

FRANCHISE DISCLOSURE DOCUMENT

Phase Partners, LLC,
a Georgia limited liability company
12150 Morris Road
Alpharetta, GA 30005
Telephone: (470) 239-2480
www.phase.center
E-mail: partners@phase.center

PHASE FAMILY CENTER®

As a Phase Partners, LLC franchisee you will operate a facility offering an early childhood daycare and education program for children that are six weeks to twelve years of age under the name "PHASE FAMILY LEARNING CENTER™".

The total investment necessary to begin operation of a PHASE FAMILY LEARNING CENTER™ facility in an existing space that is currently operating a licensed preschool is \$287,500 to \$1,634,390. This range includes \$195,750 that must be paid to the franchisor or its affiliate.

The total investment necessary to begin operation of a PHASE FAMILY LEARNING CENTER™ facility in an existing or planned space that is currently not operating a licensed preschool is \$1,318,000 to \$3,132,750. This range includes \$195,750 that must be paid to the franchisor or its affiliate.

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, contact Frank Bealer at 12150 Morris Rd., Alpharetta, GA 30005, telephone (470) 239-2480.

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 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.

The issuance date of this Franchise Disclosure Document is July 22, 2024.

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
How much can I earn?	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 Exhibits E and F.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only PHASE FAMILY LEARNING CENTER™ business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a PHASE FAMILY LEARNING CENTER™ franchisee?	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 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 mediation and/or litigation only in Georgia. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Georgia 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 you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, 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.

**ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF MICHIGAN**

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 protections provided in this act. This must 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 before the expiration of its term except for good cause. Good cause must 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 Marks, 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 must 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 must 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 subfranchisor.

(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 franchisee 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 franchisee 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.

THE FACT 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 must be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor.

The franchisor is Phase Partners, LLC. To simplify the language in this Disclosure Document, we refer to Phase Partners, LLC as “we”, “us”, or “our”. This Disclosure Document refers to the person or entity that buys the franchise from us as “you” or “your”, and the term includes your partners if you are a partnership, your members if you are a limited liability company, or your shareholders if you are a corporation.

We are a Georgia limited liability company incorporated on June 4, 2022. Our corporate address is 12150 Morris Road, Alpharetta, GA 30005. We do business under the names “PHASE FAMILY LEARNING CENTER™”, “PHASE LEARNING CENTER”, “PHASE FAMILY CENTER”, “PHASE CENTER”, “PHASE EVENTS”, “LEGACY THEATER”, “PHASE COMMONS”, “THE COMMONS AT PHASE”, “COMMONS AT PHASE”, and “LEGACY THEATER AT PHASE”. Our agents for service of process are disclosed on Exhibit A to this Disclosure Document.

We began offering franchises for PHASE FAMILY LEARNING CENTER™ facilities in January 2023. We have not operated a business of the type offered in this Disclosure Document or any other type of business (franchise or otherwise), but our affiliates have operated learning centers, an event hosting business and a coworking office space business since 2016. We do not have any business activities other than managing the PHASE FAMILY CENTER franchised system.

Parents.

We have one parent company, Phase Enterprises LLC (“PELLC”). PELLC’s corporate address is 12150 Morris Road, Alpharetta, GA 30005.

Predecessors.

We have no predecessors.

Affiliates.

We are an affiliate of Alpharetta Preschool Partners, LLC (“APPLC”). APPLC was established to operate a Phase Family Center in Alpharetta, GA. The corporate address for APPLC is 12150 Morris Road, Alpharetta, GA 30005. APPLC currently operates one facility of the type being offered. APPLC has not offered franchises in this or any other line of business (franchise or otherwise).

We are an affiliate of Phase Family Center DC, LLC (“PFCDC”). PFCDC was established to operate a Phase Family Center in Washington, DC. The corporate address for PFCDC is 12150 Morris Road, Alpharetta, GA 30005. PFCDC currently operates one facility of the type being offered. PFCDC has not offered franchises in this or any other line of business (franchise or otherwise).

We are an affiliate of The Phase Project LLC (“TPPLC”). TPPLC was established as a collaborative ongoing effort to ensure adults and leaders don’t miss critical phases of children’s lives. The corporate address for TPPLC is 1753 Buford Highway, Suite 215-166, Cumming, GA 30041. TPPLC does not currently operate facilities of the type being offered. TPPLC has not offered franchises in this or any other line of business (franchise or otherwise).

We are an affiliate of Phase Foundations LLC (“PFLLC”). PFLLC was established to offer Preschool Curriculum to church daycares and other services. The corporate address for PFLLC is 1735 Buford Highway, Suite 215-176, Cumming, GA 30041. PFLLC does not currently operate facilities of the type being offered. PFLLC has not offered franchises in this or any other line of business (franchise or otherwise).

The Franchise.

We offer franchises for the operation of a center that offers early childhood daycare and education programs (including preschool, after school care, school break camps, and summer camps) for children 6 weeks to 12 years of age under the name “PHASE FAMILY LEARNING CENTER™” (each a “Center”) under the form of Franchise Agreement attached to this Disclosure Document as Exhibit B (the “Franchise Agreement”) (collectively, the “PHASE FAMILY LEARNING CENTER™ System”). Under the Franchise Agreement, you will operate your Center at a designated location. For our PHASE FAMILY LEARNING CENTER™ concept, we may develop various specialty products that we may sell under the brand and under other brands we may create and develop in the future.

A typical Center occupies about 15,000 to 20,000 square feet of space that you will own or lease from a third party. All Centers are constructed or modified to our specifications as to format, size, layout, décor, and the like. A Center will be located in a building with ample parking, good visibility, and availability of prominent signage. A Center will employ about 30 to 50 persons. Depending on your staffing needs, some of these employees may not work full time.

You will operate your Center at your expense, as an independent business using our business format, procedures, designs, trade dress, standards, specifications, and methods of operation. You must use the PHASE FAMILY LEARNING CENTER™ System at your Center, which includes, without limitation, the common use and promotion of the name PHASE FAMILY LEARNING CENTER™ and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols we periodically designate (collectively, the “Marks”); distinctive products, and quality standards; procedures for inventory and management control; training; advertising and promotional programs; and ongoing assistance. As a franchisee, you will sell only our approved products and services. We may periodically add or delete products and/or services and change specifications, standards, procedures, and methods of operation, and you will be expected to follow suit. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential Brand Standards Manual (the “Brand Standards Manual”) that will be loaned to you at the time of training. You may only offer services and products that we have previously approved.

Competition.

The market for early childhood daycare and education for children up to twelve years of age is highly developed. You will have to compete with other businesses performing similar services, including local, independently owned daycare centers or similar operations and other regional and national chains offering similar facilities or programs to children. We believe that our franchisees will be able to compete with other businesses providing these services as a result of the System, the marketing, and promotional programs used to promote the Center and the training we provide to you. Previous business management experience is helpful for new franchisees. Previous business ownership experience also is highly desirable.

Regulatory Matters.

You must comply with state laws or regulations that are applicable to the childcare and children's education industry. These laws and regulations may include: licensing requirements; ratings or a point system to designate the quality of the facility; specified minimum indoor and outdoor physical facilities and equipment; requirements for transporting children to and from the Center, personnel screening obligations involving background checks and criminal records checks; personnel credentials, age restrictions, and training requirements; obligations to report evidence of child abuse and neglect; food service requirements; requirements that structures provide shade; a prohibition on advertising before the operator is licensed or the business opens; and record keeping. You must investigate, keep informed of, and comply with these laws and regulations as well as other federal, state, and local laws and regulations concerning childcare and education in the operation and construction of your Center. Each jurisdiction also will make the final determination of a Center's enrollment capacity.

In addition, you must comply with federal, state, and local laws and regulations that apply to businesses generally. They include: the Americans with Disabilities Act and other federal and state laws relating to employees and customers with disabilities; the Fair Labor Standards Act, the Occupational Safety, and Health Act and other federal and state laws governing minimum wage, overtime, working conditions, and other employment-related subjects; Title VII of the Civil Rights Act, the Equal Employment Opportunity Act, and other federal and state laws relating to discrimination and harassment; laws governing various other matters, such as consumer and employee privacy; access to or deletion of personal information; cyber security, data security, data privacy, and security breaches; laws applicable to health, sanitation, smoking, safety, fire, and other matters; tax laws; environmental laws; laws relating to citizenship or immigration status; and laws relating to construction, zoning, and site locations. Furthermore, if you accept payment by credit or debit card, you must comply with the Payment Card Industry Data Security Standard established by the major credit card brands to ensure that merchants securely store, process, and transmit customer credit card information.

You must acknowledge in the Franchise Agreement that you are responsible for keeping apprised of, and complying with, all applicable laws. Before you buy a franchise, you are encouraged to investigate regulations and laws that may be applicable to your business. You should consider their impact on your business and any increased cost of doing business.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer – Sean Tegart

- October 2023 to Present, CEO Phase Partners, LLC, Alpharetta, GA
- September 2014 to May 2023, Founder / President & CEO Biological Innovation and Optimization Systems, LLC (dba BIOS Lighting), Carlsbad, CA

Chief Growth Officer and Co-Founder – Frank Bealer

- July 2022 to Present, CGO, Phase Partners, LLC, Alpharetta, GA
- January 2019 to July 2022, CEO, Phase Learning Center, LLC, Alpharetta, GA

President and Chief Operating Officer – Stacie Williams

- July 2022 to Present, President and COO, Phase Partners, LLC, Alpharetta, GA
- April 2020 to July 2022, various positions including President and COO, Phase Learning Center, LLC, Alpharetta, GA
- May 2018 to September 2020, Media Manager, Parkway Assembly of God, Macon GA

Vice President of School Development and Culture and Founding Director – Vanessa Zaczek

- December 2022 to Present, VP of School Development and Culture and Founding Director, Phase Partners, LLC, Alpharetta, GA
- July 2022 to November 2022, Accreditation and Launch Director, Phase Partners, LLC, Alpharetta, GA
- October 2020 to June 2022, Accreditation and Launch Director, Phase Learning Center, LLC, Alpharetta, GA
- July 2017 to October 2020, Center Director, Phase Learning Center, LLC; Alpharetta, GA

Vice President of Family Engagement and Church Partnerships – Jamie Nuckols

- December 2022 to Present, VP of Family Engagement and Church Partnerships, Phase Partners, LLC, Alpharetta, GA
- July 2022 to December 2022, Family Engagement Director, Phase Partners, LLC, Alpharetta, GA
- November 2021 to July 2022, Family Engagement Director, Phase Learning Center, LLC, Alpharetta, GA
- August 2015 to February 2019, Family Minister; Area 10 Father Community Church, Richmond, VA.

Vice President of Finance – Michael Noland

- March 2024 to present, VP of Finance, Phase Partners, LLC, Alpharetta, GA
- April 2022 to March 2024, VP of Finance, Foot Solutions Franchise Company, Alpharetta, GA
- January 2020 to April 2022, Director of Strategy and Corporate Development, AT-PAC Complete Scaffolding Solutions, Atlanta, GA
- September 2017 to January 2020, Senior Associate, Corporate Development, T-PAC Complete Scaffolding Solutions, Atlanta, GA

**ITEM 3
LITIGATION**

No litigation must be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee.

You must pay us a \$145,000 initial franchise fee (“Initial Franchise Fee”) for your first Center in 4 quarterly payments of \$36,250 with the first payment due when you sign your Franchise Agreement. If you decide at any time before the third quarterly payment that you wish to discontinue your relationship with us, you may provide a cancellation request to us in writing and no further fees or payments will be due to us. We will acknowledge the cancellation in writing and terminate your Franchise Agreement.

The Initial Franchise Fee is uniform for all franchisees purchasing a franchise through this Disclosure Document. We reserve the right to waive or reduce the Initial Franchise Fee for our affiliates, employees, existing franchises, if we run a franchise marketing promotion, or if we have previously collected fees for consulting on site assessment or facility design. Once paid, the Initial Franchise Fee is not refundable under any circumstances.

The Initial Franchise Fee includes the following support and services:

Site Assessment and Center Design Assistance

This fee includes the expenses that we incur related to the design development and construction of the facility including expenses and fees incurred for preliminary diligence work, traveling to the site, in consultation with your contractor or architects, providing information about requirements and recommendations for the design of a Phase Family Learning Center and/or review your architect’s plans and make recommendations for meeting requirements. This may include a list of state and local licensing requirements, a list of our requirements and recommendations, design elements, one or more potential floor plans, space plan revisions, and an estimation of licensed preschool capacity. The fee is due before we begin work on these services.

Training and Opening Support

This fee includes training and support for up to 2 persons, the Managing Principal and the Executive Director (if different) and is due 4 months before anticipated opening.

Other Fees

Initial Marketing Fee/Grand Opening Advertising - \$40,000

We require you to pay initial marketing/grand opening advertising monies to us so that we manage and advertise your location on your behalf. The minimum amount you must spend on this is \$40,000.

Technology Fee - \$1,500 per month

This fee begins about four months before opening and includes the cost of software licenses, including childcare management system, productivity software, email, telephone, chat, device management, process management, password management, and an audio/video solution.

Curriculum License Fee - \$4,750 per year

You must pay an annual fee of \$4,750 to license academic curriculum materials from us or our affiliates.

None of these fees are refundable under any circumstances.

None of these fees are refundable under any circumstances.

**ITEM 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Revenue from all sources as a result of operating your Center	Monthly, on the 10 th day of the month	The Royalty Fee is paid at our offices or paid electronically on the 10 th day of the month for the preceding month. If the date on which payment would otherwise be due is not a business day, then payment must be due on the next business day. See Notes 1 and 2.
Advertising Fund Fee	2% of Gross Revenue	Monthly, on the 10 th day of the month	Payment of the Advertising Fee must be made by the 10 th of the following month and be based on Gross Revenue for the preceding month.
Technology Fee	\$1,500 per month	Monthly, beginning about 4 months before opening	This fee includes the cost of software licenses, including childcare management system, productivity software, email, telephone, chat, device management, process management, password management, and audio/video solutions.
Curriculum License Fee	\$4,750 per year	On invoice	You must license academic curriculum materials from us or our affiliates.

Type of Fee	Amount	Due Date	Remarks
National Conference Fee	Up to \$750 per person	Payable before National Conference	If we require you to attend a conference or other meeting, you may have to pay a reasonable fee.
Franchise Renewal Fee	25% of the then-current Initial Franchise Fee	Before franchise renewal	Payable when, and if, you renew your Franchise Agreement at the expiration of the 10-year Term. There are other conditions to renew (see Item 17 of this Disclosure Document).
Transfer/Assignment Fee under Franchise Agreement	Transfer to Current Franchisee: 40% of the then-current Initial Franchise Fee at the time of the Transfer/Assignment plus expenses Transfer to New Franchisee: 60% of the then-current Initial Franchise Fee at the time of the Transfer/Assignment plus expenses	Before the consummation of the transfer or sale	Payable when, and if, you transfer or sell your franchise. There are other conditions to transfer (see Item 17 of this Disclosure Document).
Training and Support Fee for Transferee	\$35,000	Before the consummation of the transfer or sale	
Advertising Deficiency	Amount of Local Advertising Deficiency	Immediately on demand	If you fail to make local advertising expenditures, we may do so on your behalf and you must reimburse us for those expenditures.
Insurance Premiums	Will vary under the circumstances	Immediately on demand	If you fail to acquire the required insurance, we may do so on your behalf and you must reimburse us for those expenditures.

Type of Fee	Amount	Due Date	Remarks
Interest and Late Payment Fees	Lesser of the highest rate permitted by law or 18% per annum plus \$100 per occurrence	Immediately on demand	Payable on all overdue amounts. Interest begins from the due date.
Insufficient Funds Service Fee	\$100 per occurrence	Immediately on demand	Payable if any of your payments to us are not honored by your financial institution.
Late Report Fee	\$100 per occurrence	Immediately on demand	We may require you to pay us \$100 each time you fail to submit to us any required reports or information.
Audit Expenses	Will vary under the circumstances	Immediately on demand	See Note 3.
Additional On-Site Training and Assistance	Will vary under the circumstances	As incurred	You will pay a reasonable fee (currently \$100 per person per hour for a daily maximum of \$750), for additional training you request plus the reimbursement of our trainers' travel and living expenses and other related expenses.
Additional On-Site Training due to Failure to Maintain Standards	Will vary under the circumstances	As incurred	See Note 4.
Counseling and Advisory Services	Will vary under the circumstances, currently \$100 per hour.	As incurred	See Note 5.
Indemnification	Will vary under the circumstances	As incurred	You must defend and indemnify us for any third-party claims based on your acts or breaches of the Franchise Agreement.
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	Payable if you do not comply with the Franchise Agreement.
Reimbursement of Costs and Expenses regarding Modification of Franchise Agreement	Costs and attorneys' fees	On demand	

Type of Fee	Amount	Due Date	Remarks
Maintenance, Service, and Support Contract Fees	To be determined	As incurred	If you must maintain these contracts and if you must participate in any of our contracts for these services, you may have to pay us directly for the vendors' services. As of the date of this Disclosure Document, these fees are not being charged. See Item 7 of this Disclosure Document.
Excess Computer or IT Assistance	Will vary under the circumstances	As incurred	If we provide services or products in excess of those normally provided to franchisees.
Accreditation Fee	To be Determined	On Demand	We reserve the right to implement a required Accreditation program with an annual fee in the future.
Fines for Non-Compliance	Between \$100 and \$1,000 per violation per day	Within 10 days of our notifying you of fine's imposition	We may levy fines as stated in the Brand Standards Manual for your failure to comply with the Brand Standards Manual after written notice has been given to you and you still have failed to comply. See Note 7.

Note 1: Unless this Disclosure Document specifically provides otherwise, all fees are uniformly imposed on franchisees and are payable to us, and we do not refund them.

Note 2: Gross Revenue includes tuition, subscription plans, materials, enrollment, and other fees, and any and all revenues from any other source, including government subsidies and grants and gift cards or similar payment methods, less approved discounts, credits, refunds, and exchanges from products and services, and excluding government mandated sales, use, and similar taxes; Gross Revenue does not include revenue from activities at the Franchised Site if you are a Church or religious organization if the activities are not related to the operation of the Center, are directed exclusively toward the organization's charitable, religious, or other tax-exempt purposes, and the approved activities take place outside of normal Center Operating Hours unless we otherwise approve.

Note 3: You must pay our audit expenses only if an audit of your records reveals an understatement of 2% or more of your total amount owed to us during the audit period. In addition to any unpaid amounts you owe us, you must reimburse us for the actual costs we incur in conducting the audit, including travel, lodging, meals, and compensation of the auditing personnel that may travel to your Center. The cost of the audit will depend on many factors that will vary on a case-by-case basis, like the condition and accuracy of your recordkeeping, the extent of your cooperation, the number of years of your accounting records that are reviewed during the audit process, and other circumstances unique to your particular audit. As a result, we are unable to estimate a range of these audit costs; however, these audit expenses will not exceed our actual costs.

Note 4: If we notify you in writing that you have failed to maintain standards at the Center, and you do not cure the failure within 10 days, we have the right to assign trainers to your Center and you have to reimburse us for the trainers' salaries, travel and living expenses and other related expenses. We estimate that the cost of this additional training will be \$100 per hour with a daily maximum of \$750 per day per trainer, plus expenses incurred depending on the extent of the training required and the distance our trainers need to travel.

Note 5: Normally there is no fee for these services, which are provided by telephone or at our offices, unless you require unusual, extensive, or extraordinary assistance. If so, we have the right to charge you a reasonable fee of approximately \$100 per hour.

Note 6: Under the Franchise Agreement, we require that all fees must be paid by automated bank draft. Accordingly, you must sign an electronic transfer of funds authorization for your bank account.

