-opening services provided by the Company. The deferred revenue on the balance sheet is considered current and will be recognized in the subsequent year upon opening of the franchise location.

## **EXHIBIT F**

### **BRAND STANDARDS MANUAL TABLE OF CONTENTS**

<b>Section</b>	<b>Number of Pages</b>
Preface	8
Section A – Introduction	12
Section B – Establishing a CAC- Children’s Art Classes Business	24
Section C – Personnel	27
Section D – School Procedures	7
Section E – School Offerings and Curriculum	20
Appendix A – Children’s Art Classes Curriculum	300
Appendix B – Children’s Art Classes Interim Curriculum	75
Total Number of Pages	473

## EXHIBIT G

### CURRENT AND FORMER FRANCHISEES

#### Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

Monica & Jay Dulski*	845-300-3962	13 Strathmore Lane, Westport, CT 06880
Edina Remic	727-776-3176	6960 20 <sup>th</sup> Ave., St. Petersburg FL 33710
Montessa Lizaso	702-280-2581	9806 Carnoustie Place, Bradenton, FL 34211
Kurt Barbel	630-998-8162	1772 South Randall Road, Ste 220, Geneva, IL 60134
Marie Kirkeiner	463-710-5101	578 W. Northfield Dr. Brownsburg, IN 46112
Robert Peters	781-328-9073	45 Ring Rd, Plympton, MA 02367
Susan Buffalino	516-643-9319	214 Riverside Drive, , NY, NY 10025
Josmary & Eric Haulotte	904-330-8720	2 Birchall Ln, Simpsonville, SC 29681
Martha Booyesen**	615-975-3677	2909 Old Fort Parkway, Suite 102, Murfreesboro, TN 37128 7149 Nolensville Rd, Nolensville, TN 37135
Jared & Christina Hansen	410-782-1364	1575 S Rocky Ridge Ct. Saratoga Springs, UT, 84045
Laima Widmer	804-402-4861	2117 Tobacco Mill Street Richmond, VA 23225

\* Has agreed to open 2 units; but only one of those outlets was opened as of the end of the last fiscal year.

\*\* Has agreed to open 3 units, but only 2 of those units were open as of the end of the last fiscal year

Names of all franchisees whose outlets were not yet open as of the end of our last fiscal year (except as indicated above)

Names of all franchisees whose outlets were not yet open as of the end of our last fiscal year (except as indicated above)

Daniel Vasile	623-670-0853	2757 N 149th Ave., Goodyear, AZ 85395
Kerri Yon	480-600-2592	4634 E Ironhorse Rd, Gilbert, AZ 85297
Sheila Gallegos	602-568-8763	7355 East Thompson Peak Parkway, Scottsdale, AZ, 85255
Lucky Effendi	408-382-1331	2684 Alderwood Dr., San Jose, CA, 95132
Lyzzy Kirk	858-286-9686	39547 Dayspring Way, Temecula, CA 92591
Jason Letman*	303-257-2425	8547 E. Arapahoe Rd., J-142, Greenwood Village, CO 80112
Tres Loch**	407-619-1447	1920 Belford Ct. Maitland, FL 32751
Michael Zuccherro	9-9-810-3768	11142 W. Hidden Point St. Star, ID 83669
Nicole Hodge	406-255-1649	21 Barbara Lane, Billings, MT 59102
Kelly Alexander	919-414-9307	210 Sunset Dr., Chapel Hill, NC 275216
Kelly Tanner-Backenroth	917-664-4209	335 Shadowdale Lane, Rolesville, NC 27571

Jaimie Cabarrubia	917-670-9478	9 Linden St. Garden City, NY 11530
Ryan Allen*	917-922-4449	16224 86th St, Howard Beach, NY 11414
Jennifer Lloyd	567-204-2653	1364 Leesland Drive, Westerville, Ohio 43081
Peter Nation	201-442-1779	1730 Central Park, Orefield, PA 18069
Suzanne Burris	704-993-8043	5352 Gatsby Circle, Rock Hill, SC, 29732
Becki Bradenburg	817-229-7739	4302 Feather Ore Dr. Arlington, TX 76005
Athappan Kannan**	571-469-3310	13214 Ashnut Ln, Herndon, VA 20171
Garrett Joyner	804-908-3779	3602 14th St S, #211, Alexandria, VA 22302
Mark Rodriguez	801-698-1336	9531 Blake Ln, APT 201, Fairfax VA, 22031

\* Has agreed to open 2 units under a development agreement.