Note 7: Under the Franchise Agreement, we may impose fines for your failure to comply with the Franchise Agreement or the Brand Standards Manual. The amount of any fine may vary based on the severity of the failure and whether this is the first or a later failure.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

For An Existing Licensed Preschool

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$145,000	\$145,000	Quarterly Installments	Paid in 4 quarterly installments beginning on Franchise Agreement signing	Us
Initial Marketing Fee/Grand Opening Advertising (See Note 2)	\$40,000	\$40,000	Lump Sum	3 Months before opening	Us
Leasehold Improvements (See Note 3)	\$0	\$400,000	As Arranged	Before Opening	Landlord, Contractors
Playground Equipment	\$0	\$250,000	As Arranged	Before Opening	Suppliers, Contractors
Furnishings, Fixtures, Equipment and Decorating (See Note 4)	\$55,000	\$230,000	As Arranged	Before Opening	Suppliers
Security System	\$0	\$15,000	As Arranged	Before Opening	Suppliers, Contractors
Signage (See Note 5)	\$20,000	\$40,000	As Arranged	Before Opening	Suppliers, Contractors
Initial Supplies (See Note 6)	\$0	\$10,000	As Arranged	Before Opening	Suppliers
Transportation Vehicle (See Note 7)	\$0	\$60,000	As Arranged	Before Opening	Suppliers
Curriculum License Fee	\$4,750	\$4,750	Lump Sum	4 months before opening	Us
Technology Fee	\$10,500	\$10,500	As Arranged	Before Opening and Ongoing	Us
Licenses (See Note 8)	\$0	\$4,000	As Arranged	As Arranged	Governmental Agencies

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Professional Fees	\$1,000	\$2,500	As Arranged	Before Opening and Ongoing	Accountants, Lawyers, other
Utility Deposit	\$0	\$30,000	As Arranged	Before Opening	Utility companies
Security Deposit (3 months' rent) (See Note 9)	\$0	\$75,000	As Arranged	As Arranged	Landlord
Insurance (See Note 10)	\$1,250	\$2,500	As Arranged	As Incurred	Insurance Providers
Miscellaneous Expenses (See Note 11)	\$10,000	\$45,000	As Arranged	As Arranged	Suppliers, Utilities, Tradesmen, Contractors, Us
Additional Funds – 3 months (See Note 12)	\$0	\$180,000	As Arranged	As Arranged	Suppliers, Employees
Financing Cost (See Note 13)	\$0	\$90,140	As Arranged	As Arranged	Lender(s)
Total Estimated Initial Investment (See Note 14)	\$287,500	\$1,634,390			

***All of the above expenditures are non-refundable.**

YOUR ESTIMATED INITIAL INVESTMENT

For A Center That Is Not Currently Operating A Licensed Preschool

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$145,000	\$145,000	Quarterly Installments	Paid in 4 quarterly installments beginning on Franchise Agreement signing	Us
Initial Marketing Fee/Grand Opening Advertising (See Note 2)	\$40,000	\$40,000	Lump Sum	3 Months before opening	Us
Leasehold Improvements (See Note 3)	\$400,000	\$1,300,000	As Arranged	Before Opening	Landlord, Contractors
Playground Equipment	\$250,000	\$350,000	As Arranged	Before Opening	Suppliers, Contractors
Furnishings, Fixtures, Equipment and Decorating (See Note 4)	\$230,000	\$360,000	As Arranged	Before Opening	Us
Security System	\$15,000	\$50,000	As Arranged	Before Opening	Suppliers, Contractors
Signage (See Note 5)	\$20,000	\$40,000	As Arranged	Before Opening	Suppliers, Contractors
Initial Supplies (See Note 6)	\$5,000	\$15,000	As Arranged	Before Opening	Suppliers
Transportation Vehicle (See Note 7)	\$0	\$60,000	As Arranged	Before Opening	Suppliers
Curriculum License Fee	\$4,750	\$4,750	Lump Sum	4 months before opening	Us
Technology Fee	\$10,500	\$10,500	As Arranged	Before Opening and Ongoing	Us
Licenses (See Note 8)	\$4,000	\$7,000	As Arranged	As Arranged	Governmental Agencies
Professional Fees	\$2,500	\$5,000	As Arranged	Before Opening and Ongoing	Accountants, Lawyers, other
Utility Deposit	\$0	\$30,000	As Arranged	Before Opening	Utility companies
Security Deposit (3 months' rent) (See Note 9)	\$0	\$75,000	As Arranged	As Arranged	Landlord

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Insurance (See Note 10)	\$1,250	\$2,500	As Arranged	As Incurred	Insurance Providers
Miscellaneous Expenses (See Note 11)	\$10,000	\$45,000	As Arranged	As Arranged	Suppliers, Utilities, Tradesmen, Contractors, Us
Additional Funds – 3 months (See Note 12)	\$180,000	\$420,000	As Arranged	As Arranged	Suppliers, Employees
Financing Cost (See Note 13)	\$0	\$173,000	As Arranged	As Arranged	Lender(s)
Total Estimated Initial Investment (See Note 14)	\$1,318,000	\$3,132,750			

***All of the above expenditures are non-refundable.**

Note 1: See Item 5 for information on the Initial Franchise Fee.

Note 2: You must pay initial marketing/grand opening advertising monies to us so that we may conduct the grand opening campaign on your behalf. The minimum amount you must spend on this is \$40,000.

Note 3: The cost of leasehold improvements will vary widely depending on the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements you desire over and above our minimum requirements, landlord's cash contribution to the cost of the improvements, and the like. Improvements include electrical, carpentry, floor covering, painting, plumbing, heating, ventilation, and air conditioning. It also includes site work including concrete, asphalt, curbing, dirt work, grass, plants, parking lot marking, etc. These expenses include fees paid to the General Contractor (defined below).

Note 4: You must purchase or lease certain equipment, machinery, computer hardware and software, furniture, and décor and trade dress items, all of which must comply with our specifications and standards. Costs will vary depending on a number of factors including, for example, building codes and requirements of the state where your Center is located.

Note 5: The cost of your exterior signs will vary depending on the size, color, and back-lite channel letters of the sign and other specifications we and the landlord may require.

Note 6: This figure includes purchasing educational and curriculum supplies as well as office and consumable supplies needed to open a facility.

Note 7: If your Center provides transportation for After School programs, you must purchase or lease at least one passenger van or bus to transport students. Only a vehicle that meets our requirements can be used in the operation of your Center. Any vehicle used must comply with all applicable federal and state laws and regulations. The purchase price of the vehicle will vary depending on the vehicle chosen, but you may be able to lease a vehicle at an estimated cost of about \$900 to \$1,300 per month.

Note 8: These are fees paid to the state licensing agency. They are due when required by the licensing application process.

Note 9: Your lessor may require a security deposit before you take possession of the premises. This deposit may or may not be refundable. These figures presume that you will be leasing the Center premises and only represent rent for three months. We are unable to estimate the total cost of purchasing suitable premises for your Center or the amount of any down payment that would be required. Rent will vary depending on the size of the premises, the site's condition, its location, building size, access to major streets, demand for the site, the build-out requirements and construction or other allowances from the landlord, and the requirements of individual landlords. These figures are based on the experience of our existing facility in Georgia opening and operating a non-franchised PHASE FAMILY LEARNING CENTER™ facility. Regardless of whether you lease or purchase the Center premises, a typical PHASE FAMILY LEARNING CENTER™ facility occupies about 15,000 to 20,000 square feet. A PHASE FAMILY LEARNING CENTER™ facility will be located in a building with ample parking, good visibility, and availability of prominent signage. Because of the wide variation in lease rates for space, you should thoroughly investigate the costs of obtaining a location.

Note 10: This figure is an estimate of the three-month cost of maintaining the insurance required by the Franchise Agreement.

Note 11: This figure includes amounts for utility costs, business licenses, permits, opening assistance, software monitoring, and the cost of training your employees.

Note 12: This estimates the funds needed to cover your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses, and working capital. Your costs will vary depending on how rapidly your business grows and whether you are opening a facility that is an existing licensed preschool or a facility that is not currently operating as a licensed preschool. These figures are estimates based on our past business experience. We cannot guarantee that you will not have additional expenses starting your franchised business. All of these expenses are paid to third parties.

Note 13: This is an estimate of finance charges you may have to pay before and at the closing of your loan, inclusive of lender and U.S. Small Business Administration fees. The finance charges may vary based on the amount you are financing. If the U.S. Small Business Association is a party to the loan, you may be required to pay an SBA Guaranty Fee based on the loan amount plus lender loan fees. Additional details regarding the SBA Guaranty Fee are available on the U.S. Small Business Administration's website. There may be other lender fees and related expenses in obtaining financing. We do not provide any financing for the acquisition and construction of your Center.

Note 14: You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The amount shown is based on our licensed facilities' experience.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you are not obligated to purchase or lease from us, our designees or suppliers we approve, or under our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate relating to operating your Center. To ensure a uniform image and quality of products and services throughout the PHASE FAMILY LEARNING CENTER™ franchise system, all products, supplies, equipment, furnishings, employee uniforms, fixtures, inventory, packaging, and other items used, sold, displayed, or distributed in your Center (i) must comply with our standards and (ii) from suppliers we designate or approve. We may designate at any time and for any reason, a single or multiple suppliers for these items and require you to purchase exclusively from the designated supplier or suppliers, which exclusive designated supplier(s) may be us or an affiliate of ours.

During our fiscal year 2023, we did not receive any revenues from the sale of required products to our franchisees, but we have the right to do so in the future.

Our Brand Standards Manual and other communications will identify our standards and specifications and the names of approved or designated suppliers. As a designated supplier, we may charge you a reasonable mark-up, surcharge, and handling fee on any items you purchase from us. Monies you pay to us will include a profit for us. We or our affiliates may receive, directly or indirectly, revenue from suppliers based on purchases by PHASE FAMILY LEARNING CENTER™ franchisees. The revenue may be based on volume or per unit sales. There are no approved suppliers in which any of our officers own an interest. We do not currently derive revenue, directly or indirectly, from any suppliers based on the services or products they provide to our franchisees.

We and our affiliates have the right to receive payments or other benefits like rebates, discounts, and allowances from authorized suppliers based on their dealings with you and other franchisees and we may use the monies we receive without restriction for any purpose we deem appropriate or necessary. Suppliers may pay us based on the quantities of products the PHASE FAMILY LEARNING CENTER™ franchise system purchases from them. These fees will usually be based on the amount spent by our franchisees, but they may be based on other determining methodologies as we and our suppliers may agree. We do not provide material benefits to franchisees (for example, renewal of existing or granting additional franchises) based on their use of designated or approved suppliers.

We may negotiate supply arrangements with suppliers for the benefit of franchisees. There are no approved suppliers in which any of our officers own an interest. We have not negotiated price terms with suppliers. In the future, there may be various vendors and suppliers that contribute to the cost of the National Conference for the PHASE FAMILY LEARNING CENTER™ franchise system (the “Conference”). Monies from vendors and suppliers that are used to pay for the cost of the Conference will not be revenue to us.

Site Approval and Construction.

We must approve the site for your Center and the site must meet our then-current site criteria.

You must employ a qualified general contractor, who is reputable and experienced building units of similar concepts, to supervise, delegate and/or perform (i) the construction and development of the Center, (ii) the completion of all improvements, (iii) the outfitting of the Center with furnishings, fixtures, and equipment, and (iv) all other services that are we designate to be performed by the general contractor in constructing the Center (the “General Contractor”). We may designate a single approved General Contractor or furnish you with a list of approved General Contractors for you to employ in the construction of the Center.

We will work with your existing architectural firm or we may designate one or more suppliers of design services and/or architecture services (an “Architectural Firm”) to supply these services to the PHASE FAMILY LEARNING CENTER™ franchise system. Your architectural vendor or the one we designate must provide to us, for our written approval, a proposed preliminary site and construction plans and specifications for your Center which, if accepted, must not be modified, altered, or changed without our prior written consent. You must sign any agreements required to obtain the services of the Architectural Firm and pay for all services provided by the Architectural Firm.

You also must adhere to our specifications for the construction and design of the Center, which will include requirements for the interior and exterior layout, signage, fixtures, and trade dress including the color scheme. You may purchase these items from any supplier that meets our specifications unless we designate an approved supplier for an item, in which case, you must purchase the item from the approved supplier. We may, at any time, change, delete, add to, or modify any of our specifications. These changes, deletions, additions, or modifications, which will be uniform for all franchisees, may require additional expenditures by you.

You must prepare all required construction plans and specifications and ensure they comply with building codes and ordinances. If your construction plans and specifications deviate from our plans and specifications, you must obtain our approval of the changes. It is your responsibility to obtain all required licenses, permits, and approvals associated with constructing and operating your Center.

Furnishings, Fixtures, Equipment and Decorating.

You must purchase certain furnishings, fixtures, equipment and decorating items in accordance with our specifications. This cost goes towards technology and computers (not including audio amp and installed speakers), classroom furniture, fixtures and equipment, office furniture and decor, break room furnishings, fixtures, equipment and decorating, and enrichment space.

Vehicle.

Any motor vehicles you use in the operation of your Center (“Vehicles”) must comply with all federal and state laws and regulations and our specifications. Currently, unless we determine a Vehicle is not necessary, we require you to purchase at least one Vehicle, which must be a multi-function school activity bus that conforms to state preschool licensing guidelines and is approved by us. You may purchase or lease new or replacement Vehicles from any source. All Vehicles must bear the Marks in the form and location that we specify, and may not display any additional sales, advertising, or message without our prior written approval. Vehicles must be used exclusively for the business of the Center and primarily for transporting students of the Center.

Operating System/Tuition Collection System.

You must subscribe to the Operating System/Tuition Collection ("Operating System") system defined in Item 11. These systems are provided on a monthly subscription basis and are included in the monthly Technology Fee listed in Item 7. Occasionally we require or recommend additional systems to be used in the operation your Center and you are responsible for the cost of these systems.

We will designate one or more suppliers for the particular Operating System. We currently require you to use the following: ProCare (Online Version) and ChildcareCRM. We have the right to appoint additional or alternate suppliers for these Operating Systems or other systems we designate.

You also must have fiber internet or its equivalent, at required speeds, currently a minimum of 50 Mbps upload and download speed, or the minimum required by the Operating System, whichever is faster. We may require you to maintain support service contracts and/or maintenance service contracts and to periodically make upgrades and changes to the Operating System, computer hardware and software, and credit card, debit card and other non-cash payment systems. We may designate the vendor(s) for these support service contracts and maintenance service contracts. The monthly subscription cost for these systems is included in the Technology Fee in Item 6. In addition, there are required Tuition Express Processing fees through ProCare that currently equal \$0.30 plus 2.7% for/of each transaction and are subject to change. These are a required part of the ProCare Online cost of service and are your responsibility. Only the Operation System designated payment processor may be used to process payments unless we require an alternative payment processor. We reserve the right to change payment processors at any time on notice to you.

Insurance.

You must obtain and maintain, at your own expense and from carriers we approve, the insurance policies below and any other policies stated in the Brand Standards Manual. All your coverages must be on an occurrence basis and must provide for waivers of subrogation. Our requirements are subject to change at any time in the future (issued through updates to the Brand Standards Manual). The current minimum coverages and limits are:

(i) Commercial General Liability Insurance, including coverages for (a) personal and advertising injury of \$1,000,000 or higher per occurrence, with no liability deductible, (b) \$3,000,000 general aggregate, (c) damages to premises rented to you, if applicable, of \$100,000 or higher, (d) products-completed operations, (e) contractual liability, (f) fire damage, (g) medical expenses of \$5,000 to any one person or higher, (h) assault and battery of \$1,000,000 per occurrence, with no deductible and \$2,000,000 or higher aggregate, and (i) abuse or molestation of at least \$1,000,000 or higher per occurrence, with no deductible and \$2,000,000 or higher aggregate, and any other coverage required by your licensing board, state, or local jurisdiction for any activity or business conducted;

(ii) Commercial Automobile Liability Insurance and, if you own, rent or identify any vehicles with any Mark or vehicles are used in connection with the operation of your Center, automobile liability coverage for owned, non-owned, scheduled, and hired vehicles, with (a) liability coverage of no less than \$1,000,000 or the state minimum, whichever is higher, (b) uninsured motorist coverage of no less than \$1,000,000 or the state minimum, whichever is higher, (c) medical payments as required or stipulated by your state or licensing body, (d) comprehensive based on stated amount (current retail value plus special or permanently attached equipment of vehicle per state guidelines), and (e) collision based on stated amount (current retail value plus special or permanently attached equipment of vehicle or per state guidelines);

(iii) Excess Liability Umbrella Coverage for the general liability and automobile liability coverages (a) additional coverage of \$3,000,000 or higher per occurrence (b) \$3,000,000 or higher aggregate;

(iv) Cyber and Data Protection Liability, Media Liability (if not included in Cyber Liability coverage), Teacher Professional Liability, Crime and Fidelity, and Sexual Abuse and Molestation Liability (if not included in your General Commercial Liability Insurance or your Crime and Fidelity Liability coverage);

(v) Workers' Compensation Insurance covering all of your employees as required by law;

(vi) Employment Practices Liability Insurance of at least \$1,000,000; and

(vii) Business Interruption and Extra Expense Insurance for a minimum of 6 months to cover net profits and continuing expenses (including Royalty Fees).

You or your third party contractor or developer must purchase and maintain in full force and effect during any construction, renovation, or remodeling work on the Center premises the following types of insurance policies, all on an occurrence basis: (1) For sites that are unoccupied and not immediately adjacent to an occupied site, or sites that are occupied or immediately adjacent to an occupied site, Commercial General Liability (“CGL”); (2) Workers’ Compensation and Employers’ Liability in amounts prescribed by law covering all personnel working on the construction site; (3) At our option in our sole business judgment, Builder’s Risk/Installation insurance in an amount reasonably satisfactory to us.

Your policies must name us as an additional insured under each of these insurance policies, except for workers’ compensation. Before opening your Center and, thereafter, at least 30 days before the expiration of any policy or policies, you must deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required above or under the Brand Standards Manual, and all certificates must contain endorsements requiring the insurance company to give us at least 30 days (10 days for non-payment of premium) written notice on termination, non-renewal, or cancellation, of the coverages and notice of any claim filed under the policy within 30 days after the filing of the claim. We may change the minimum limits and types of insurance coverage during the term of your Franchise Agreement. Your obligation to obtain and maintain the required policies will not be limited in any way by reason of any insurance that we maintain.

The cost of your insurance will vary depending on the insurance carriers’ charges, the terms of payment, and your insurance history. Insurance may be offered to you through a cooperative at a reduced cost, if you elect to participate.

Maintenance, Service and Support Contracts.

While we do not currently have any applicable contracts in place, we may require you to maintain maintenance contracts or service contracts on all equipment and machinery we designate (the costs may vary based on the items and the contract you select) and we will have the right to designate the vendor(s) for those contracts. We also may require you to maintain a contract(s), or participate in any of our contracts, with third-party(ies) offering customer service, shopper experience, product safety or other service programs designed to audit, survey, evaluate or inspect business operations. We have the right to specify the third party(ies) and the required level of participation in these programs. You will be responsible for the cost of maintaining these contracts and/or participating in these programs.

Request for Supplier Approval.

If (i) you wish to purchase any item from a supplier (manufacturer or distributor and service providers) we have not previously approved or an item that does not comply with our specifications and (ii) we have not designated the item to be exclusively supplied by a particular supplier(s), you must first submit to us a written request for approval. We will establish a procedure for submitting these requests. We will require the proposed supplier to provide us with certain financial and operational information and other information regarding the supplier and the items to be approved. In addition, the proposed supplier must permit our representatives to inspect its facilities (e.g. business offices and/or manufacturing facilities, as applicable). Before we approve a supplier, we will evaluate the economic terms of a possible relationship and ensure that the proposed supplier meets our requirements. We reserve the right, at our option, and at the proposed supplier’s expense, to inspect or re-inspect the facilities, equipment, and raw materials of any supplier, at any time.

The proposed supplier or you must pay, in advance, a fee not to exceed the reasonable cost of any evaluation, testing, and inspections we undertake. Within a reasonable time frame after we receive the completed request and after we complete any evaluation and inspection or testing (about 45 days), we will notify you in writing of our approval or disapproval of the proposed supplier or item. Generally, we will respond to your requests for supplier approval within a reasonable time period not to exceed 90 days. We are not required to approve any supplier or item not meeting our standards and specifications. We may deny approval for any reason, including our determination to limit the number of approved suppliers. You must not use, offer for sale or sell any of the proposed supplier's products or any other product that does not meet our specifications until you receive our written approval of the proposed supplier or item.

We may revoke our approval of particular goods or services, or of the supplier that supplies them, if we determine, in our sole discretion, that they no longer meet our standards or specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products and/or stop purchasing from the disapproved supplier.

Refurbishments.

In addition to all your other obligations in the Franchise Agreement and Brand Standards Manual related to repairing and maintaining the Center, at our request, but not more often than once every 5 years, unless sooner required by your lease, you must refurbish the premises of the Center at your expense, to conform to the Center trade dress, color schemes, and presentation of the Marks in a manner consistent with the then-current image for new PHASE FAMILY LEARNING CENTER™ facilities ("Refurbishments"). Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration and modifications to existing improvements. We are unable to estimate your costs for future Refurbishments which will vary from Center to Center based on a number of factors like: (i) the market where your franchise is located; (ii) the size of your Center; (iii) when your Center was last refurbished, if applicable; (iv) the amount of PHASE FAMILY LEARNING CENTER™ franchise system changes since the last refurbishment; and (v) the overall condition of your Center site and equipment.

About 85% of your total purchases in establishing your Center and about 85% of your total purchases in operating the Center must be purchased through us or from approved suppliers or in accordance with our standards and specifications and does not include food payroll and occupancy expenses. There are currently no purchasing or distribution cooperatives within the PHASE FAMILY LEARNING CENTER™ franchise system. In the future, we may require you to (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) we designate or establish for the PHASE FAMILY LEARNING CENTER™ franchise system, (ii) remain a member in good standing of the purchasing and/or distribution cooperative(s)/association(s)/program(s), and (iii) pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative(s)/association(s)/program(s).

**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.

Obligation	Section or Exhibit In Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Section 3.1	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 3.1, 9, and 11	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 1, 3.1, 11, and 12.1	Items 6, 7, 8 and 11
d. Initial and ongoing training	Sections 1, 2.2, 9, 14, and 15	Items 7, 11, and 15
e. Opening	Sections 1, 3.1, 12.1, and 14	Items 6, 7, and 11
f. Fees	Sections 2.2, 4, 5.3, 6.2, 6.3, 12.1, 12.2, 15, 22.2, and 23.1	Items 5, 6, 7, and 11
g. Compliance with standards and policies/Operating Manuals	Sections 7, 8.1, and 9	Items 8, 11, 13, 14, and 16
h. Trademarks and proprietary information	Sections 8, 9, and 16	Items 11, 13, and 14
i. Restrictions on products/services offered	Sections 9 and 26	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Exhibit A	Items 1, 5, 6, and 12
l. Ongoing product/service purchases	Section 9	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 2.2, 9, and 20.4	Items 7, 11, and 17
n. Insurance	Section 19.2	Items 6, 7, and 8
o. Advertising	Sections 9 and 12	Items 6, 7, 11, and 12
p. Indemnification	Section 19.1	Item 6
q. Owner's participation /management/staffing	Sections 9 and 15.1	Item 15
r. Records and reports	Sections 6.1 and 6.2	Item 6
s. Inspections and audits	Sections 6.3 and 9	Item 6
t. Transfer	Section 20	Items 6 and 17
u. Renewal	Section 2.2	Items 6 and 17

Obligation	Section or Exhibit In Franchise Agreement	Item in Disclosure Document
v. Post-termination obligations	Sections 21 and 23	Items 14, 15, and 17
w. Non-competition covenants	Section 21 and Exhibit B	Items 14, 15, and 17
x. Dispute resolution	Section 31	Item 17

**ITEM 10
FINANCING**

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

**ITEM 11
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Except as listed below, we are not required to provide you with any assistance.

Services Before Opening. Before you open your Center, we will:

(a) Assist you in selecting, and then approve (if appropriate) a lease, sublease, or purchase agreement for your Center site. We do not choose the site, but we may give you support and guidance. (See Franchise Agreement, Section 3.)

(b) Review and analyze your set of standard architectural plans and specifications drawn by your architect and/or contractor, which must include blueprints of the physical structure with dimensions of rooms and make recommendations to ensure licensing compliance and operational efficiency of the Center. We must approve all changes or revisions to the site and construction plans and specifications. (See Franchise Agreement, Section 3.)

(c) License you the Marks necessary to operate the franchised business. (See Franchise Agreement, Section 1.)

(d) Loan you one copy of the Brand Standards Manual that contains mandatory and suggested specifications and procedures. The Brand Standards Manual may be provided to you in text and/or electronic format. The Brand Standards Manual is confidential and proprietary and remains our property. We have the right to modify the Brand Standards Manual as we deem appropriate, although the modifications will not alter your status and rights under the Franchise Agreement. Attached to this Disclosure Document as Exhibit C is a copy of the Table of Contents of the Brand Standards Manual. (See Franchise Agreement, Section 7.)

(e) Provide you with grand opening assistance from our personnel, including planning and developing a grand opening digital marketing, area marketing, and social media marketing and promotional program. (See Franchise Agreement, Sections 12.1 and 14.)

(f) Give you periodic guidance (as we deem necessary) about the development, opening, and operation of the Center, including advice regarding equipment selection and layout and employee selection and training. If you have elected to purchase your furniture, fixtures and equipment through us, we will purchase certain furniture, fixtures and equipment and arrange for the supplier to deliver and assist with installation of the items. (See Franchise Agreement, Sections 13 and 14.)

(g) Before you begin operating the Center, provide initial training for up to 2 individuals that (i) will assume primary responsibility for managing your Center and (ii) will devote full time and best efforts to the management and operation of your Center (the “Managers”). (See Franchise Agreement, Section 15.1.)

(h) Before you begin operating the Center, provide centralized enrollment support, for which you are charged, although we reserve the right to discontinue (and stop charging for) this service in our sole discretion. (See Franchise Agreement, Section 13.)

Services During Operation. During the operation of your Center, we will:

(a) Give you periodic guidance (as we deem necessary) about (i) the methods and procedures to be used at the Center; (ii) advertising and promotion; (iii) product specifications; (iv) bookkeeping and accounting; (v) purchasing and inventory control; (vi) inspections; and (vii) new developments and improvements to the PHASE FAMILY LEARNING CENTER™ franchise system. (Franchise Agreement, Section 13.)

(b) Notify you of changes to, or the creation of, Center standards and approved or designated suppliers, or the termination of existing approved or designated suppliers. (See Franchise Agreement, Sections 7 and 8.)

(c) Refrain from operating or granting a third party the right to operate a PHASE FAMILY LEARNING CENTER™ facility in the Franchise Territory (See Item 12 of this Disclosure Document and Franchise Agreement, Section 3.)

(d) Give you access to advertising and promotional materials we develop. (See Franchise Agreement, Section 12.2.)

(e) Provide additional training for your managers. (See Franchise Agreement, Section 15.3.)

(f) Provide centralized enrollment support, for which you are charged, although we reserve the right to discontinue (and stop charging for) this service in our sole discretion. (See Franchise Agreement, Section 13.)

We have no obligation to assist you in setting your prices for your services. The Franchise Agreement does not permit us to establish minimum or maximum prices at which you must sell your services and products.

Advertising.

We provide advertising materials and services to you as we develop them and release them for use by our franchisees through a national advertising fund we have established and control (the “Advertising Fund”). You must participate in the Advertising Fund by paying 2% of Gross Revenue to the fund. All affiliate owned Centers or Centers we own also will contribute to the Advertising Fund on an equal percentage basis with all franchised Centers. The Advertising Fund is established as a separate banking account and monies received from you will be accounted for separately from our other funds. There is no fiduciary or trust relationship created by our administering the Advertising Fund. We may cause the Advertising Fund to be incorporated or operated through a separate entity if we deem appropriate. (See Franchise Agreement, Section 12.2.) We anticipate all of our franchisees will contribute to the Advertising Fund, although there is no prohibition against us charging higher or lower rates for future franchisees. (See Franchise Agreement, Section 12.2.) We also may forgive, waive, settle, or compromise claims by or against the Advertising Fund. We may defer or reduce a franchisee’s contribution. If we terminate the Advertising Fund, we will

distribute all unused monies to the contributors in proportion to their respective contributions during a pre-determined period. During the past fiscal year, we did not collect any Advertising Fund contributions.

We may use the Advertising Fund to create, among other things, promotional advertising, marketing programs, market research and marketing and advertising activities. The costs reasonably associated with creation and maintenance of Franchisee's subpage on the website and all other digital assets will be covered through the Advertising Fee, so long as we have implemented and continued to require the Advertising Fee.

We will direct all advertising programs developed with funds from the Advertising Fund and have sole discretion over the creative concepts, materials, media used, media placement, and allocation of these programs. Any advertising program or campaign we develop may include dissemination of advertising through print, radio, television, point-of-purchase materials, digital marketing, social media, or other media. This coverage may be local, regional, or national in scope. We may employ an advertising agency or other agency to assist in the development, production, and dissemination of advertising materials, or we may hire personnel to perform these functions. We have no obligation to spend any amount on advertising in the area where your Center is located, although for the first 5 franchised Centers, we plan to spend an amount that we determine in your local market area. (See Franchise Agreement, Section 12.2.) We have no obligation to spend the Advertising Funds to benefit all franchisees or to ensure the monies are used proportionately or equivalent to a franchisee's contributions to the Advertising Fund.

We may charge all costs of the formulation, development, and placement of advertising and promotional materials to the Advertising Fund. These will include the proportionate share of our employees who devote time and render services for advertising and promotion or the administration of the Advertising Fund and its programs. In any fiscal year, we may spend more or less than the aggregate of contributions to the Advertising Fund in that year. Any amounts that remain in the Advertising Fund at the end of each fiscal year will be applied toward the next year's expenses. We assume no liability or obligations to you or any franchisee for collecting amounts due to the Advertising Fund or to administering or maintaining the Advertising Fund. Currently, we do not intend to audit the Advertising Fund. If we prepare financial statements for the Advertising Fund, we will make them available to you; however, on request, you may obtain an unaudited accounting of how the Advertising Fund's monies were spent. We will not use funds from the Advertising Fund for advertising that is principally a solicitation for the sale of franchises. (See Franchise Agreement, Section 12.2.) We may use collection agents and bring legal proceedings to collect amounts owed to the Fund. In fiscal year 2023, the Advertising Fund was used for production of advertising and promotional materials 30%, media placement 60%, administrative expenses 10%, and other items including publicity efforts -0-%.

Other than the Advertising Fund, there are no other mandatory advertising funds to which you must contribute. However, you must participate in any promotional and advertising programs that we establish. We do not have any right to create any advertising cooperative to which you must contribute. If we create a voluntary cooperative, we have no liability or obligation to you for maintaining any cooperative and each cooperative will be organized and governed in the form and manner that we determine in advance. We may change, dissolve, or merge any cooperative. We also do not currently have an advertising council of franchisees.

Local Advertising.

You must spend at least 1% of your Gross Revenues each calendar quarter on local advertising and you must provide us with a monthly report detailing the amount of your local advertising spend.

Any advertising or marketing materials we have not prepared or previously approved must be submitted to us at least two weeks before any publication or run date for approval. All advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the PHASE FAMILY LEARNING CENTER™ franchise system. We may grant or withhold our approval of any advertising or marketing materials, in our sole discretion. We will provide you with written notification of our approval or disapproval within a reasonable time. If we do not notify you of our approval or disapproval within 10 days of our receipt of the materials, the materials will be deemed approved. You must discontinue your use of any approved advertising within five days of your receipt of our request if we subsequently request you to do so. (See Franchise Agreement, Section 12.5.)

We do not restrict where you can conduct your advertising and other franchisees will not be precluded from advertising in your Franchise Territory just like you will not be restricted from advertising in someone else's exclusive territory. We or our affiliates may advertise within your Franchise Territory for the sale of products and supplies.

Website and Social Media Policy.

We currently operate a website related to the PHASE FAMILY LEARNING CENTER™ Franchise System at <https://phase.center> (the "Website"). We have the right to designate a successor Website. You will not have access or ability to upload any content onto or otherwise edit the Website.

We will control all social media and digital marketing that uses any of our Marks and control the set-up and establishment of any accounts for social media or digital marketing of any kind that use or reference our Marks.

You must submit to us for approval before use, all social media posts and replies including sites such as Facebook, Linked In, Instagram, Yelp!, TikTok, X (formerly known as Twitter) and other sites. Our right of approval for all these materials is necessitated by the fact that they will include and inextricably be linked with the Marks. You may only use material or postings that we have approved. You must actively monitor your employees and make certain that they comply with these prior approval policies. Your employees are prohibited from using the Marks on any social media without our prior written approval.

Internet World Wide Web/Electronic Media.

You may not conduct any advertising or promotion over the Internet/worldwide web or through other forms of electronic media, whether within or outside your Franchise Territory, without our prior written consent, which we can withhold for any or no reason. (See Franchise Agreement, Section 12.5.) This includes your or your employees' use of any form of social media that references the Marks in any way; you are fully responsible for your employees with regard to social media and the Marks. You and your employees must comply with any social media policies in the Brand Standards Manual.

Grand Opening.

We require you to pay initial marketing/grand opening advertising monies to us so that we may conduct the grand opening campaign on your behalf. The minimum amount you must spend on this is \$40,000.

Brand Standards Manual.

Attached as Exhibit C to this Disclosure Document is a Table of Contents of our Brand Standards Manual. Our Brand Standards Manual consists of 149 pages.

Computer Hardware and Software.

Before opening your Center, we will initiate and configure ProCare – Online Version and ChildcareCRM for your Center. We manage these subscriptions and the cost is included in your Technology Fee listed in Item 6. We reserve the right to update this fee based on software subscription changes to a reasonable fee at any time.

This system includes online access to the subscriptions necessary to run the essential ERM and CRM functions for your Center. The system runs on apps and with online access on equipment included in Furniture, Fixtures, and Equipment (FF&E) costs listed in Item 7. You must use the Operating System, among other things, to manage and post enrollment details, documentation, leads, tuition payments, incidental payments, refunds, discounts, credits, and maintain enrollment and credentialing information. There may be additional systems required to maintain reporting, licensing, and recordkeeping. Included in this requirement is the obligation to have our mandated fiber internet or its equivalent, and required speeds, currently a minimum of 50mbps upload and download speed, or the minimum recommended speed by the app or software subscriptions required, whichever is faster.

You must use, regularly update, and maintain the required Operating and CRM Systems. Any equipment required to run these systems is your responsibility to purchase and must be purchased through us when applicable. We are not contractually obligated to provide any maintenance, repairs, upgrades, or updates.

You will use these systems in addition to any reporting systems outlined in the Brand Standards Manual to maintain business information and metrics for your Center and generate data and reports on your Center.

We will have access to your Center's information and data through these systems. We may require the Operating System to be accessible by us remotely by internet or otherwise. We will have the right at any time to access your Operating System to retrieve and compile information concerning your Center. There are no contractual limitations on our right to access this information and data. (See Franchise Agreement, Section 10.)

In addition to the Operating and CRM System, we may require that you install computer systems meeting our specifications. Currently, we do require you to spend about \$10,000 to \$29,000 on computer systems, which includes but is not limited to: at least two Apple MacBook Air laptop computers (model M1 or newer), an Apple iMac computer, at least 15 iPad tablets (9th generation or newer) and required accessories, Epson printers (personal office and larger, high-capacity models), 55-inch television monitors, at least 15 two-way radios, speakers for common areas, accessories for the proprietary devices, and other proprietary devices. The computer systems are used to assist you in the operation of your Center. You must pay all costs associated with any computer systems including accessing the Internet. Finally, you must maintain credit card, debit card or other non-cash payment systems we require. There are no limitations on the frequency and cost of this obligation. (See Franchise Agreement, Section 10.)

Site Selection.

A Phase Family Learning Center will generally operate within a building, complex, or campus in which the owners, developers or tenants of the Center enter into an agreement with us and or the operator of the Center. Generally, the site is the existing place of worship, workplace, or gathering place for the owner, developer, or primary tenant. The site selection and approval process assesses the site of the proposed center and may evaluate features of the site such as (i) ingress, (ii) egress, (iii) local development plans, (iv) local area demographics, (v) area tuition benchmarks, (vi) square footage, (vii) traffic patterns, (viii) local licensing requirements, (ix) local building permitting restrictions, (x) zoning patterns, (xi) nearby developments including retail, residential, and commercial, (xii) surrounding educational and recreational facilities, (xiii) distance from competing businesses, and (xiv) other factors having substantial bearing on the proposed site. (See Franchise Agreement, Section 3). Generally, the site assessment allows us to evaluate what size center best suits the site, local demographics, and future area growth. In addition to supplying us with the information required to perform an assessment, you must submit for our approval proposed site and construction plans and any modification to our specifications you propose. The construction or modification of the premises must be completed according to our specifications. If we do not approve a site, you must propose a new site. Approval of a location does not imply or guarantee the success or profitability of the site. While there is no contractual limit on the time it takes us to approve or disapprove your proposed site and lease, once we have all the necessary documentation for review, we typically take 15 to 30 days to approve or disapprove the proposed site and lease or agreement. The proposed site for your Center must be accepted by us along with any applicable lease, sublease, or purchase agreement. We may help you select the site for your Center, although we are not obligated to do so.

We may elect to send our personnel to review up to two properties in an area with you, but we are not obligated to spend more than one full business day viewing properties at no additional charge. Any additional visits will be charged to you at our then applicable charge for visits. You may own or lease the site for your Center. Our approval of a site will be based on the information you give us to review, including a site plan. Due to the variety of sites and existing facilities, campuses, or complexes an operator may propose, we may require you to sign an amendment to the Franchise Agreement to reflect certain terms in any agreements between the Franchisee and the building owner, developer, or tenant. The amendment terms may vary significantly in each scenario as well as from the terms described in this Disclosure Document, and could include, without limitation, limitations to the number of students you may serve, a reduced term, no or limited renewal rights, agreements determining Designated Area agreements determining shared spaces and or schedules within the edifice, mandatory tuition rates, different marketing obligations, different fee structures, different insurance obligations, limited transfer rights, and different termination rights. Because of the results of the differences in the different type of facilities a Center may be operated in we do not describe in this Disclosure Document all of the possible variances. If applicable, you should review the amendment to the Franchise Agreement carefully with your legal and financial advisors to fully understand all of the differences between it and the standard terms described in this Disclosure Document.

Start-up Time.

We expect that you will open your Center within 24 to 36 months for a new ground-up build facility and 12 to 18 months for a lease of an existing facility after you sign the Franchise Agreement. The factors that affect this timing are financing, building permits, zoning, local ordinance issues, and delayed installation of equipment, fixtures, and signs. If you do not begin operation of the Center within 42 months for a new ground-up build and 32 months for a lease of an existing building after the effective date of the Franchise Agreement, we may terminate the Franchise Agreement.

Conferences and Meetings.

Although we are not obligated to do so under the Franchise Agreement, we may hold periodic conferences, management meetings, or refresher courses to discuss sales techniques, bookkeeping, accounting, inventory control, and the like. These conferences may be held at our corporate/training location or any other place that we designate and may last 1 to 3 days. We may charge you a reasonable fee to attend these meetings or conferences, which we expect will not be more than \$750 per person (see Item 6). You must pay your own travel and accommodation expenses. (See Franchise Agreement, Sections 15.3 and 15.4.)

Electronic Funds Transfer.

You must pay all fees or contributions due under the Franchise Agreement by automated bank draft or other reasonable means necessary to ensure we receive payment of all fees and contributions. You must comply with any of our payment instructions, including executing any forms that grant us the right to debit your account on a monthly basis for payment of royalty, management and advertising fees and contributions and other fees and contributions to be paid to us or required by us under the Franchise Agreement. (See Franchise Agreement, Section 5.3.)

Training.

Below is a description of our current initial training program. Training programs are subject to change as procedures and processes change. You must send at least one franchise owner plus the manager (if different) to become certified through the training program for each location that you open and operate. We will not charge you a training or registration fee for the participation of these managers in the training program; however, you must pay all travel and living expenses (such as transportation, lodging, meals, and compensation) for the managers who attend the training. You will designate these individuals as having primary responsibility for managing your Center. We may permit additional managers of your Center to attend the initial training program, and, if we do, you will be responsible for all expenses we incur in providing the training to these additional managers. Unless you will be primarily responsible for managing the Center, you do not have to attend initial training. Your designated managers must successfully complete the training program to become certified managers, as we determine, at least one day before the Center opens for business. To become certified, your designated managers must satisfactorily complete all training projects and written tests with a passing score, and successfully demonstrate all on-the-job training procedures detailed in the Brand Standards Manual and the PHASE FAMILY LEARNING CENTER™ Training Manual (the “Training Manual”). In addition, we may require you and your managers and employees to attend additional training programs and you may be charged a reasonable fee for the additional training.