\*\* Has agreed to open 3 units under a development agreement

\*\* Has agreed to open 2 units under a development, one in VA and the other in Pearland, TX

### Former Franchisees

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 the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

None



**EXHIBIT H**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## **CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA.

**REGISTRATION OF THIS FRANCHISE OFFERING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.**

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this 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 that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person

acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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.).

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.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Jacksonville, FL, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. See NASAA STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGMENTS. <https://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf>.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

**THESE FRANCHISES WILL BE/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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR 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 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS 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.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."
- Minnesota Statutes, Section 181.991 prohibit the franchisor from restricting, restraining, or prohibiting in any way a franchisee from soliciting or hiring an employee of a franchisee of the same franchisor or from soliciting or hiring an employee of the franchisor.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchisee

seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**



## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. 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 FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party 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.

B. No such party has 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.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-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 or deceptive practices or comparable allegations.

D. No such party 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.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## **OHIO ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Ohio only, this Disclosure Document is amended by adding the following two cover pages to this Disclosure Document:

**CAC FRANCHISING, LLC**

**April 28, 2025**

## **READ THIS DISCLOSURE DOCUMENT CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any franchise. If you have any questions about this franchise, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement.**

**The following disclosure document contains the disclosures required by Ohio law.**

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

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 the Disclosure Document and Franchise Agreement may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

(See Exhibit I for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)



**EXHIBIT I**

**STATE ADDENDA TO AGREEMENTS**

**CALIFORNIA RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Questionnaires.** The Agreement is amended to add the following:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**2. Effective Date.** This Rider is effective as of date of the Agreement.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ILLINOIS RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Governing Law.** Illinois law governs the Agreement.
- 2. Waivers Void.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.
- 3. Jurisdiction.** In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to occur outside of Illinois.
- 4. Termination/Non-Renewal.** Franchisee’s rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- 5. Disclaimers.** No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## INDIANA RIDER TO FRANCHISE AGREEMENT [*if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT*]

This Rider amends the Franchise Agreement [*if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT*] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such 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 services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business 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.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) 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.

(5) 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 the Indiana Deceptive Franchise Practices Act 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 subsection (5) does not apply to arbitration before an independent arbitrator.

(6) 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 a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an 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.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MARYLAND RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Registration and Disclosure Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

**2. Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**3. Disclaimers.** No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**4. Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

**5. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

**6. Dispute Resolution.** The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## MINNESOTA RIDER TO FRANCHISE AGREEMENT [*if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT*]

This Rider amends the Franchise Agreement [*if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT*] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

Under Minnesota Statutes, Section 181.991 (a) no franchisor may restrict, restrain, or prohibit in any way a franchisee from soliciting or hiring an employee of a franchisee of the same franchisor,

and (b) No franchisor may restrict, restrain, or prohibit in any way a franchisee from soliciting or hiring an employee of the franchisor.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**NEW YORK RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver, or estoppel which would relieve CAC Franchising or any other person from any duty or liability imposed by New York General Business Law, Article 33 (the “New York Franchise Law”).
- 3. Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by CAC Franchising with any provision of the New York Franchise Law, or any rule promulgated thereunder, is hereby deleted.
- 4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchise Law shall govern any claim arising under that law.
- 5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## **NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**OHIO RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the “Agreement”), between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “BOPA” means the Ohio Business Opportunity Act, codified in Revised Code of Ohio, Title XIII, Chapter 1334.