The initial training program instructional materials include various training aids including detailed handouts (product specifications), PowerPoint presentations, training videos, vendor reference materials (such as user guides, pricing guidelines, etc.), the Training Manual and the Brand Standards Manual.

You or your managers will be solely responsible for training and managing your employees, not us. You will be responsible for all employment-related decisions for your staff.

The initial training program will last a total of four weeks. Three weeks (15 business days) will be training in the classroom, and one week (5 business days) will be on-the-job training per attendee. It will be comprised of online, classroom, and In-Center training. We will conduct this training at a PHASE FAMILY LEARNING CENTER™ approved facility, or at another location we designate, and we may offer substantial portions of the training online to reduce costs for you. Training will be conducted as often as we deem necessary, in a predetermined schedule designated by the Training Department. See Item 7 of this

Disclosure Document for a discussion of your expenses associated with the initial training program. (See Franchise Agreement, Section 14.1.)

TRAINING PROGRAM

Subject	Hours of Remote/Online Training	Hours On-Site Training	Location
Phase Experience – Vanessa Zaczek			
History of Phase, Leadership, Culture, Mission and Values, The Phase Experience	0	4	Alpharetta, GA
Business Management –Michael Noland/Stacie Williams			
Franchisor and Franchise Owner Relationship and Responsibilities	0	4	Alpharetta, GA
Financial and Accounting	0	4	Alpharetta, GA
HR and Administrative	0	4	Alpharetta, GA
Staffing, Recruitment and Retention	0	4	Alpharetta, GA
Enrollment and Capacity Planning	0	4	Alpharetta, GA
IT	0	8	Alpharetta, GA
Operations and Compliance – Jamie Nuckols			
Licensing Compliance Health and Safety Center Policies and Procedures Classroom Policies and Procedures ChildcareCRM/ProCare	25	0	Online
Family Engagement – Jamie Nuckols			
Parent Relationships Church Partnerships Family Programming Phase Family Ambassadors	0	8	Alpharetta, GA
Education and Professional Development – Vanessa Zaczek			
Phase Coaching Series Curriculum Implementation Phase Foundations Curriculum Enrichments First Look Weekday QRIS (Quality Rating and Improvement System) Accreditation Pod Leader Structure	0	16	Alpharetta, GA
Marketing and Branding –Stacie Williams			
Brand Marketing Strategy Branded Collateral Website Community Partnerships	10	0	Online
Total Training Hours	35	56	

Currently we have 4 training instructors Michael Noland, Stacie Williams, Vanessa Zaczek, and Jamie Nuckols. We may add additional training instructors as needed.

Our Training instructor, Michael Noland, is our Vice President of Finance and has over 10 years of expertise in business strategy and corporate finance. He will be training on Business Management.

Stacie Williams is our President and has 17 years of expertise in business operations. She will be training on Business Management, Marketing and Branding.

Vanessa Zaczek is our Vice President of School Development and Culture and has 24 years of expertise in teaching. She will be training on The Phase Experience, Education and Professional Development.

Jamie Nuckols is our Vice President of Family Engagement and Church Partnerships and has 24 years of expertise in teaching. She will be training on Operations & Compliance, Family Engagement.

You and your Managers and employees must attend and conduct all additional training programs we periodically require relating to the operation of the Center and the products. This may include remote or online training we make available. You also may be required to purchase training films or other instructional materials as we specify from time to time in the Brand Standards Manual or otherwise. We reserve the right to change or substitute trainers from the table shown above.

ITEM 12 TERRITORY

You will receive the right to operate a PHASE FAMILY LEARNING CENTER™ facility only at a site we approve, in our sole discretion. We may suggest or require that you use the assistance of a real estate professional or firm that we designate to assist in this process of locating a site. The site will be designated in the Franchise Agreement along with a protected territory within which we will not establish for ourself nor will we grant a franchise to any other party to establish a PHASE FAMILY LEARNING CENTER™ facility (the “Franchise Territory”). We and you will negotiate your Franchise Territory before you sign the Franchise Agreement and will describe it in the Franchise Agreement. In negotiating the Franchise Territory, we may examine population, traffic flow, presence of businesses, location of competitors (including other PHASE FAMILY LEARNING CENTER™ franchisees), demographic, and other market conditions, but the Franchise Territory will generally be a radius or “Drive Time” around the Center that varies with population density of children aged four or younger.

We have the right to adjust the Franchise Territory based on population growth, geography, if annual revenue is below system-wide average by more than 33% for a 24-month period and other factors.

Number of Children 4 Years Old or Younger within a 10-minute Drive Time of Center	Franchise Territory
More than 3,000	3 Minute Drive Time
2,001 to 2,999	5 Minute Drive Time
Fewer than 2,000	7 Minute Drive Time

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. We will offer you the following territorial protections. We will not operate nor allow any other party to operate a Center using the Marks within the Franchise Territory. You will operate your Center only from the approved site, and you must receive our permission before you relocate your Center. We have not established a set of conditions or criteria under which we evaluate or approve relocation requests. You do not have any right to offer your services and products from any location other than within your Center and are not permitted to make sales over the internet, or through catalog sales or other channels of distribution.

You may solicit customers and advertise your Center anywhere you choose, including through direct marketing and telemarketing. There are no restrictions on you, any of our other franchisees, or us to prevent any soliciting or advertising in someone else’s franchise territory. No party is obligated to pay compensation to any other party for soliciting customers from the other franchisee’s franchise territory.

Under the Franchise Agreement, we and our affiliates have reserved the right to establish anywhere franchises and/or company-owned or affiliate-owned facilities providing similar services (including within your Franchise Territory) under names and symbols other than the Marks, even if these Centers are near your Center. If we do so, we will not provide any compensation to you. However, we have no present plans to exercise any of these rights. We also reserve the right to operate, for ourselves and our affiliates, businesses using the Marks and other marks to offer services that may be similar to or different from those found in PHASE FAMILY LEARNING CENTER™ facilities, both within and outside your Franchise Territory, so long as we do not do so through the operation of a PHASE FAMILY LEARNING CENTER™ facility. If we do so, we will not provide any compensation to you. You have no right to use the Marks in connection with any business other than a PHASE FAMILY LEARNING CENTER™ facility. We have the right to engage in any other activities not expressly prohibited in the Franchise Agreement including our use of alternative channels of distribution, such as the internet and we do not have to compensate you for any of these activities. You may face competition from other franchisees, from Centers that we own, or from other channels of distribution or competitive brands that we control. At the present time, we have not established other channels of distribution, but we have the right to do so in the future.

You have no right of first refusal or similar rights to acquire additional franchises or establish additional PHASE FAMILY LEARNING CENTER™ facilities.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to operate your Center under the name PHASE FAMILY LEARNING CENTER™ and to use the other Marks we authorize you to use.

The following principal Marks are registered on the Principal Register of the United States Patent and Trademark Office (the “USPTO”) and are licensed to us by our affiliate, The Phase Project, LLC, in accordance with a license agreement by which we obtained the right to use the Marks for indefinite use, without cost to us.

Mark	Registration Number	Registration Date
PHASE FAMILY CENTER	6064776	May 26, 2020
PHASE FAMILY LEARNING CENTER	7124863	August 1, 2023
PHASE FOUNDATIONS	5795660	July 2, 2019
GATHER WITH FRIENDS, SHAPE THE FUTURE.	7125502	August 1, 2023
PHASE EVENTS	7127087	August 1, 2023

At the present time we have, in addition to registered trademarks, an application pending before the United States Patent and Trademark Office as follows:

Mark	Serial Number	Filing Date
PHASE CENTER	97494253	July 8, 2022

For the immediately above Mark, we do not have a federal registration for this trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

The Phase Project, LLC intends to file all required affidavits and renewals for the Marks when they are due. There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving the Marks listed above. There are no decided infringement, opposition or cancellation proceedings in which we unsuccessfully fought to prevent registration of a trademark in order to protect a trademark we license.

The Phase Project, LLC has entered into a Trademark License Agreement with us which is indefinite in term, royalty free and allows us to sublicense the PHASE FAMILY LEARNING CENTER™ marks to our franchisees.

You must follow the Franchise Agreement, the Brand Standards Manual, our specifications, and directives when you use the Marks. The Marks are the only marks you may use to identify the Center. You may not use any Mark as part of any corporate or trade name or as part of any domain name or electronic address you maintain on the Internet, the worldwide web, or any other similar proprietary or common carrier electronic delivery system unless we expressly authorize you to do so in writing. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner we have not authorized in writing. Your use of the Marks and any goodwill is to our exclusive benefit, and you retain no rights in the Marks other than a license to use the Marks during the term of the Franchise Agreement. You are not permitted to make any changes of any kind in or to the use of the Marks unless we permit.

You must notify us immediately when you learn about an infringement of or challenge to your use of a Mark. We will take the action we think appropriate. We have the right to exclusively control any litigation, USPTO proceeding, or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Mark.

You must notify us promptly of any unauthorized use of the Marks of which you have knowledge or of any challenge to the validity of our ownership of or our right to license others to use the Marks. We will take the action, if any, we believe to be appropriate. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Marks, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in any action. You must sign all documents and, render any other assistance we deem necessary to any proceeding or any effort to maintain the continued validity and enforceability of the Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks if we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement, you must pay those costs. In any litigation relating to your use of the Marks, you will do all acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except

to the extent that the litigation is the result of your use of the Mark in a manner inconsistent with the terms of the Franchise Agreement or the Manuals, we agree to reimburse you for your out-of-pocket costs in doing these acts.

You must modify or discontinue the use of a Mark and you must adopt or use additional or substituted marks, if we instruct you to do so. If this happens, you are responsible for your tangible costs of compliance (i.e. changing signs) and we do not have to reimburse you for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark. You waive any claim against us for changing, modifying, or discontinuing a Mark. We may also develop or acquire additional Marks and make them available for your use.

We do not know of any superior rights or infringing uses that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or registered copyrights that are material to your PHASE FAMILY LEARNING CENTER™ franchise.

We claim common law rights and copyright protection in a number of items you will use in the operation of your Center, including our Brand Standards Manual, and in certain other materials and information related to the PHASE FAMILY LEARNING CENTER™ franchise system, like our marketing materials, specifications, architectural drawings, Center designs, marketing techniques, advertising programs, advertising strategies, supplier lists, expansion plans, and other information we create or use. We have not registered any of these copyrighted materials with the United States Registrar of Copyrights, although we may do so. We also treat all of this information as trade secrets.

All materials or information of any kind that are designated “confidential” orally or in writing or which, under the circumstances surrounding disclosure, ought to be treated as confidential, are deemed confidential and are loaned to you only under and during the term of the Franchise Agreement. You must treat all confidential materials and the information in them as confidential and you must use your best efforts to keep them confidential during and after the term of the Franchise Agreement. This means that you cannot make copies in any medium of any confidential information or use any confidential information outside of the scope of the Franchise Agreement or disclose any confidential information to any third party or other persons we identified as not having authorization to receive disclosure of confidential information. You may disclose confidential information contained in the Brand Standards Manual only to your employees who have a business need to have access to the confidential information, but only if you first secure from them an agreement, in a form that we have approved, to maintain the confidentiality of the confidential information disclosed.

We exclusively own all copyrighted materials and confidential information. Your right to use copyrighted materials and confidential information is derived solely from the Franchise Agreement and is limited to the conduct of the business under and in compliance with the Franchise Agreement and all applicable specifications, standards, and operating procedures we prescribe during the term of the Franchise Agreement. Any unauthorized use of our copyrighted materials or any unauthorized use or disclosure of confidential information will constitute an infringement of our rights in and to the copyrighted materials and confidential information.

We may claim copyright protection in certain techniques we create, and we may patent certain processes and equipment we develop. If we do, we will notify you and, if the copyrights and patents are material to your obligations under the Franchise Agreement, we will authorize you to use them at no additional charge. Any modifications or improvements that you make to the PHASE FAMILY LEARNING CENTER™ franchise system will be deemed works made for hire which we will own exclusively. We do not have to compensate you for your modification or improvement.

You must promptly notify us of any unauthorized use of our copyrighted materials or any unauthorized use or disclosure of confidential information, including by your employees. You must notify us of any challenge to your right to use or the ownership of any copyrighted materials or confidential information. We are not required to protect or defend our copyrights, although we intend to do so when it is in the best interests of the PHASE FAMILY LEARNING CENTER™ franchise system. We have the exclusive right to control any copyright litigation. We have the right to keep all sums obtained in settlement or as a damages award in any proceeding or litigation without any obligation to share any portion of the settlement sums or damages award with you. While we are not required to participate in your defense or to indemnify you for damages or expenses you incur if you are a party to any administrative or judicial proceeding involving our confidential information or other information in which we claim common law rights and copyright protection, we may reimburse you for your liability and reasonable costs in connection with defending our confidential information and other information in which we claim common law rights and copyright protection.

We have the right at any time, on notice to you, to make additions to, deletions from, and changes in any item in which we claim common law copyright or registered copyright protection including the Brand Standards Manual. You must adopt and use all additions, deletions, and changes as we direct, at your expense.

If you are not an individual, your shareholders, members, partners, and corporate managers, as applicable, must sign a form of Confidential Information Protection Agreement that we have approved. We also may require your other employees who have access to our confidential information to sign a Confidential Information Protection Agreement in the form(s) we approve. We have the right to take legal action against you if there has been an unauthorized use of our confidential information or trade secrets through you or your employees.

There is currently no litigation pending involving the copyrighted materials or confidential information. We do not know of any effective material determinations of the U.S. Copyright Office or any court regarding any of the copyrighted materials or confidential information. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials or confidential information.

We do not know of any superior rights or infringing uses that could materially affect your use of our confidential information or copyright materials.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION
OF THE FRANCHISE BUSINESS

You must maintain direct responsibility over the Center; however, we do not require that you personally supervise the day-to-day operations of the Center. During operations hours, an Executive Director who has successfully completed the initial training program described in Section 15.1 of the Franchise Agreement, must at all times be at your Center, or be on call and available telephonically. All Managers also must have successfully completed the initial training program described in Section 15.1 of the Franchise Agreement. The Managers must directly supervise and be responsible for the day-to-day management and proper operation of your Center, and the Managers may not assist in any business that competes with your Center. The Managers must invest their full time and attention and devote their best efforts to the on-premises management of the Center. The Managers cannot have an interest or business relationship with any of our business competitors. The Managers need not have an ownership interest in the franchisee.

If the Managers are not already bound by the Franchise Agreement, we may require them to sign a noncompetition, non-solicitation and/or nondisclosure agreement in the form(s) we approve. This noncompetition, non-solicitation and/or nondisclosure agreement will prohibit them from directly or indirectly engaging in activities that compete with the operations of your Center or any other PHASE FAMILY LEARNING CENTER™ facility disclosing our confidential and proprietary information and trade secrets, and soliciting our employees and any employees of your PHASE FAMILY LEARNING CENTER™ facility. We also may require those employees who have received our confidential and proprietary information to enter into a noncompetition, non-solicitation and/or nondisclosure agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct the business operated at your Center as required by the Brand Standards Manual and the Franchise Agreement. You must offer and sell only those products and services we approve. Further, you must offer all goods and services that we designate as required for all franchisees. These required goods and services include Curriculum, Assessments, Enrichment Programs, Age Group Programs, Before and After Care, Summer Camps, Holiday Camps and ancillary and related products. We have the right to add additional authorized goods and services that you must offer. This means that we have the right to require you to carry the required inventory items that we dictate and that we determine are appropriate for PHASE FAMILY LEARNING CENTER™ facilities. There are no limits on our right to make modifications to our approved products, whether by a change in the Brand Standards Manual or by another form of written directive.

We will not restrict you from soliciting any customers, no matter who they are or where they are located.

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.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	10 years
b. Renewal or extension of the term	Section 2.2	You can renew for one additional 10-year term; after that you will have no right to renew the Franchise Agreement.
c. Requirements for franchisee to renew or extend	Section 2.2	You must: provide written notice of election to renew; not be in default of the Franchise Agreement or any other agreement relating to the Center; sign the then-current form of Franchise Agreement; pay a renewal fee; refurbish the Center, if required; complete any required retraining program; sign the current form of general release; and maintain ownership or leasehold interest in the Center location or secure a suitable alternative. Terms of the then-current form of Franchise Agreement may differ materially from those in the Franchise Agreement attached to this Disclosure Document.
d. Termination by franchisee	Section 22.1	You may terminate your Franchise Agreement at any time during the Term by providing us with 90 days advance written notice of termination.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 22.2 and 22.3	We can terminate only if you default or if certain events (described in (g) and (h) below) occur. In some instances, you will have an opportunity to cure the default.
g. "Cause" defined – curable defaults	Section 22.3	Failure to comply with our standards and procedures or any term of the Franchise Agreement not covered in "h" below, including: failure to submit required reports; failure to comply with any of the terms of any other agreement you entered into for your Center; failure to maintain required insurance; and failure to restore Center to full operation if it is rendered inoperable by casualty. You have 30 days after we give you written notice to cure the default.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Section 22.2	Insolvency; bankruptcy; liquidation; reorganization; general assignment for benefit of creditors; failure to pay us or any creditor, supplier or lessor of the Center any sums due after written notification; conviction of a felony or crime involving moral turpitude; operation of the Center as a safety or health hazard; making of material misrepresentations; unauthorized transfer; failure to comply with non-competition and no solicitation provisions; unauthorized use of any Mark or disclosure of confidential information; failure to comply with any applicable law; unauthorized seizures; failure to maintain possession of the Center premises; knowingly maintaining false books or records; denying us access to your books or records; receipt of three default notices within a 12 month period; or dissolution.
i. Franchisee’s obligations on termination/non-renewal	Sections 21 and 23	Obligations include complete de-identification of Center; payment of amounts due; return confidential materials; cancel assumed name registration; transfer telephone and fax numbers and Internet listings; no investment in competitive business for 2 years after termination; no solicitation of employees; follow any procedures in the Brand Standards Manual related to discontinuing operations of the Center. Notwithstanding, this provision will not apply if the Franchise Agreement is terminated before the due date of the third installment of the Initial Franchise Fee.
j. Assignment of contract by franchisor	Section 20.1	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 20.2	Includes transfer of Franchise Agreement, any interest in Franchise Agreement, any assets of Center, or any equity interest in you if you are an entity or any equity interest in any owners of you if they are an entity.
l. Franchisor approval of transfer by franchisee	Sections 20.2 and 20.3	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 20.4	Transferee qualifies; transferee assumes obligations under Franchise Agreement and/or enters into new Franchise Agreement and any other agreements we require; terms of transfer are satisfactory to us; you are not in default under the Franchise Agreement or any other agreement between you and us; sign the current form of general release in Exhibit I to this Disclosure Document; fee paid; we decline to exercise our right of first refusal; and the Marks not being used in any advertisement for any prohibited transfer.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 24	We can match any offer for the transfer of your business or any ownership interest.
o. Franchisor's option to purchase franchisee's business	N/A	None.
p. Death or disability of franchisee	Section 20.3	Successors must qualify to operate franchise or must assign interest in franchise within 180 days or interest is subject to termination and reversion to us.
q. Non-competition covenants during the term of the franchise	Sections 21.1, 21.3 and 21.4	No involvement in competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Sections 21.1, 21.3 and 21.4	For two years, no involvement in competitive business located within a 25-mile radius of any PHASE FAMILY LEARNING CENTER™. Competitive business includes any business operating or franchising a Center or a PHASE FAMILY LEARNING CENTER™ establishment (a) offering an early childhood daycare and education program for children six weeks to twelve years of age (b) that derives more than 25% of its revenue from an early childhood daycare and education program for children six weeks to twelve years of age (other than another PHASE FAMILY LEARNING CENTER™ operated by you under license from us).
s. Modification of the agreement	Sections 7, 8.1 and 41	Generally, no modifications unless agreed in writing. We may revise the Brand Standards Manual and you must comply with each requirement.
t. Integration/merger clause	Section 32.8	Only the terms of the Franchise Agreement are binding (subject to state law); however, nothing in the Franchise Agreement disclaims or requires you to waive reliance on any representation that we made in our most recent disclosure document (including its exhibits and amendments).
u. Dispute resolution by arbitration or mediation	Section 31.2	Except for certain claims, disputes must be settled by mediation at a location that is close to our principal executive office.
v. Choice of forum	Sections 31.1 and 31.2	Litigation must be held in the federal or state court where our principal executive office is located (subject to state law).
w. Choice of law	Section 31.1	Georgia law applies, except for federal law and with respect to covenants restricting competition that may be governed by the laws of the state in which the Center is located (subject to state law).

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit D attached to this Disclosure Document.

**ITEM 18
PUBLIC FIGURES**

We do not use any public figures 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 outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

The following representation are Statements of Gross Revenue and EBITDAR [**Earnings Before Interest, Taxes, Depreciation, Amortization and Rent**] for our two company-owned facilities that were in operation during the entire 2023 year.

Gross Revenue is defined to include tuition, subscription plans, materials, enrollment, and other fees, and all revenues from any other source, including government subsidies and grants and gift cards or similar payment methods, less approved discounts, credits, refunds, and exchanges from products and services, and excluding government mandated sales, use, and similar taxes. Gross Revenue does not include revenue from activities at the Franchised Site by a Franchisee that is a church or religious organization where such activities are not related to the operation of the Center, are directed exclusively toward such organization's charitable, religious, or other tax-exempt purposes, and such approved activities take place outside of normal Center Operating Hours unless otherwise approved by us.

[Remainder of page intentionally left blank]

Center	Alpharetta, GA		Washington, D.C.		Average	Median
Opening Date	August 2019		October 2021			
Reporting Period	Calendar Year 2023		Calendar Year 2023			
Revenue						
Tuition	3,652,677		1,939,545			
Other Income ¹	307,270		56,366			
Gross Revenue	\$3,959,947	100.00%	\$1,995,911	100.00%	\$2,977,929	\$2,977,929
Expenses						
Payroll and Taxes	1,546,932	39.10%	1,155,712	57.90%		
Operating Expenses ²	515,989	13.00%	249,819	12.50%		
Marketing ²	15,310	0.40%	61,626	3.10%		
Occupancy Expenses ³	86,893	2.20%	1,152	0.10%		
Total Expenses	\$2,165,124	54.68%	\$1,468,309	73.57%	\$1,816,717	\$1,816,717
EBITDAR⁴	\$1,794,823	45.32%	\$527,602	26.43%	\$1,161,213	\$1,161,213
Franchise Expenses						
Royalties	277,196	7.00%	139,714	7.00%		
Advertising Fund	118,798	3.00%	59,877	3.00%		
Curriculum License Fee	4,750		4,750			
Technology Fee	18,000		18,000			
Total Franchise Expenses	\$418,745	10.57%	\$222,341	11.14%	\$320,543	\$320,543
Franchise EBITDAR⁴	\$1,376,078	34.75%	\$305,261	15.29%	\$840,670	\$840,670

Note 1: Other Income includes grants from Georgia's and Washington DC's Childcare Stabilization Programs.

Note 2: The above Operating Expenses and Marketing expenses have been reduced by \$253,015 and \$108,435, respectively, as the cost to a franchisee of these items is reflected under the Franchise Expenses category. By removing these expenses above and reflecting them in the Franchise Expenses category, we have avoided double-counting these expenses. The above financial performance representation includes the royalties and advertising fees that a franchisee is expected to pay. There are no other financial or operational characteristics of company-owned outlets that are reasonably anticipated to differ materially from future franchise outlets.

Note 3: Occupancy Expenses include facilities manager, repair and maintenance, and utilities.

Note 4: EBITDAR excludes interest, taxes, depreciation, amortization and triple net lease obligations.

Some Centers have sold/earned this amount. Your individual results may differ. There is no assurance that you'll earn/sell as much.

Written substantiation of the data used to prepare this report will be made available to a prospective franchisee on reasonable request.

Other than the preceding financial performance representation, Phase Partners, LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Frank Bealer at 12150 Morris Rd., Alpharetta, GA 30005, (470) 239-2480, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

All year-end numbers appearing below are as of December 31 of each year.

Table No. 1
Systemwide Outlet Summary
For years 2021/2022/2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	1	2	+1
	2022	2	2	0
	2023	2	2	0
Total Outlets	2021	1	2	+1
	2022	2	2	0
	2023	2	2	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)
For years 2021/2022/2023

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For years 2021/2022/2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned and Affiliate-Owned Outlets
For years 2021/2022/2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Georgia	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Washington, DC	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2

Table No. 5
 Projected Sales and Openings
 As of December 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Florida	1	1	0
North Carolina	1	1	0
Texas	3	0	0
Total	5	2	0

Attached to this Disclosure Document as Exhibit E are (i) the names, addresses, and telephone numbers of our franchisees who have facilities open and operating as of December 31, 2023, and (ii) the names, addresses, and telephone numbers of our franchisees who have signed Franchise Agreements but who have not opened a Center as of December 31, 2023.

The name, city and state, and the current business telephone number (or, if known, the last known home telephone number) of every franchisee who had a Franchise Agreement terminated, canceled, or not renewed by us in fiscal year 2023, who otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in fiscal year 2023, or who did not communicate with us within 10 weeks of the issuance date of this Disclosure Document are attached to this Disclosure Document as Exhibit F. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During our last 3 fiscal years, none of our franchisees have signed confidentiality clauses restricting their ability to speak openly about their experience with the PHASE FAMILY LEARNING CENTER™ franchise system.

There are currently no trademark-specific franchisee organizations associated with the PHASE FAMILY LEARNING CENTER™ franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Document Disclosure as Exhibit G are our audited financial statements as of December 31, 2023, and for the period of our inception (June 4, 2022) through December 31, 2022. We have not been in business for three years or more, and therefore cannot include all financial statements required in this Item.

**ITEM 22
CONTRACTS**

The Franchise Agreement is attached as Exhibit B to this Disclosure Document. The following additional contracts or agreements are attached to the Franchise Agreement:

Exhibit	Agreement
A	Franchised Site, Franchise Territory and Initial Franchise Fee
C	Internet Web Sites and Listings Agreement
D	Telephone Listing Agreement
E	Franchisee Information
G	State Specific Addenda

Also attached to this Disclosure Document is Exhibit I (the General Release).

**ITEM 23
RECEIPTS**

Exhibit K to this Disclosure Document includes detachable Receipts acknowledging your receipt of this Disclosure Document. Please return one Receipt to us and retain the other for your records.

EXHIBIT A
STATE AGENCIES AND ADMINISTRATORS AND FRANCHISOR'S AGENTS FOR SERVICE
OF PROCESS

Exhibit A-1

STATE AGENCIES AND ADMINISTRATORS AND FRANCHISOR'S AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in these states.

<p><u>CALIFORNIA</u></p> <p>California Department of Financial Protection and Innovation Franchise Division 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov</p> <p>2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205</p> <p>1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 525-4233</p> <p>One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559</p>	<p><u>CONNECTICUT</u></p> <p>State of Connecticut Department of Banking Securities Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p> <p>Agent: Banking Commissioner</p>
<p><u>HAWAII</u> (state administrator)</p> <p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p>(agent for service of process)</p> <p>Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u></p> <p>Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>

<p><u>INDIANA</u> (state administrator)</p> <p>Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><u>MARYLAND</u> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> (state administrator)</p> <p>Michigan Attorney General’s Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48931 (517) 335-7567</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><u>MINNESOTA</u> (state administrator)</p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1638</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
<p><u>NEW YORK</u> (state administrator)</p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty Street 21st Floor New York, New York 10005 (212) 416-8222 Phone</p> <p>(for service of process) Attn: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue Albany, New York 12231-0001 (518) 473-2492</p>	<p><u>NORTH DAKOTA</u></p> <p>North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>(for service of process) Securities Division</p>

Exhibit A-3

<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><u>RHODE ISLAND</u></p> <p>State of Rhode Island and Providence Plantations Department of Business Regulation 1511 Pontiac Avenue, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p>
<p><u>SOUTH DAKOTA</u></p> <p>Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>	<p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051</p> <p>(for service of process) Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733</p>
<p><u>WASHINGTON</u> (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98507-9033 (360) 902-8760</p> <p>(for service of process) Director of Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater WA 98501 (360)902-8760</p>	<p><u>WISCONSIN</u> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 201 W. Washington Ave., Suite 300 Madison, Wisconsin 53703 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703</p>

EXHIBIT B
FRANCHISE AGREEMENT

PHASE PARTNERS, LLC

FRANCHISE AGREEMENT

Exhibit B-0

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EXHIBITS

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EXHIBIT C Internet Web Sites and Listings Agreement
EXHIBIT D Telephone Listing Agreement
EXHIBIT E Franchisee Information
EXHIBIT F State Specific Addenda

**PHASE PARTNERS, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is entered into as of _____ (the “Effective Date”), between PHASE PARTNERS, LLC, a Georgia limited liability company (“Franchisor”) with its principal office at 12150 Morris Rd, Alpharetta, GA, 30005, and _____, a/an _____ (“Franchisee”), with his/her/its residence or principal office address at _____.

BACKGROUND:

A. Franchisor at a substantial expenditure of time, effort and money has established a system of developing, opening, operating, and promoting early childhood daycare and education programs for children 6 weeks to 12 years of age under the name “Phase Family Learning Center®” (the “System”).

B. The distinguishing features of the System, include, but are not limited to, the name “PHASE FAMILY LEARNING CENTER®” and all other trade names, trademarks, service marks, logos, emblems, insignia, and signs developed for use with the System from time to time (collectively, the “Marks”); specially designed childcare and educational programs and facilities and corresponding learning materials; methods, procedures, conventions, employee training regimes, and the correlating quality standards therefor; and instructional materials and training courses; all of which Franchisor may change, improve and further develop from time to time.

C. Franchisor has acquired knowledge and experience in early childhood education, daycare, and related programs, and in the management of facilities for those purposes using the System and has successfully established a reputation, demand, and goodwill for the services and products offered at the facilities.

D. PHASE FAMILY LEARNING CENTER® facilities (“Centers”, and each one “a Center”) have a reputation for quality that has been acquired and is being maintained by requiring all licensees and franchisees of the System to maintain high standards of quality and service.

E. Franchisee recognizes the value and benefits to be derived from using the System and being associated with Franchisor and the Marks, and now desires to obtain a franchise from Franchisor to use the System and to operate a Center at an approved location, and Franchisor is willing to grant Franchisee the right to operate a Center, all subject to the terms in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. GRANT OF FRANCHISE

During the term of this Agreement, Franchisor grants to Franchisee the non-exclusive right and license, and Franchisee undertakes the obligation, to develop and operate a Center and to use solely in connection therewith, the Marks and the System in accordance with the terms of this Agreement only at the Franchised Site, as defined in Section 3.1. Unless Franchisor otherwise agrees, Franchisee must complete the initial training required by Section 15.1 and begin operation of the Center within 18 months of the Effective Date in the case of a Franchised Site with an existing building, or within 36 months of the Effective Date in the case of a Franchised Site where a building must be constructed. Franchisee must obtain Franchisor’s written approval before beginning operation of the Center.

2. TERM AND RENEWAL

2.1 Initial Term. Unless terminated earlier in accordance with the terms in this Agreement, this Agreement has an initial term of 10 years beginning on the Effective Date, or the date on which the Center receives a Certificate of Occupancy from the applicable government authority, or the date on which the Center receives a childcare license from the applicable government licensing agency, whichever is later (the “Initial Term”).

2.2 Renewal. On the expiration of the Initial Term, Franchisee has the right to renew the franchise granted under this Agreement for up to one additional 10-year term provided that all of the following conditions are met:

(i) Franchisee gives Franchisor written notice of its election to renew the franchise at least 6 months before the expiration of the Initial Term;

(ii) Franchisee is not, when notice is given, and does not become before the expiration of the Initial Term, in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates or with any other creditor or supplier of the Center or lessor or sublessor of the Franchised Site, and Franchisee has fully and faithfully performed all of its obligations under this Agreement and all other agreements throughout their terms;

(iii) Franchisee signs Franchisor’s then-current form of Franchise Agreement, which Franchise Agreement will supersede in all respects the terms of this Agreement and may contain terms substantially different from those in this Agreement, including, without limitation, an increase in Royalty Fees or Advertising Fees (as defined in Sections 5.1 and 12.2); provided, however, the renewal Franchise Agreement will not provide for any additional renewal rights;

(iv) Franchisee will pay a renewal fee of 25% of the then-current Initial Franchise Fee (as defined in Section 4) Franchisor charges;

(v) Franchisee will complete, at its own expense and to Franchisor’s satisfaction, all maintenance, refurbishing, renovation, modernizing, and remodeling of the Center as Franchisor requires to reflect the current image and standards of the System;

(vi) Franchisee must be current in the payment of all obligations to Franchisor and to all of its affiliates and subsidiaries as well as lessors, vendors, and suppliers of the Center;

(vii) Before renewal, Franchisee and/or Franchisee’s supervisory and operational manager(s) must at Franchisee’s expense, attend and successfully complete to Franchisor’s reasonable satisfaction any retraining program Franchisor requires;

(viii) Franchisee and its owners sign a general release, in a form satisfactory to Franchisor, of all claims it may have against Franchisor, including any affiliates or subsidiaries, and its and their officers, directors, shareholders, managers, members, partners, employees, and agents; and

(ix) Franchisee provides Franchisor with evidence that Franchisee has the right to remain in possession of the Franchised Site or to secure and develop a suitable alternative site acceptable to Franchisee for the renewal term.

3. **FRANCHISED SITE AND TERRITORY**

3.1 Franchised Site.

(i) The rights granted to Franchisee under this Agreement are non-exclusive and are restricted to the operation of a single Center, to be located at the address and location stated on Exhibit A (the “Franchised Site”). If a location for the Center has not been agreed when this Agreement is signed, the parties may complete Exhibit A at a later time, and it will be added and included in this Agreement. The Franchised Site may be used for charitable and religious purposes on the days and times as are identified on a shared space schedule and agreement Franchisor approves (the “Shared Space Agreement”); but the Franchised Site will otherwise be exclusively used as a Center. The operation of a Center will be the sole source of any Unrelated Business Income (as defined in the Internal Revenue Code of 1986 at 26 U.S.C § 512) at the Franchised Site during the term of this Agreement. The rights granted to Franchisee are for the specific Franchised Site and cannot be transferred to any other location, except with Franchisor’s prior written approval. If you do not begin operation of your Center within 18 months of the signing of this Agreement in the case of a Franchised Site with an existing building, or within 36 months in the case of a Franchised Site where a building must be constructed, we may terminate the Agreement.

(ii) Franchisee is responsible for locating a proposed site for the Center to be established under this Agreement. Franchisor, in its sole discretion, may counsel and offer advice to Franchisee, or suggest a third-party real estate advisor to assist Franchisee with respect to site selection; however, in no event will Franchisor be liable to Franchisee in connection with providing advice or any assistance. Franchisor will send its personnel to review up to 5 properties in an area with Franchisee but is not obligated to spend more than one full business day viewing properties without an additional charge. Any additional visits by Franchisor will be charged to Franchisee at Franchisor’s then applicable charge for the time for visits. On selection of a proposed site for a Center, Franchisee will promptly submit the site to Franchisor. Franchisee’s submission must include demographic and other data and information about the proposed site as Franchisor reasonably requests, using forms Franchisor requires, and include a copy of any lease, sublease, or purchase agreement for the acquisition of the site. Franchisor will either accept or reject the proposed site using its then-current site selection policies and procedures. In addition, Franchisee agrees that Franchisor’s acceptance of a proposed site may be conditioned on Franchisee meeting certain other requirements (including, without limitation, the negotiation of additional terms satisfactory to Franchisor to any lease, sublease, or purchase agreement for the proposed site), and if Franchisee does not, or is unable to meet these requirements within a reasonable time, the site will be deemed rejected. Franchisor’s acceptance of a proposed site must be in writing. Franchisor may reject any proposed site for any reason in its sole discretion, in which event Franchisee may not develop a Center at the proposed site but must locate another proposed site for the Center and submit it in accordance with this Section 3.1.

(iii) On Franchisor’s written acceptance of a proposed site, Franchisee will promptly enter into the approved lease, sublease, or purchase agreement for the site (if Franchisee does not already own the site) and obtain all necessary zoning, building, and other governmental or regulatory approvals or permits required for the establishment of the Center. Franchisor will review and may modify Franchisee’s set of standard architectural plans and specifications, which will include blueprints of the physical structure with dimensions of rooms and make recommendations to ensure licensing compliance and operational efficiency of the Center. Franchisee must employ a qualified general contractor, who is reputable and experienced building units of similar concepts, to supervise, delegate, and/or perform (i) the construction and development of the Center, (ii) the completion of all improvements, (iii) the outfitting of the Center with furnishings, fixtures, and equipment, and (iv) all other services that Franchisor designates to be performed by the general contractor in constructing the Center (the “General Contractor”). Franchisor has the right, but not the obligation, to designate one or a list of approved General Contractors for Franchisee

to employ in the construction of the Center. Franchisee will furnish to Franchisor, for Franchisor's written acceptance, a proposed preliminary site and construction plans for the Center that, if accepted, will not be modified, altered or changed without Franchisor's written consent.

(iv) Franchisee will furnish Franchisor with all information relating to the construction of the Center and development of the site as Franchisor requests, which may include copies of all commitments and plans for construction and financing, the contact name, address, and telephone number for any lenders and contractors, and a copy of any construction or financing arrangements. Franchisee will promptly begin construction of the Center in accordance with the accepted site and construction plans and specifications. Franchisor and its agents have the right to inspect the construction site at any reasonable time without prior notice. On Franchisor's request, Franchisee will correct, at Franchisee's expense, any deviation from any accepted site or construction plans or specifications.

3.2 Territorial Protection. Franchisor will not establish for itself or grant a franchise to any other party to establish a Center within the territory stated on Exhibit A (the "Franchise Territory"). Notwithstanding anything in this Agreement to the contrary, if any disagreement arises regarding the area comprising the Franchise Territory, then Franchisor's decision as to the definition of the Franchise Territory is final and binding. Except as provided in the first sentence of this Section, Franchisee agrees that the franchise granted under this Agreement is non-exclusive and Franchisee has no territorial protection and Franchisee has no right to exclude, control, or impose conditions on the location or development of other or future franchises under the Marks, or on any sales or distribution of products under the Marks or other business activities of Franchisor or any other party licensed to use the Marks.

3.3 Reservation of Rights. Franchisor retains the right, in its sole discretion, to:

(i) Establish and operate, and grant to other franchisees or licensees the right to establish and operate, a Center or any other business using the Marks, the System or any variation of the Marks, and the System, in any location outside the Franchise Territory, on any terms that Franchisor deems appropriate;

(ii) Develop, use, and franchise anywhere (including within the Franchise Territory) the rights to any trade names, trademarks, service marks, commercial symbols, emblems, signs, slogans, insignia, patents, or copyrights Franchisor has not designated as Marks, for use with similar or different franchise systems for the sale of similar or different products or services than those constituting a part of the System, without granting Franchisee any rights therein;

(iii) Offer, ship, sell, and provide products or services identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Franchise Territory through any distribution channel or method, Internet (or any other existing or future form of electronic commerce), and delivery services, irrespective of the proximity to the Center without compensation to Franchisee; provided, however, that any such sales will not be made from a Center located in the Franchise Territory;

(iv) Own, operate, franchise, or license anywhere, even in close proximity to the Center licensed under this Agreement, businesses of any other type whatsoever operating under marks other than the Marks; and

(v) Engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement.