**2. Applicability of BOPA.** Franchisee acknowledges that CAC Franchising is providing this Rider out of an abundance of caution, and that neither the execution of this Rider nor any other act of CAC Franchising constitutes an intent that BOPA apply to the transaction between CAC Franchising and Franchisee or an admission by CAC Franchising that the transaction fails to comply in any material respects with the trade regulation rule of the federal trade commission, “disclosure requirements and prohibitions concerning franchising,” 16 C.F.R. 436.1 et seq.

**3. No Delivery of Goods or Services during Cancellation Period.** CAC Franchising will not commence delivery of any goods or provide any services during the time within which Franchisee may cancel the Agreement as provided in Section 5 below.

**4. Jurisdiction and Venue.** In connection with the sale of the franchise, any provision in the Agreement restricting jurisdiction or venue to a forum outside of Ohio, or requiring the application of laws of another state, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the BOPA.

**5. Cancellation.** You, the franchisee, may cancel the transaction at any time prior to midnight of the fifth business day after the date you sign this Agreement. See the attached notice of cancellation for an explanation of this right.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OHIO  
NOTICE OF CANCELLATION**

*[Insert Date Agreement Signed by FRANCHISEE]*

**You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following CAC Franchising, LLC's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to CAC Franchising, LLC at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of CAC Franchising, LLC regarding the return shipment of the goods at CAC Franchising, LLC's expense and risk. If you do make the goods available to CAC Franchising, LLC and CAC Franchising, LLC does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to CAC Franchising, LLC, or if you agree to return them to CAC Franchising, LLC and fail to do so, then you remain liable for the performance of all obligations under the Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to CAC Franchising, LLC, at CAC Franchising, LLC, or send a fax to CAC Franchising, LLC at *[Insert facsimile number]* or an e-mail to CAC Franchising, LLC at [franchise@childrensartclasses.com](mailto:franchise@childrensartclasses.com), not later than midnight of *[Insert date that is five business days after the date above]*.**

**I hereby cancel this transaction.**

**FRANCHISEE:**

\_\_\_\_\_

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**RHODE ISLAND RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT] dated \_\_\_\_\_ (the "Agreement"), between CAC Franchising, LLC, a Florida limited liability company ("CAC Franchising") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT  
DEVELOPMENT AGREEMENT]**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT J

### EFT AUTHORIZATION FORM

Bank Name: \_\_\_\_\_  
ABA#: \_\_\_\_\_  
Acct. #: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes CAC Franchising, LLC (“Franchisor”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Franchisor under the franchise agreement (the “Franchise Agreement”) between Franchisor and Franchisee: (1) all Royalty Fees; (2) all Marketing Fund Contributions; (3) all other fees authorized under the Franchise Agreement; and (4) any amounts charged by Franchisor or its affiliates in connection with equipment, inventory, supplies, and/or services that Franchisee purchases from Franchisor or its affiliates, as and when such amounts become due and owing to Franchisor and/or its affiliates. Franchisee acknowledges that Royalty Fees, Marketing Fund Contributions, and all other fees may be collected by Franchisor in the manner provided for in the Franchise Agreement. The parties further agree that all capitalized terms not specifically defined herein will be given the same definition as set forth in the Franchise Agreement.

Such withdrawals shall occur on a monthly basis, or on such other schedule as Franchisor shall specify in writing. This authorization shall remain in force and effect until terminated in writing by Franchisor. Franchisee shall provide Franchisor, in conjunction with this authorization, a voided check from the above-referenced account.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**PLEASE ATTACH A VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP  
BANK AND TRANSIT NUMBERS**

## EXHIBIT K

### CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement (this “Agreement”) is made as of the date signed by below by \_\_\_\_\_, a resident of \_\_\_\_\_ (“Recipient”), in favor of CAC Franchising, LLC, a Florida limited liability company, and its affiliates (collectively, “CAC Franchising”).