4. INITIAL FRANCHISE FEE

When Franchisee signs this Agreement, Franchisee will pay to Franchisor an Initial Franchise Fee as stated on Exhibit A (the “Initial Franchise Fee”). Franchisee agrees that the Initial Franchise Fee is paid as consideration for Franchisor granting Franchisee the right to develop, open, and operate the Center using the Marks and the System, having made available and providing resources for Franchisee’s training and that the Initial Franchise Fee is fully earned by Franchisor when this Agreement is signed, and the Initial Franchise Fee is not refundable for any reason.

5. ROYALTY FEE; METHOD OF PAYMENT; LATE PAYMENT

5.1 Royalty Fee. During the term of this Agreement, Franchisee will pay to Franchisor, in partial consideration for the rights granted in this Agreement, a continuing monthly royalty fee of 7% of Gross Revenue from all sources as a result of operating the Center. “Gross Revenue” include tuition, subscription plans, materials, enrollment, and other fees, and all revenues from any other source, including government subsidies and grants and gift cards or similar payment methods, less approved discounts, credits, refunds, and exchanges from products and services, and excluding government mandated sales, use, and similar taxes; Gross Revenue does not include revenue from activities at the Franchised Site by a Franchisee that is a church or religious organization where the activities are not related to the operation of the Center, are directed exclusively toward the organization’s charitable, religious, or other tax-exempt purposes, and the approved activities take place outside of normal Center Operating Hours, unless Franchisor otherwise approves. The Royalty Fee is due and payable each month at Franchisor’s offices or paid electronically on the tenth day of each month for the preceding month. If the date on which the payments would otherwise be due is not a business day, then payment is due on the next business day.

If any state imposes a sales or other tax on the Royalty Fees, then Franchisor has the right to collect this tax from Franchisee.

5.2 Automated Bank Draft. Franchisee agrees that Franchisor reserves the right and may require, in its sole discretion, that all Royalty Fees, Advertising Fees, and other fees or contributions that must be paid to Franchisor under this Agreement must be paid by automated bank draft or other reasonable means necessary to ensure Franchisor receives payment. Franchisee agrees to comply with Franchisor’s payment instructions.

5.3 Late Payments and Insufficient Funds. All overdue payments for all Royalty Fees, Advertising Fees, and other fees that must be paid under this Agreement will bear interest from the date due at the rate Franchisor specifies periodically, up to the highest rate permitted by the law, but in no event will the rate exceed 18% per annum. Interest will accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for in this Agreement. In addition to its right to charge interest as provided in this Agreement, Franchisor may charge Franchisee a \$100.00 late payment fee for all overdue payments and a \$100.00 insufficient funds fee for each check (or the maximum amount allowed by law, if less), automated bank draft payment, or other payment method that is not honored by Franchisee’s financial institution. Franchisee agrees that Franchisor has the right to set-off amounts Franchisee owes Franchisor against any amounts Franchisor may owe Franchisee.

5.4 Application of Payments. Notwithstanding Franchisee’s designation to the contrary, Franchisor will apply all payments Franchisee makes under this Agreement at its discretion to any of Franchisee’s past due indebtedness.

6. RECORDS, REPORTS, AND AUDITS

6.1 Bookkeeping and Recordkeeping. Franchisee agrees to establish a bookkeeping and recordkeeping system conforming to Franchisor's periodic requirements, relating, without limitation, to the use and retention of daily sales slips, coupons, purchase orders, purchase invoices, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, payroll records, journals, and general ledgers. In establishing and maintaining Franchisee's bookkeeping and recordkeeping system, Franchisee will use all form documents Franchisor provides in the Brand Standards Manual (as defined below) or otherwise. Franchisee agrees that if Franchisor is required or permitted by statute, rule, regulation, or any other legal requirement to disclose any information regarding Franchisee or the operation of the Center, including, without limitation, earnings or other financial information, Franchisor will be entitled to disclose the information. In addition, Franchisee expressly permits Franchisor to disclose any information to potential purchasers (and their employees, agents, and representatives) of Franchisor in connection with the sale or transfer of Franchisor's equity interests or assets or Franchisor's merger, reorganization, or similar restructuring.

6.2 Reporting. Franchisee must provide Franchisor with those financial reports Franchisor requires from time to time. All reports will be prepared (i) using any form documents Franchisor provides in the Brand Standards Manual or otherwise and (ii) in accordance with the generally accepted accounting principles of the United States, to the extent applicable. Franchisee's current reporting obligations include the following:

(i) A monthly report itemizing Gross Revenue of your Center for the preceding month and identifying all full time and part time students at the Center by age group, the tuition paid for each student, and any tuition discounts or credits ("Gross Revenue and Enrollment Report"), which report will be delivered by the 5th day of each month (or the next business day if the 5th is not a business day) by electronic transmission or, if not reasonably available, by any other method of delivery as Franchisor reasonably directs;

(ii) A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to Franchisor covering Franchisee's business for the prior month and fiscal year to date, all of which Franchisee will certify as true and correct and deliver to Franchisor by the 21st day of each month;

(iii) Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to Franchisor, which will include a statement of income and retained earnings, a statement of cash flows, and a balance sheet of Franchisee, all for the fiscal year then ended. If Franchisee does not, in the ordinary course, obtain financial statements compiled or reviewed by an independent certified public accountant, then Franchisee may provide internally prepared financial statements that will be certified as true and correct by Franchisee or Franchisee's principal executive officer or chief financial officer if Franchisee is a partnership, corporation, or limited liability company. Franchisor has the right at any time to require audited annual statements to be provided to it, at Franchisee's expense;

(iv) An annual copy of Franchisee's signed 990-T and 1120 or 1120S tax forms (including all supporting schedules) as filed with the Internal Revenue Service (or any forms that take the place of those forms), and all other federal, state, and local sales and use and income tax reports Franchisee must file, all to be delivered within 30 days after filing;

(v) A statement of local advertising expenditures made under Section 11.3 below for each calendar month and fiscal year to date, in a form satisfactory to Franchisor, along with invoices documenting expenditures (if Franchisor requires), to be delivered within 15 days after the end of each calendar month;

(vi) Insurance certificates on the annual renewal of the policies and all health and safety inspection reports;

(vii) A monthly Quality Control and Customer Satisfaction Report; and

(viii) All other data, information and supporting records Franchisor reasonably requests, including account login and password information for any delivery service applications, social media sites or other electronic media.

All reports or other information required to be submitted under this Section 6.2 will be submitted to the attention of Franchisor's franchise department. If Franchisor does not receive any of the reports or other information required to be given to Franchisor in accordance with this Section by the required deadline, Franchisor may charge Franchisee a late submission fee of \$100.00.

6.3 Audit. Franchisee will allow Franchisor's representatives to inspect Franchisee's books and records at all reasonable times to verify enrollment, other sales of services or products, and revenues therefrom, that Franchisee reports and to verify Franchisee's advertising expenditures required by Section 12.3 below and any other matters relating to this Agreement and the operation of the Center. Franchisor may require Franchisee to submit to Franchisor, or Franchisor's representatives, copies of Franchisee's books and records for any offsite inspection that Franchisor or Franchisor's representatives conduct to audit the Center. If an inspection reveals that Franchisee's enrollment or Gross Revenue have been understated, Franchisee will immediately pay to Franchisor the amount of Royalty Fees and Advertising Fees overdue, unreported, or understated, together with interest as stated in Section 5.4. All inspections will be at Franchisor's expense; provided, however, if the inspection reveals a discrepancy in Franchisee's enrollment or Gross Revenue of 2% or more, then Franchisee will pay or reimburse Franchisor for all reasonable expenses Franchisor incurs in connection with the inspection, including, but not limited to, attorneys' and accounting fees and travel expenses, room and board and compensation of Franchisor's employees.

7. **BRAND STANDARDS MANUAL**

During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, Franchisor's confidential Brand Standards Manual (the "Brand Standards Manual"), which may consist of printed manuals, computerized documents or software, information provided on the internet or an extranet, audiotapes, videotapes, or any other medium Franchisor adopts periodically for use with the System and designates as part of the Brand Standards Manual. The Brand Standards Manual contains information and specifications concerning the System, the development and operation of the Center, and any other information and advice Franchisor periodically provides to its franchisees. Franchisor may update and change the Brand Standards Manual periodically to reflect changes in the System and the operating requirements applicable to Centers, and Franchisee agrees to comply with each requirement within a reasonable time as Franchisor requires, or if no time is specified, within 30 days after receiving notification of the requirement. Franchisee will at all times ensure that its copy of the Brand Standards Manual and any other confidential materials Franchisor supplied to Franchisee are kept current and up to date. Franchisee must keep any printed Brand Standards Manual in a secure location at the Center, and Franchisee must restrict employee access to the Brand Standards Manual on a need-to-know basis and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Brand Standards Manual. If Franchisor and Franchisee have any disagreement about the

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most current contents of the Brand Standards Manual, Franchisor's master copy of the Brand Standards Manual controls. On the expiration or termination of this Agreement for any reason, Franchisee must return all copies of the Brand Standards Manual to Franchisor, and on Franchisor's request, certify to Franchisor that Franchisee has not kept any copies in any medium. The Brand Standards Manual is confidential, copyrighted and Franchisor's exclusive property.

8. MODIFICATION AND IMPROVEMENTS TO THE SYSTEM

8.1 Modification by Franchisor. Franchisee agrees that from time to time, Franchisor may change, modify or improve the System, including, without limitation, modifications to the Brand Standards Manual, the programming, and format, the processes and systems to support the business, the products offered for sale, the required building specifications, the required equipment, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified, or substituted Marks or other proprietary materials. Franchisee agrees to accept, use and/or display for the purposes of this Agreement all changes, modifications, or improvements to the System, including, without limitation the adoption of new, modified, or substituted Marks, as if they were part of the System as of the Effective Date, and Franchisee agrees to make all expenditures as changes, modifications or improvements to the System require. For purposes of this Agreement, all references to the System includes these future changes, modifications, and improvements.

8.2 Modification by Franchisee. If Franchisee develops any new modification, concept, process, improvement, or slogan in the operation or promotion of the Center or the System, the same will be deemed a work made for hire, and Franchisee will promptly notify Franchisor of, and provide Franchisor with all necessary information, regarding the modification, concept, process, improvement, or slogan, without compensation to Franchisee. Franchisee agrees that any such modification, concept, process, improvement, or slogan becomes Franchisor's sole and exclusive property and that Franchisor may use or allow other franchisees to use the same in connection with the System or the operation of a Center, without compensation to Franchisee.

9. OBLIGATIONS OF FRANCHISEE

Franchisee recognizes the mutual benefit to Franchisee, Franchisor, and other franchisees of the System of the uniformity of the appearance, services, products, and advertising of the System and agrees that uniformities are necessary for the successful operation of a Center. Franchisee also agrees that products and services sold under the Marks and at Centers have a reputation for excellence. Franchisor has developed and maintained this reputation, and Franchisee agrees that it is of the utmost importance to Franchisor, Franchisee, and all other franchisees of the System that this reputation be maintained. To this end, Franchisee covenants and warrants with respect to the operation of the Center that Franchisee and its employees and agents will comply with all of the requirements of the System and the Brand Standards Manual throughout the term of this Agreement and will:

(i) Operate the Center and prepare and sell all products and services sold therein in accordance with Franchisor's specifications, standards, business practices and policies now in effect or later promulgated, and comply with all Franchisor's requirements, the System and the Brand Standards Manual as they are now or later established, including, without limitation, any health, sanitation, and cleanliness standards and specifications. Franchisor and its duly authorized representatives have the right, if they so elect, at all reasonable times, to enter and inspect the Center to ensure that Franchisee is complying with the System's specifications, standards, business practices, policies, and requirements and to test any and all equipment, systems, products, and ingredients used in connection with the operation of the Center. If Franchisee in any way fails to maintain the standards of quality for the products and services as Franchisor establishes from time to time, Franchisor will notify Franchisee in writing of the failure and give Franchisee

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10 days in which to cure the failure. If Franchisee fails to cure the failure within this 10-day period, Franchisor will, in addition to any other remedy available to it, have the right to assign to the Center all persons as it deems necessary for the training of Franchisee to ensure that the standards of quality for the products and services are maintained. Franchisee will reimburse Franchisor for all costs associated with providing its personnel, including costs of transportation, meals, lodging, salaries, wages and other compensation (including fringe benefits).

(ii) Maintain at all times, at its expense, the Center and its machinery, equipment, fixtures, furnishings, furniture, décor, premises, parking areas, landscape areas, if any, and interior and exterior signs in an excellent, clean, attractive, and safe condition in conformity with the Brand Standards Manual and Franchisor's high standards and public image. Franchisee will promptly make all repairs and replacements as required to keep the Center in the highest degree of sanitation, repair, and condition and to maintain maximum efficiency and productivity. However, Franchisee will not undertake any alterations or additions (but may perform maintenance and make repairs) to the buildings, equipment, premises, or parking areas associated with the Center without Franchisor's prior written approval. If Franchisor changes its image or standards of operation with respect to the Center, Franchisee agrees to comply with each change within a reasonable time as Franchisor requires, or if no time is specified, within 30 days after receiving notification of the change. Franchisee will also maintain maintenance contracts and/or service contracts on all equipment and machinery Franchisor designates and Franchisor has the right to designate the vendor(s) for these contracts and the requirements for the contracts.

(iii) Comply with all applicable laws, rules, ordinances, and regulations that affect or otherwise concern the Center or the Franchised Site, including, without limitation, zoning, disability access, signage, fire and safety, fictitious name registrations, sales tax registration, privacy, and health and sanitation. Franchisee is solely responsible for obtaining all licenses and permits required to operate the Center. Franchisee must keep copies of all health, fire, building occupancy, and similar inspection reports on file and available for Franchisor to review. Franchisee must immediately forward to Franchisor any inspection reports or correspondence stating that Franchisee is not in compliance with any laws, rules, ordinances, and regulations.

(iv) Maintain sufficient inventories and employ sufficient employees to operate the Center at its maximum capacity and efficiency at all hours or days as Franchisor designates or approves in the Brand Standards Manual or otherwise and operate the Center for all hours or days as Franchisor designates or approves.

(v) Require all employees of the Center to abide by the dress guidelines conforming to the specifications and standards Franchisor periodically designates in the Brand Standards Manual or otherwise.

(vi) Require all employees of the Center to conduct themselves at all times in a competent and courteous manner and use best efforts to ensure that its employees maintain a neat and clean appearance and render competent, sober, and courteous service to customers and students of the Center. Franchisor has no control over Franchisee's employees, including, without limitation, work hours, wages, hiring, or firing.

(vii) Use only those products, furnishings, and equipment that (a) conform to the standards and specifications Franchisor designates in the Brand Standards Manual or otherwise, and (b) are purchased from suppliers Franchisor designates or approves in writing. Franchisor may designate at any time and for any reason, a single or multiple suppliers for products, supplies, furnishings, and equipment and require Franchisee to purchase exclusively from designated supplier or suppliers, which exclusive designated supplier(s) may be Franchisor or Franchisor's affiliate. Franchisor may allow certain items,

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such as logoed shirts and uniforms, to be purchased from a non-approved local vendor if these items accurately meet Franchisor's requirements for the items and if any logos are correctly reproduced on the items. If Franchisor designates itself or any affiliate as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its affiliates may receive payments, discounts, or other consideration from suppliers in consideration of the suppliers' dealings with Franchisee and/or the System franchisees, and Franchisor may use all amounts it receives without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other System franchisees.

(viii) If Franchisee desires to purchase any products, supplies, furnishings, and equipment from suppliers other than those Franchisor previously approved and Franchisor has not designated the items to be exclusively supplied by a designated supplier(s), Franchisee will first submit to Franchisor a written request for authorization to purchase the items, together with all information and samples Franchisor requires. Franchisor has the right to require periodically that its representatives be permitted to inspect the items and/or suppliers' facilities, and that samples from the proposed suppliers, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility Franchisor designates. Permission for inspections will be a condition of the initial and continuing approval of any supplier, manufacturer, or distributor. Franchisee must pay for the reasonable cost of the evaluation and testing. Franchisor will, within 90 days after its receipt of a request and completion of its evaluation and testing (if required by Franchisor), notify Franchisee in writing of its approval or disapproval. Franchisor may deny its approval for any reason, including its determination to limit the number of approved suppliers. The provisions above only apply if Franchisor has not designated a supplier or suppliers.

(ix) Prominently display at the Center and the Franchised Site, except during dates and times identified on the Service Schedule, signs using the name "PHASE FAMILY LEARNING CENTER" and/or other signs, of the nature, form, color, number, location, and size, and containing all material as Franchisor periodically reasonably directs or approves in writing; and not display in the Center or on the Franchised Site or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects. Franchisor or its authorized representatives may at any time during normal business hours enter the Center or the Franchised Site and remove any objectionable signs or advertising media.

(x) Use Franchisee's best and continuing efforts to fully promote and develop the Center and use the Franchised Site only for the purposes stated in this Agreement and avoid any activities that would conflict or interfere with or be detrimental to these purposes.

(xi) Sell only those products and services from the Center Franchisor specifies periodically in the Brand Standards Manual or otherwise approves in advance in writing, and refrain from offering, maintaining, or using, at or away from the Franchised Site, educational, enrichment, or extracurricular programs, activities, curricula, products, or materials that are not included in the System, unless Franchisor approves in writing.

(xii) Make no physical changes from blueprint specifications or approved remodeling plans in connection with the premises constituting the Center on the Franchised Site, or the design thereof, or any of the materials used therein, or their colors, without Franchisor's written approval, except that Franchisee will, on Franchisor's request, make reasonable alterations to the Center or premises as necessary to conform to the then-current marketing and operating standards and specifications of the System. Franchisee will paint the Center (interior or exterior) at the intervals Franchisor reasonably determines to be advisable, which determination will not be more than once in any calendar year, using paints that will be in accordance with Franchisor's specifications.

(xiii) Ensure that an individual who has completed the initial training program described in Section 14.1 is at the Center at all times that Franchisor periodically requires during normal business hours.

(xiv) Participate in all national, regional, or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor implements promotions such as discount coupons, certificates, special promotions, and other activities intended to enhance customer awareness and market Centers on a national, regional, or local level. Franchisor may establish procedures and regulations related to these promotions in the Brand Standards Manual and Franchisee agrees to honor and participate in these programs in accordance with the procedures and regulations Franchisor specifies in the Brand Standards Manual or otherwise in writing. Franchisee understands that its participation in these programs is essential to its success and that its participation may entail some cost to Franchisee. Franchisee agrees that Franchisor has no obligation to reimburse Franchisee for any costs it incurs due to its mandatory participation in these special promotional programs.

(xv) Without limiting any of Franchisee's other obligations under this Agreement, at Franchisor's request, but not more often than once every 5 years, unless sooner required by Franchisee's lease, Franchisee will refurbish the premises of the Center at its expense, to conform to the System's trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for new Centers ("Refurbishments"). Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements. Refurbishments are intended to be large-scale re-equipping, refurbishing, and remodeling of the Center, and nothing in this Subsection limits Franchisee's other obligations under this Agreement or the Brand Standards Manual.

(xvi) Become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) Franchisor designates and/or establishes for the System, remain a member in good standing throughout the term of this Agreement and pay all membership fees or fees on purchases that are assessed by the purchasing and/or distribution cooperative(s)/association(s)/program(s).

(xvii) As Franchisor requires, maintain a contract(s) with, or participate in any Franchisor contract(s), with any third party(ies) offering customer service, shopper experience, product safety, or other service programs designed to audit, survey, evaluate, or inspect business operations. Franchisee understands that Franchisor has the right to specify the third party(ies) and the required level of participation in these programs and Franchisee will bear the cost.

(xviii) Use computer systems (including hardware, software, and firmware), network and wireless infrastructure and equipment, telecommunication systems, IT security, and IT support as Franchisor requires. Franchisor may charge Franchisee a reasonable fee for providing support for these required products and services in excess of the general level of services provided to franchisees, as Franchisor determines, in its sole business judgment. Franchisor also may assess a fee apportioned among all System franchisees for modifications and enhancements. These fees will be payable within 30 days following Franchisee's receipt of notice of the fee.

(xix) Use our centralized enrollment support services. We will charge you a reasonable monthly fee for providing this support unless we, in our sole discretion, discontinue these services.

(xx) Use passenger vehicle(s) as we require. All vehicles used in the operation of the Center must only be used in the operation of the Center and primarily for transporting students, must comply with all federal and state laws and regulations, including vehicle inspection and registration statutes, and must meet all of Franchisor's specifications, including but not limited to those concerning vehicle

maintenance and driver requirements. You are solely responsible for investigating all applicable licensing, leasing, and other laws and requirements for the maintenance of all vehicles and to ensure ongoing compliance with all laws and requirements throughout the term of this Agreement.

10. PERSONAL INFORMATION

10.1 Prohibited Uses. To the extent that you collect “personal information” (or equivalent term or phrase as defined by applicable law) of an individual (“Personal Information”) through operation of the Center, you will not and are specifically prohibited from (i) retaining, using, or disclosing the Personal Information for any purpose other than the specific purpose of providing child care and educational services at the Center under this Agreement (whether for a commercial, noncommercial, charitable, philanthropic, religious, or other purpose) or for other business purposes we permit or authorize; (ii) selling or otherwise transferring Personal Information; (iii) using Personal Information you receive from a student, customer, or business you service or interact with for the purpose of providing services to another student, customer, or business; and (iv) re-identifying any Personal Information that has been de-identified. Personal Information includes but is not limited to information that relates to a person’s name, health, finances, education, business, use or receipt of governmental services or other activities, addresses, telephone numbers, social security numbers, driver license numbers, other identifying numbers, and any financial identifiers.

10.2 Demands. From time to time, you may receive demands from individuals requesting access to, or deletion of, their Personal Information (“Personal Information Request”). Within 24 hours of receiving a Personal Information Request from a current or former consumer or student of the Center, you must: (1) forward the Personal Information Request to our Compliance Officer; and (2) respond to the Personal Information Request by providing our contact information and directing the consumer or student to re-submit the Personal Information Request directly to us. For Personal Information Requests by third parties who are not current or former consumers or students of the Center, you will promptly (1) honor the Personal Information Request or (2) explain the basis for the denial if you will not comply with the Personal Information Request. You are solely responsible for obtaining your own legal advice to determine your rights and obligations with respect to honoring or denying Personal Information Requests not forwarded to us. For purposes of applicable law, you agree that there is no sale of Personal Information involved in our grant of the franchise to you or your operation of the Center. For the avoidance of doubt, we do not provide Personal Information to you for any valuable consideration. You certify to us that you understand these requirements and will comply with them.

10.3 Protection Measures. You must establish, adopt, maintain, and comply with appropriate internal security measures, privacy policies, and procedures (the “Protection Measures”) with regard to physical documents, computers and other technology, information, and data to protect Personal Information and information you receive in connection with providing child care services and operating the Center (“Protected Data”) against unauthorized disclosure and access and accidental or unlawful destruction, loss, or alteration. Protection Measures must provide a level of security appropriate to the risk based on the processing and nature of the Protected Data to be protected. Protection Measures should address security policy; organization of information security; asset management; human resources security; physical and environment security; communications and operations management; access control; information systems acquisition, development, and maintenance; information security incident management; business continuity management; personnel training; and compliance (collectively, “Organizational Measures”). We recommend you review your Organizational Measures at least annually. Protection Measures and your security practices must meet any requirements of our approved vendors or suppliers that transmit, receive, or otherwise handle Protected Data. You must ensure all other business partners, vendors, and suppliers to

whom you provide Protected Data or who otherwise handle Protected Data are bound by the obligations stated in this Section and have Protection Measures and security practices in place.

10.4 Third Party Suppliers. If you engage a third party supplier we approve to provide services to you, or you sub-contract the performance of services you are required to perform to a third party that involves granting the third party access to our network, systems, applications, websites, or sensitive business or personal data, you agree to contractually bind the third party to the same data protection, confidentiality, non-disclosure, and acceptable use language that you agreed to in this Agreement, including as applicable, the requirements in this Section 10.

11. TECHNOLOGY SYSTEMS AND WEBSITE

11.1 Operating System. Franchisee, at its expense, must purchase and use the operating software, customer relationship management system, and other technology systems and programs that Franchisor designates in the Brand Standards Manual (the “Operating System”). Franchisee must enter all sales and other information Franchisor requires in the Operating System. Franchisor may periodically require Franchisee, at its expense, to upgrade or update the Operating System to remain in compliance with Franchisor’s standards and specifications. Franchisee, at its expense, must maintain the Operating System in good working order and connected to any telephone system or computer network that Franchisor requires. Franchisor may require Franchisee, at its expense, to configure and connect the Operating System to Franchisor’s systems to provide Franchisor with continuous real-time access to all information and data stored on the Operating System; included in this requirement is the obligation to have Franchisor mandated fiber internet or its equivalent, and required speeds. The Operating System must be purchased and serviced through Franchisor’s approved vendor. Franchisor may require Franchisee to pay Franchisor or its designated third parties reasonable fees to support and upgrade the Operating System and a reasonable fee to Franchisor or its designated third party for polling or collecting data from the Operating System. In addition to the Operating System, Franchisee, at its expense, must equip the Center with the computer hardware and software that Franchisor specifies periodically and maintain access to the Internet or other computer network(s) that Franchisor specifies. In addition, Franchisee, at its expense, must also apply for and maintain other credit card, debit card or other non-cash payment systems that Franchisor periodically requires. Franchisor may require Franchisee to maintain support service contracts and/or maintenance service contracts and implement and periodically make upgrades and changes to the Operating System, computer hardware and software, and credit card, debit card or other non-cash payment systems. Franchisor has the right to designate the vendor(s) for support service contracts and maintenance service contracts.

11.2 Website. Franchisor currently operates a website related to the System at <https://phase.center> (the “Website”). Franchisor has the right to designate a successor Website. Subject to the terms of this Agreement, during the term hereof, Franchisor will endeavor to make available to Franchisee a sub-page on the Website that will be located at a sub-domain of the Website Franchisor designates (the “Subpage”). Franchisee will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to, Franchisee’s Center. Franchisee will only upload content onto the Subpage in accordance with terms of this Agreement as well as any guidelines, directives, or specifications (collectively, “Subpage Standards”) in the Brand Standards Manual. Franchisee agrees that the Subpage may not contain content that references any activity other than Franchisee’s Center. Franchisee will not upload, publish, display, or otherwise include or use any content on the Subpage without receiving Franchisor’s prior written approval. Accordingly, once Franchisor has approved the initial content of the Subpage, Franchisee must submit any changes to the content to Franchisor for its prior written approval.

Franchisor's review and approval of the Subpage content will not be construed as Franchisor's approval, recommendation or endorsement of Franchisee or Franchisor's representation or warranty that the content is accurate, complete, truthful, or correct. Franchisee agrees that the registration for the Website domain name is and will be maintained exclusively in the name of Franchisor or its designee. Franchisee agrees to Franchisor's or its designee's exclusive right, title, and interest in and to the domain name for the Website and further agrees that nothing in this Agreement gives it any right, title or interest in the domain name. Franchisee will not, at any time, challenge Franchisor's or its designee's ownership of the Website domain name, challenge the validity of the Website domain name, or impair any right, title or interest of Franchisor or its designee in the Website domain name. Franchisee will assist Franchisor in preserving and protecting Franchisor's or its designee's rights in and to the Website domain name.

Franchisee agrees that Franchisor may, at any time in its sole discretion, cease to make the Subpage available to Franchisee or the public. Franchisee agrees that Franchisor has no liability for failing to make the Subpage available to Franchisee or the public. TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR DISCLAIMS ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND PERFORMANCE OF THE WEBSITE AND THE SUBPAGE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF NONINFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR WILL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFIT OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE WEBSITE OR SUBPAGE. On the termination or expiration of this Agreement for any reason or Franchisee's default under this Agreement for any reason, all Franchisee's right to upload content onto, or otherwise use, the Subpage will immediately cease, and Franchisor may cease to make the Subpage available to Franchisee.

All Franchisee's use of social media, along with all digital marketing is subject to Franchisor's prior written approval, which approval may be denied in Franchisor's sole discretion.

11.3 E-mail Addresses. Franchisee will maintain no less than two e-mail addresses for each franchised unit operated, which e-mail addresses will be provided by Franchisor through its systems or its approved vendor. Franchisee will pay Franchisor a monthly e-mail charge for each e-mail address provided, with the charge currently being included in a monthly Technology Fee, and which may be adjusted by Franchisor from time-to-time.

12. **ADVERTISING**

12.1 Grand Opening. Franchisee must pay a grand opening marketing fee of \$40,000 (the "Grand Opening Marketing Fee") to Franchisor that will be spent in Franchisor's sole discretion for a grand opening marketing campaign to introduce the Center to the public. The grand opening marketing campaign will start about 120 days before the Center's opening and continue through 30 days past the opening. To the extent Franchisor has developed or approved marketing or advertising programs and materials for the Center's grand opening, Franchisee must use these programs and materials. FRANCHISEE AGREES THAT THE MANDATORY GRAND OPENING PROCESS IS AN INTEGRAL PART OF STARTING THE CENTER AND THAT FRANCHISEE MUST THEREFORE FAITHFULLY FOLLOW FRANCHISOR'S INSTRUCTIONS IN THIS REGARD.

12.2 Advertising Fund. In addition to all other amounts required to be paid under this Agreement, during the term hereof, Franchisee must pay to Franchisor, or any other entity Franchisor designates, 2% of Gross Revenue (the "Advertising Fee"), which amount will be used by the Advertising

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Fund (as this term is defined below). The Advertising Fee is the same for all PHASE FAMILY LEARNING CENTER™ franchisees, but Franchisor may increase the Advertising Fee for new franchisees. Advertising Fees will be paid concurrently with the payment of Royalty Fees.

The Advertising Fee will be spent for the benefit of Franchisor, Franchisee, and all other franchisees or users of the Centers for the production or purchase of radio, television, print, digital and social media marketing, and/or other advertising materials or services as Franchisor deems necessary or appropriate, in its sole discretion, on a national, regional, or local basis (the “Advertising Fund”). The expenditure of the funds for advertising is under Franchisor’s control and discretion at all times, or any other entities Franchisor designates. Franchisee agrees that the Advertising Fund is intended to maximize and support general public recognition, brand identity, sales, and patronage of Centers for the benefit of all Centers and that Franchisor undertakes no obligation to ensure that the Advertising Fund benefits each Center in proportion to its respective contributions. Franchisee agrees that all funds contributed to the Advertising Fund may be used to meet any and all costs (including, without limitation, reasonable salaries and overhead incurred by Franchisor) of maintaining, administering, directing, and preparing national, regional, or local advertising materials, programs, and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, implementing websites for Franchisor and/or its franchises, surveys of advertising effectiveness and other media programs and activities, employing advertising agencies to assist therewith, and providing promotional brochures, decals, and other marketing materials.

The Advertising Fund will be established as a separate banking account and monies received will be accounted for separately from Franchisor’s other funds and will not be used to defray any of Franchisor’s general operating expenses, except for reasonable salaries, administrative costs, and overhead Franchisor incurs in activities reasonably related to the administration or direction of the Advertising Fund and its advertising programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Advertising Fund, paying for the preparation and distribution of financial statements, legal and accounting fees and expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its authorized representatives in connection with programs funded by the Advertising Fund). The Advertising Fund will not be Franchisor’s asset. A financial statement of the operations of the Advertising Fund will be prepared annually and will be made available to Franchisee on request. Franchisor may spend in any fiscal year more or less than the aggregate contribution of all Centers to the Advertising Fund in that year, and the Advertising Fund may borrow from Franchisor to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are spent. Franchisor may cause the Advertising Fund to be incorporated or operated through a separate entity at any time Franchisor deems appropriate, and the successor entity, if established, will have all rights and duties specified in this Section. Franchisor will not be liable for any act or omission with respect to the Advertising Fund that is consistent with this Agreement and done in good faith. Except as expressly provided in this Section 12.2, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Advertising Fund. Franchisee agrees that Franchisor is not operating or acting as a trustee or fiduciary with respect to the Advertising Fees collected. Franchisee agrees to participate in any promotion, marketing, or advertising campaigns created by the Advertising Fund. Franchisor may reduce contributions of franchisees to the Advertising Fund and on notice to Franchisee, reduce the Advertising Fund’s operation, or terminate the Advertising Fund and distribute unspent monies to those contributing franchisees in proportion to their contributions in the past.

12.3 Local Advertising. Franchisee must spend at least 1% of Gross Revenue per calendar quarter for local market advertising. This amount is in addition to the payment of the Advertising Fee and any amounts required under Section 12.1. Franchisee will determine the amount of advertising funds Franchisee spends for individual local market advertising, subject to the foregoing minimum requirement. Local advertising expenditures will not include incentive programs, including, without limitation, costs of honoring coupons, product costs incurred in honoring sales promotions, salaries, contributions, donations, press parties, in-store fixtures or equipment, and exterior or interior signage.

12.4 Approval of Advertising. All advertising and marketing materials Franchisor has not prepared or previously approved must be submitted to Franchisor for approval at least 2 weeks before any publication or run date. Franchisor may grant or withhold its approval in its sole discretion. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. If Franchisor does not notify Franchisee of its approval or disapproval within 10 days of Franchisor's receipt of the materials, the materials will be deemed approved. Franchisee must discontinue the use of any approved advertising within 5 days of Franchisee's receipt of Franchisor's request to do so. No digital marketing, advertising, or promotion by Franchisee will be conducted on or through the Internet/world wide web or other electronic transmission by computer without Franchisor's prior written approval, including all social media sites. Franchisee will monitor and control its employees so they make no social media postings using the Marks without obtaining Franchisor's prior written approval. Franchisee agrees that Franchisee's compliance with Franchisor's social media policies and controls is essential to maintenance of the PHASE FAMILY LEARNING CENTER® brand. Without limiting the generality of the foregoing, Franchisee, without Franchisor's prior written approval, will not operate, or permit to be operated on its behalf, any internet or world wide web site or page that incorporates any of the Marks or otherwise promotes the Center. All Franchisee's advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the System, as determined in Franchisor's sole discretion.

13. **COUNSELING AND ADVISORY SERVICES AND ONSITE ASSISTANCE**

During the term of this Agreement, Franchisor may, in its sole discretion, on Franchisee's request, furnish counseling and advisory services to Franchisee with respect to the opening and operation of the Center, including consultation and advice regarding the following: (i) equipment selection and layout; (ii) advertising and promotion; (iii) product formulas and specifications; (iv) bookkeeping and accounting; (v) purchasing and inventory control; (vi) operational problems and procedures; (vii) periodic inspections; and (viii) new developments and improvements to the System. These counseling and advisory services will occur at Franchisor's offices or by telephone, video conference, or e-mail. Franchisor will provide this assistance at no additional expense to Franchisee; provided, however, Franchisor reserves the right, in its sole discretion, to charge Franchisee a reasonable fee for unusual, extensive, or extraordinary assistance Franchisee requests and/or require Franchisee to reimburse Franchisor for expenses it incurs in connection with providing the counseling and advisory services. In addition, if Franchisee requests and Franchisor's personnel are available, Franchisor may provide onsite assistance and training at the Center, however, Franchisor reserves the right to charge a reasonable fee for this onsite assistance plus expenses Franchisor incurs in rendering this assistance.

14. **OPENING ASSISTANCE**

Before opening the Center, Franchisee will comply with (i) all of Franchisor's pre-opening, development, construction, and training requirements and checklists, and (ii) all other opening requirements stated in this Agreement, the Brand Standards Manual, and/or elsewhere in writing by Franchisor ("Opening Requirements"). On satisfactory completion of the Opening Requirements, Franchisor will provide Franchisee with an opening person(s) to assist in the opening of the Center and the training of Franchisee's management employees, which may be performed at the Center or remotely by internet or telephone.

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Franchisor will provide any opening person(s) at no charge to Franchisee; provided, however, Franchisor reserves the right, in its sole discretion, to charge Franchisee for extraordinary travel and living expenses incurred by any opening person(s) in connection with providing opening assistance. If Franchisee needs and requests additional opening assistance from Franchisor's personnel, and Franchisor approves that request, Franchisee will pay all expenses of the personnel, for as long as any additional personnel assist at the Center. The expenses associated with this assistance include, but are not limited to, wages, salary, transportation, meals, lodging, and fringe benefits. Franchisor will select all personnel provided under this Section and each is subject to change or removal by Franchisor in its sole discretion. Franchisee must obtain Franchisor's written approval before opening the Center. Franchisor has no obligation to approve the opening of the Center if (i) Franchisee has not satisfied, as Franchisor determines, all the Opening Requirements and other requirements under this Agreement, or (ii) Franchisee or any of its affiliates are in default under any agreement with Franchisor.

15. TRAINING

15.1 Initial Training. The Center must have at least one person that (i) Franchisee has designated to assume primary responsibility for managing the Center and (ii) will devote full time and best efforts to the management and operation of the Center (the "Manager"). Franchisee will inform Franchisor in writing as to the identity of the Manager, including all additions to and successors. As and when Franchisor requires, the Manager must attend and successfully complete, to Franchisor's satisfaction, an initial training program Franchisor specifies or a comparable training program Franchisor approves in advance in its sole discretion. Each Manager must successfully complete the initial training program before the Center may open for business or before the Manager begins working at the Center. Franchisor will not charge a fee for the participation of up to 2 Managers in the initial training program, however, Franchisee must pay the expenses (such as transportation, lodging, meals, and compensation) of each person who attends the training. During the Center's operating hours, a Manager who has successfully completed the initial training program must at all times be at the Center, or be on call and available telephonically. If a Manager ceases active employment at the Center, Franchisee must notify Franchisor within 5 days of cessation of the Manager's employment at the Center and enroll a qualified replacement in the initial training program within 30 days of cessation of the Manager's employment. Franchisor, in its sole discretion, reserves the right to waive all or a portion of the training program required under this Section.

15.2 Training of Employees. Franchisee is responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Center in accordance with the requirements established for the operation of a Center.

15.3 Additional Training. Franchisee and its Managers and employees must attend and conduct all additional training programs as Franchisor periodically reasonably requires relating to the operation of the Center. This may include remote or online training Franchisor makes available. Franchisee also may be required to purchase training films or other instructional materials as Franchisor specifies periodically in the Brand Standards Manual or otherwise.

15.4 Conferences. Franchisor may require Franchisee and/or one or more of the Managers of the Center to attend conferences that Franchisor offers periodically. Franchisee is responsible for the travel and living expenses of its attendees, and Franchisor may charge a reasonable fee sufficient to cover the expenses of the conferences.

15.5 Requirements to Attend Training. All individuals participating in training programs Franchisor offers must (i) behave in a professional, non-disruptive, non-harassing, and non-discriminatory manner during training, (ii) not be under the influence of any illegal substance or alcohol during training, and (iii) satisfy any other training pre-requisites stated in the Brand Standards Manual or otherwise. Franchisor has a right to terminate training for any individual that, in Franchisor's judgment, does not satisfy the requirements in this Section and Franchisee must immediately designate a replacement.

16. MARKS

16.1 Ownership of the Marks. Franchisee agrees that nothing in this Agreement gives Franchisee any right, title, or interest in and to the Marks, except the non-exclusive right to use the Marks in connection with the operation of the Center under the System in compliance with the terms of this Agreement. Franchisee agrees that the Marks and all goodwill now or in the future pertaining to the Marks are Franchisor's sole and exclusive property and that Franchisee will not raise or cause to be raised any questions concerning, or objections to, the validity or ownership of the Marks on any grounds whatsoever. Franchisee will not seek to register, re-register, or assert claim to or ownership of, or otherwise appropriate to itself, any of the Marks or any marks or names confusingly similar to the Marks, or the goodwill symbolized by the Marks except insofar as the action inures to the benefit of and has the prior written approval of Franchisor. On the expiration or termination of this Agreement, whether by lapse of time, default or otherwise, Franchisee agrees immediately to discontinue all use of the Marks and to remove all copies, replicas, reproductions or simulations of the Marks from the Center and to take all necessary steps to assign, transfer or surrender to Franchisor or otherwise place in Franchisor's or its designee's title to all names or marks (other than the Marks) that Franchisee used during the term of this Agreement in connection with the operation of the Center. Franchisee agrees that Franchisor owns and controls the System and all of its components.