**Background Statement.** Recipient desires to evaluate a potential opportunity to enter into a franchise agreement with CAC Franchising (the “Proposed Opportunity”) for a Children’s Art Classes franchise. To induce CAC Franchising to disclose confidential information to Recipient, Recipient agrees as follows:

**1. Confidentiality.** “Confidential Information” means all non-public data information of or about CAC Franchising or its franchise system, including without limitation, trade secrets, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how. Recipient shall (i) hold all Confidential Information in strict confidence and not disclose it to any person or entity; and (ii) not use Confidential Information for the purpose developing or operating a business similar to a Children’s Art Classes or competing against CAC Franchising or any of its franchisees or for any other purpose. The obligations of Recipient shall remain in force indefinitely or at least until such time as Recipient enters into a franchise agreement with CAC Franchising (in which case such franchise agreement shall supersede the terms of this agreement).

**2. Noncompete.** Recipient shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, develop, or invest in, own, acquire, advise, or be employed by a Competitor anywhere in the United States for a period of three years from the date of this Agreement. For purposes of this agreement, “Competitor” is a business, other than a CAC Franchising business, which offers art education or art enrichment programs.

**3. Notice.** Recipient shall promptly notify CAC Franchising in writing of any loss or unauthorized disclosure of any Confidential Information. If Recipient is requested or required to disclose any Confidential Information due to a lawsuit or similar action, Recipient shall promptly notify CAC Franchising. Upon the request of CAC Franchising, or upon termination of the Proposed Opportunity (whichever occurs first), Recipient shall promptly deliver to CAC Franchising all documents and electronic files containing or constituting Confidential Information, without retaining any copies.

**4. Disclaimer.** CAC Franchising makes no promise regarding its future business relationship with Recipient, and nothing herein obligates CAC Franchising to enter into a franchise agreement with Recipient.

**5. Dispute Resolution.**

(a) The laws of the state of Florida (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Florida

law for the protection of franchisees or business opportunity purchasers (including the Florida Sale of Business Opportunities Act, Fla. Stat. §§ 559.80-559.815) will not apply unless its jurisdictional requirements are met independently without reference to this Section 5.

(b) Unless Recipient and CAC Franchising enter into a franchise agreement—in which case the Dispute Resolution provisions of such franchise agreement will govern this Agreement—for any legal proceeding between the parties the parties, Recipient and CAC Franchising agree that such proceeding will be brought in the United States District Court where CAC Franchising’s headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where CAC Franchising’s headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**6. Miscellaneous.** This Agreement contains the entire agreement of the parties related to the subject matter hereof, provided that nothing contained herein shall be deemed to waive, supersede, or otherwise modify any other confidentiality or non-compete obligations of Recipient. CAC Franchising shall be entitled to specific performance and injunctive relief as remedies for any breach of this Agreement, in addition to all other remedies available at law or in equity. If any provision of this Agreement is invalid, void or unenforceable, the remaining provisions will continue in full force. No modification or release hereunder shall be effective except by means of a written instrument executed by the parties hereto.

Agreed to by:

RECIPIENT:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## EXHIBIT L

### MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (this “MUDA”) is made between CAC Franchising, LLC, a Florida limited liability company (“CAC Franchising”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) on the Effective Date.

**Background Statement:** On the same day as they execute this MUDA, CAC Franchising and Franchisee have entered into a Franchise Agreement for the franchise of a Children’s Art Classes business (the “Franchise Agreement”; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). CAC Franchising and Franchisee desire that Franchisee develop multiple Children’s Art Classes businesses.

#### 1. Multi-Unit Commitment.

(a) Development Schedule; Fee. Franchisee shall develop and open Children’s Art Classes businesses on the following schedule:

Store #	Deadline for Opening	Total # of Stores to be Open and Operating on Deadline	Initial Franchise Fee
1		1	\$_____
2		2	\$_____
3		3	\$_____
4		4	\$_____
5		5	\$_____
Total Initial Franchise Fee:			

(b) Payment. Upon execution of this MUDA, Franchisee shall pay the total Initial Franchise Fee to CAC Franchising. The Initial Franchise Fee is non-refundable.

**2. Form of Agreement.** For Store #1, Franchisee and CAC Franchising have executed the Franchise Agreement simultaneously with this MUDA. For each additional Children’s Art Classes franchise, Franchisee shall execute CAC Franchising’s then-current standard form of franchise agreement no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a Children’s Art Classes business, and Franchisee acknowledges that Franchisee may construct, open, and operate each Children’s Art Classes business only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such Children’s Art Classes business.

**3. Site Selection Area.** Franchisee shall locate each Children's Art Classes business it develops under this MUDA within the following area: \_\_\_\_\_

\_\_\_\_\_ (the "Site Selection Area"). Franchisee acknowledges that it does not have exclusive rights to develop, open or operate Children's Art Classes businesses in the Site Selection Area. Any territorial rights that Franchisee may have would only be acquired under a franchise agreement between CAC Franchising and Franchisee.

**4. Default and Termination.** CAC Franchising may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee fails to satisfy the development schedule; or
- (ii) CAC Franchising has the right to terminate any franchise agreement between CAC Franchising and Franchisee (or any affiliate thereof) due to Franchisee's default thereunder (whether or not CAC Franchising actually terminates such franchise agreement).

**5. Limitation of Liability.** Franchisee's commitment to develop Children's Art Classes businesses is in the nature of an option only. If CAC Franchising terminates this MUDA for Franchisee's default, Franchisee shall not be liable to CAC Franchising for lost future revenues or profits from the unopened Children's Art Classes businesses. Franchisee may terminate this MUDA at any time.

**6. Conditions.** Franchisee's right to develop each Children's Art Classes franchise after the Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Children's Art Classes business, in the reasonable judgment of CAC Franchising, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Children's Art Classes businesses, and not in default under any Franchise Agreement or any other agreement with CAC Franchising.

**7. Dispute Resolution; Miscellaneous.** The laws of the State of Florida (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers (including the Florida Sale of Business Opportunities Act, Fla. Stat. §§ 559.80-559.815) will not apply unless its jurisdictional requirements are met independently without reference to this Section 7. Franchisee shall not Transfer this MUDA without the prior written consent of CAC Franchising, and any Transfer without CAC Franchising's prior written consent shall be void. The provisions of Article 17 (Dispute Resolution) and Article 18 (Miscellaneous) of the Franchise Agreement apply to and are incorporated into this MUDA as if fully set forth herein.

*[Signatures on Next Page]*

Agreed to by:

FRANCHISOR:

CAC FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE:

*[if an individual:]*

\_\_\_\_\_  
Name: \_\_\_\_\_

*[if an entity:]*

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Multi-Unit Development Agreement pursuant to:

\_\_\_\_\_ California  
\_\_\_\_\_ Illinois  
\_\_\_\_\_ Indiana  
\_\_\_\_\_ Maryland  
\_\_\_\_\_ Minnesota  
\_\_\_\_\_ New York  
\_\_\_\_\_ North Dakota  
\_\_\_\_\_ Ohio  
\_\_\_\_\_ Rhode Island  
\_\_\_\_\_ Washington



## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CAC Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If CAC Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone No.
Stephanie Larsen	9838 Old Baymeadows Road, #158, Jacksonville, FL, 32256	904-962-4292
Dennis Mulgannon	2201 Francisco Dr., Suite 140-544 El Dorado Hills, CA 95762	408-318-5606
Sean Hansen	2574 Stratford Cir, El Dorado Hills, CA 95762	916-757-3123

Issuance Date: April 28, 2025

I received a disclosure document dated April 28, 2025, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Rider to Lease Agreement
- D. Form of General Release
- E. Financial Statements
- F. Brand Standards Manual Table of Contents
- G. Current and Former Franchisees
- H. State Addenda to Disclosure Document
- I. State Addenda to Agreements
- J. EFT Authorization Form
- K. Confidentiality and Noncompete Agreement
- L. Multi-Unit Development Agreement

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date Received: \_\_\_\_\_

**Keep This Copy for Your Records**

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Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date Received: \_\_\_\_\_

**Return This Copy to Us - CAC Franchising, LLC**