16.2 Use of the Marks. To protect the Marks, the System, and the goodwill associated therewith, Franchisee will, unless Franchisor otherwise consents in writing:

(i) Only use the Marks Franchisor designates, and only in the manner Franchisor authorizes and permits. Franchisee's right to use the Marks is limited to uses authorized under this Agreement, and any unauthorized use is an infringement of Franchisor's rights.

(ii) Only use the Marks for the operation of the Center and only at the Franchised Site, or in advertising for the business conducted at or from the Franchised Site. Franchisee may not use any of the Marks in any part of any domain name or electronic address or any similar proprietary or common carrier electronic delivery system. Franchisee will not seek to register or assert any claim of ownership or usage rights to, any domain name or electronic address incorporating any of the Marks or any names confusingly similar to the Marks. Franchisee agrees, at Franchisor's request, to take all necessary steps to assign to Franchisor all rights in or to such domain names and electronic addresses (and any registrations for the foregoing) that Franchisee acquires.

(iii) Operate and advertise the Center only under the name "PHASE FAMILY LEARNING CENTER[®]" or other Marks Franchisor designates from time to time, without prefix or suffix, except to describe the location of the Center.

(iv) Not use any of the Marks, including, without limitation, the name "PHASE FAMILY LEARNING CENTER[®]" in Franchisee's corporate or other legal name.

(v) Not permit the use of any trade names, trademarks, or service marks at the Center or the Franchised Site other than the Marks.

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(vi) If state or local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise file a report or other certificate indicating that PHASE FAMILY LEARNING CENTER® or any similar name is being used as a fictitious or assumed name, include in the filing or application an indication that the filing is made as a franchisee of PHASE PARTNERS, LLC, a Georgia limited liability company.

(vii) Have the symbol TM, SM, or R enclosed in a circle (e.g. “®”) or any other symbols or words Franchisor designates to protect the Marks on all surfaces where the Marks appear.

16.3 **Infringement.** Franchisee will promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to Franchisor's ownership of the right of Franchisor to use and to license others to use, or Franchisee's right to use, the Marks. Franchisee agrees that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement of the proceeding. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor will defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, Franchisor will pay for the cost of defense, including the cost of any judgment or settlement. If Franchisor, in its sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, Franchisee must pay for the cost of defense, including the cost of any judgment or settlement. In any litigation relating to Franchisee's use of the Marks, Franchisee will sign all documents and do all acts as, in Franchisor's opinion, are necessary to carry out the defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that litigation is the result of Franchisee's use of the Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing these acts.

16.4 **Substitute Marks.** If Franchisor decides to change, add, or discontinue use of any Mark, or to introduce additional or substitute Marks, Franchisee, on a reasonable period of time after receipt of written notice, will take all action, at its sole expense, as is necessary to comply with the changes, alteration, discontinuation, addition, or substitution. Franchisor has no liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

17. **RELATIONSHIP OF THE PARTIES**

The parties intend that Franchisee is and will be an independent contractor under this Agreement, and no partnership, joint venture, fiduciary relationship, or other special relationship exists between Franchisee and Franchisor. This Agreement does not constitute Franchisee as Franchisor's agent, legal representative, or employee for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, Franchisor or in any way to bind Franchisor. Franchisee agrees not to incur or contract for any debt or obligation on Franchisor's behalf, or commit any act, make any representation, or advertise in any manner that may adversely affect any right of Franchisor, or be detrimental to the good name and reputation of Franchisor or any other franchisees of Franchisor.

18. **MAINTENANCE OF CREDIT STANDING**

The failure or repeated delay in making prompt payments in accordance with the terms of invoices and statements rendered to Franchisee for purchases of supplies, equipment and other items, whether purchased from Franchisor or others, or defaults in making payments due under this Agreement or under any other agreement entered into in connection with the operation of the Center, will result in a loss of credit rating and standing which will be detrimental to Franchisor and other franchisees of the System. Franchisee agrees to pay when due all amounts that it owes to anyone for supplies, equipment, and other items used in connection with the Center and all payments owed under this Agreement or under any other agreement

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entered into in connection with the operation of the Center. Franchisee must notify Franchisor immediately when and if Franchisee becomes more than 90 days delinquent in the payment of any of the obligations mentioned above.

19. INDEMNIFICATION, INSURANCE, AND TAXES

19.1 Indemnification. Franchisee agrees to indemnify, defend, and hold harmless Franchisor and its affiliates, shareholders, directors, officers, employees, agents, successors, and assignees (the “Indemnified Parties”) against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any taxes described in Section 19.3 below and any claims and liabilities directly or indirectly arising out of the Center’s operation or Franchisee’s breach of this Agreement, except to the extent they arise as a result of Franchisor’s own gross negligence or willful misconduct. For purposes of this indemnification, “claims” includes all obligations, damages (actual, consequential, or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including reasonable accountants’, arbitrators’, attorneys’ and expert witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution and travel and living expenses. Franchisor has the exclusive right to defend any claim. This indemnity continues in effect after the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or their losses and expenses, to maintain and recover fully a claim against Franchisee.

19.2 Insurance. Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost and from carriers Franchisor approves, the insurance policies below and any other policies stated in the Brand Standards Manual, and Franchisor agrees to obtain insurance having the minimum limits stated in the Brand Standards Manual. All coverages will be on an occurrence basis and will provide for waivers of subrogation. Franchisee agrees to maintain all insurance required by the terms of any lease for the Franchised Site or, if there is no lease, Franchisee agrees to carry fire and extended coverage insurance covering the building and all equipment, supplies, products, inventory, furniture, fixtures, and other tangible property located in the Center or on the Franchised Site in the amount of the full insurable value of the property.

(i) Commercial General Liability Insurance, including coverages for (a) personal and advertising injury of \$1,000,000 or higher per occurrence, with no liability deductible, (b) \$3,000,000 general aggregate, (c) damages to premises rented to you, if applicable, of \$100,000 or higher, (d) products-completed operations, (e) contractual liability, (f) fire damage, (g) medical expenses of \$5,000 to any one person or higher, (h) assault and battery of \$1,000,000 per occurrence, with no deductible and \$2,000,000 or higher aggregate, and (i) abuse or molestation of at least \$1,000,000 or higher per occurrence, with no deductible and \$2,000,000 or higher aggregate, and any other coverage required by your licensing board, state, or local jurisdiction for any activity or business conducted;

(ii) Commercial Automobile Liability Insurance and, if you own, rent or identify any vehicles with any Mark or vehicles are used in connection with the operation of your Center, automobile liability coverage for owned, non-owned, scheduled, and hired vehicles, with (a) liability coverage of no less than \$1,000,000 or the state minimum, whichever is higher, (b) uninsured motorist coverage of no less than \$1,000,000 or the state minimum, whichever is higher, (c) medical payments as required or stipulated by your state or licensing body, (d) comprehensive based on stated amount (current retail value plus special or permanently attached equipment of vehicle per state guidelines), and (e) collision based on stated amount (current retail value plus special or permanently attached equipment of vehicle or per state guidelines);

(iii) Excess Liability Umbrella Coverage for the general liability and automobile liability coverages (a) additional coverage of \$3,000,000 or higher per occurrence (b) \$3,000,000 or higher aggregate;

(iv) Cyber and Data Protection Liability, Media Liability (if not included in Cyber Liability coverage), Teacher Professional Liability, Crime and Fidelity, and Sexual Abuse and Molestation Liability (if not included in your General Commercial Liability Insurance or your Crime and Fidelity Liability coverage);

(v) Workers' Compensation Insurance covering all of your employees as required by law;

(vi) Employment Practices Liability Insurance of at least \$1,000,000; and

(vii) Business Interruption and Extra Expense Insurance for a minimum of 6 months to cover net profits and continuing expenses (including Royalty Fees).

You or your third party contractor or developer must purchase and maintain in full force and effect during any construction, renovation, or remodeling work on the Center premises the following types of insurance policies, all on an occurrence basis: (1) For sites that are unoccupied and not immediately adjacent to an occupied site, or sites that are occupied or immediately adjacent to an occupied site, Commercial General Liability ("CGL"); (2) Workers' Compensation and Employers' Liability in amounts prescribed by law covering all personnel working on the construction site; (3) At our option in our sole business judgment, Builder's Risk/Installation insurance in an amount reasonably satisfactory to us.

Franchisee agrees that Franchisor will be named as an additional insured under each of the foregoing insurance policies except for workers' compensation. Before opening the Center and, thereafter, at least 30 days before the expiration of each policy, Franchisee will deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement or under the Brand Standards Manual, and all certificates will contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice (10 days for non-payment of premiums) in the event of material alteration to, termination, non-renewal, or cancellation of, the coverages evidenced by certificates and notice of any claim filed under any policy within 30 days after the filing of the claim. Franchisor may, from time to time, during the term of this Agreement, at its sole option, require that the minimum limits and types of insurance coverage, as stated above or in the Brand Standards Manual, be increased or changed as Franchisor solely determines. If Franchisee at any time fails or refuses to maintain any insurance coverage Franchisor requires or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies under this Agreement, may, but need not, obtain the insurance coverage on Franchisee's behalf, and Franchisee will pay to Franchisor on demand all premiums Franchisor incurs in connection therewith. Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts stated will not be limited in any way by reason of any insurance that Franchisor maintains, nor will Franchisee's performance of that obligation relieve it of liability under the indemnity provisions stated in Section 19.1. Notwithstanding the existence of insurance, Franchisee, as agreed above, is responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Center and for all claims for damages to property or for injury, illness, or death of persons directly or indirectly resulting therefrom.

19.3 Taxes. Franchisee will promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, state employment tax, state sales tax (including any sales or use tax on equipment purchased or leased), and all other taxes and expenses of operating the Center. Franchisee must not permit a tax sale or seizure by levy

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or execution or similar writ or warrant to occur against the Center, the Franchised Site or any tangible personal property used in connection with the operation of the Center.

20. ASSIGNMENT

20.1 Assignment by Franchisor. Franchisee agrees that Franchisor may sell itself, its assets, the Marks and/or the System to a third party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another entity; and/or may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain, or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise, or license those businesses and/or facilities as PHASE FAMILY LEARNING CENTER® businesses operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition, or affiliation, regardless of the location of these facilities, even if proximate to Franchisee's Center. With regard to any of the above sales, assignments, and dispositions, Franchisee waives any claims, demands, or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the System. If Franchisor assigns its rights in this Agreement, nothing in this Agreement will be deemed to require Franchisor to remain in the PHASE FAMILY LEARNING CENTER® business or to offer or sell any products or services to Franchisee.

20.2 Assignment by Franchisee. Franchisee will not sub-franchise, sell, assign, transfer, merge, convey, or encumber (each, a "Transfer"), the Center, the Franchised Site, this Agreement or any of its rights or obligations under this Agreement, or suffer or permit any Transfer of the Center, the Franchised Site, this Agreement or its rights or obligations under this Agreement to occur by operation of law or otherwise without Franchisor's prior written consent. In addition, if Franchisee is a corporation, limited liability company, partnership, business trust, or similar association or entity, the shareholders, members, partners, beneficiaries, investors, or other equity holders, as the case may be, may not Transfer their equity interests in the corporation, limited liability company, partnership, business trust, or similar association or entity, without Franchisor's prior written consent. Furthermore, if any shareholder, member, partner, investor, or other equity holder of Franchisee (the "Equity Holder") is a corporation, limited liability company, partnership, business trust, or similar association or entity, the interests of the shareholders, members, partners, beneficiaries, investors, or other equity holders, as the case may be, in the Equity Holder, may not be Transferred, without Franchisor's prior written consent. Franchisor will not unreasonably withhold consent to a Transfer provided the requirements of Section 20.4 have been satisfied. Any Transfer in violation of this Section is void and of no force and effect.

20.3 Death or Disability of Individual Majority Equity Holder of Franchisee. On the death or Disability (as this term is defined below) of an individual Equity Holder of a majority of the interest in Franchisee, this Agreement or the ownership interest of the deceased or disabled Equity Holder must be transferred to a party approved by Franchisor within 180 days of the death or declaration of Disability, which Franchisor will make in its sole discretion. Any Transfer, including, without limitation, transfers by devise or inheritance or trust provisions, will be subject to the same conditions for Transfers stated in Section 20.4. Franchisor will not unreasonably withhold its consent to the Transfer of this Agreement or any ownership interest to the deceased or disabled Equity Holder's spouse, heirs, or members of his or her immediate family, provided all requirements of Section 20.4 have been complied with (except payment of the transfer fee, which will not apply to these Transfers). A "Disability" has occurred if an individual is unable to actively participate in the operation or oversight of operations of Franchisee under this Agreement for any reason for a continuous period of 3 months.

20.4 Approval of Assignment. Franchisor's approval of any Transfer is, in all cases, contingent on the following:

(i) the purchaser and/or the controlling persons of the purchaser having a satisfactory credit rating, being of good moral character, having business qualifications satisfactory to Franchisor, being willing to comply with Franchisor's training requirements and being willing to enter into an agreement in writing to assume and perform all of Franchisee's obligations under this Agreement and/or enter into a new Franchise Agreement, if Franchisor requests, and agreeing to enter into all agreements with Franchisor that are being required of all new franchisees, including any other agreement which may require payment of different or increased fees from those paid under this Agreement; provided, however, the amount of the Royalty Fees paid under this Agreement will not be increased on an assignment;

(ii) the terms of the proposed transfer (including, without limitation, the purchase price) being satisfactory to Franchisor;

(iii) all Franchisee's monetary obligations (whether under this Agreement or not) to Franchisor or Franchisor's affiliates or subsidiaries being paid in full;

(iv) Franchisee not being in default under this Agreement or any other agreement between Franchisee and Franchisor;

(v) Franchisee and its owners signing a general release of all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors, employees, and agents, in a form satisfactory to Franchisor;

(vi) Franchisee paying to Franchisor a transfer fee of one-half of the then-current Initial Franchise Fee plus reimbursement for all legal, training, and other expenses Franchisor incurs in connection with the Transfer;

(vii) the Marks not being used in any advertising for any Transfer prohibited by Sections 20.2 and 20.3; and

(viii) at Franchisor's request, the proposed transferee or assignee refurbishes the Center in the manner and subject to the provisions described in Section 2.2(v).

20.5 Removal of General Partner. If Franchisee is a limited partnership, Franchisee may not remove or appoint, or permit the limited partners to remove or appoint, a new or successor general partner without the Franchisor's prior written consent (even if the appointment is due to the resignation, death or disability of the General Partner).

20.6 Reversion. On the death or disability of any individual Equity Holder, where the provisions of Sections 19 and 20 have not been fulfilled within the time provided, all rights licensed to Franchisee under this Agreement will, at Franchisor's option, terminate and automatically revert to Franchisor.

21. **RESTRICTIVE COVENANTS**

21.1 Covenants Not to Compete.

(i) Non-Competition during Term. In addition to and not in limitation of any other restrictions on Franchisee in this Agreement, Franchisee and each of its shareholders, members, partners, board or council members, directors, and managers, including any Manager of the Center (as defined in

Section 15.1 of this Agreement), as applicable (each, a “Bound Party” and collectively “Bound Parties”), agree that they will not, during the term of this Agreement, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, during the term of this Agreement (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), regardless of location or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, regardless of location.

(ii) Post-Term Non-Competition. In addition to and not in limitation of any other restrictions on Franchisee in this Agreement, Franchisee and the Bound Parties agree that they will not, for two years following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, directly or indirectly, for and on behalf of itself, himself, herself, or any other person or entity, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or (b) perform services as a director, officer, manager, employee, sales agent, contractor, consultant, representative, agent, or otherwise for a Competitive Business that, in either case, is located or operating within a 25 mile radius of any Center, including Franchisee’s Center(s). Notwithstanding, this Subsection 21.1(ii) will not apply if this Agreement is terminated before the due date of the third installment of the Initial Franchise Fee.

(iii) General. For purposes of this Agreement, the term “Competitive Business” means any business operating, or granting franchises or licenses to others to operate, a childcare, day school, kindergarten, prekindergarten, school, preschool, afterschool, camp, or learning or tutoring program or facility for children under the age of 12, (other than another Center Franchisee operates under license from Franchisor). Neither Franchisee nor the other Bound Parties are prohibited from owning securities in a Competitive Business if they are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of the number of shares of that class of securities that are issued and outstanding. The parties agree that the covenants in this Section 21.1 are based on the reason and understanding that Franchisee and the Bound Parties will possess knowledge of Franchisor’s business and operating methods and confidential information, disclosure, and the use of this knowledge for a business other than the Center would prejudice Franchisor’s and its Franchisees’ interests. Franchisee agrees to the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants. If any part of this restriction is found to be unreasonable in time or distance, the time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisor will, as a matter of course, receive injunctive relief to enforce these covenants in addition to any other relief to which it may be entitled at law or in equity. Franchisor will receive injunctive relief without the necessity of posting bond or other security, a bond or other security being waived. Franchisee agrees that the waiver of bond is a critical element in this Agreement without which, Franchisor would not have entered into this Agreement.

21.2 Trade Secrets and Confidential Information.

(i) Franchisee agrees that in connection with the operation of Centers and the System, Franchisor has developed at a great expense competitively sensitive proprietary and confidential information that are not commonly known by or available to the public and that, if disclosed to parties other than Franchisee, will cause irreparable harm to Franchisor and the System. All information that comprises the System will be presumed to be Franchisor’s proprietary and confidential information, including (a) the Brand Standards Manual (the “Manual”) and its contents, (b) trade secrets, and other confidential or proprietary information or compilations, (c) knowledge, know-how, methods and techniques concerning the methods of operation of a Center and the System, (d) any material in which Franchisor claims copyright protection, (e) enrollment lists (which are Franchisor’s customer lists and therefore trade secrets) and the Personal Information and other confidential information of students, their parents or guardians, and faculty, and (f) information disclosed in connection with any franchisee or other training program (together, “Confidential Information”). Confidential Information does not include any information that (w) is

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commonly known by or available to the public; (x) Franchisor has voluntarily disclosed to the public; (y) Franchisee has independently developed or lawfully obtained other than as a franchisee of the System; or (z) has otherwise entered the public domain through lawful means.

(ii) All Confidential Information is Franchisor's sole and exclusive property. Franchisee and each Bound Party agree that it will not, directly or indirectly, disclose or publish to any party, or copy or use for that party's own benefit, or for the benefit of any other party, any of the Confidential information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor otherwise approves in writing. Franchisee may disclose the Confidential Information to its professional advisors provided any professional advisor to whom the Confidential Information is to be disclosed under this Agreement is first informed of the confidential and/or proprietary nature of the Confidential Information and agrees to be bound by this Agreement. Franchisee also agrees that it and all of its employees and agents will take appropriate steps to protect Franchisor's Confidential Information from any unauthorized disclosure, copying, or use.

(iii) Franchisee and each Bound Party agree that the restrictions in this Section 21 will remain in effect with respect to the Confidential Information for 5 years following termination or expiration of this Agreement for any reason; provided, however, if the Confidential Information rises to the level of a trade secret, then this restriction remains in effect until the information is no longer a trade secret. At any time on Franchisor's request, and in any event on termination or expiration of this Agreement, Franchisee will immediately return all copies of documents containing Confidential Information and will take appropriate steps to permanently delete and render unusable any Confidential Information stored electronically.

21.3 Personal Covenants of Certain Bound Parties. As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Manager (as defined in Section 15.1) and director of Franchisee must sign and deliver to Franchisor a form of Confidential Information Protection Agreement that Franchisor has approved, agreeing to be bound personally by all the provisions of Sections 21.1 and 21.2. If there are any changes in the identity of any Bound Party while this Agreement is in effect, Franchisee must notify Franchisor promptly and make sure the new Bound Party signs and delivers to Franchisor the Confidential Information Protection Agreement.

21.4 Agreements by Other Third Parties. As a condition to Franchisor's signing of this Agreement, Franchisee, if Franchisor requests, will cause each of its management and supervisory employees and other employees to whom disclosures of confidential information are made to sign a Confidential Information Protection Agreement in a form Franchisor approves.

21.5 Reasonable Restrictive Covenants. Franchisee agrees that (i) the covenants and restrictions in this Section 21 are reasonable, appropriate, and necessary to protect the System, other System franchisees, and are Franchisor's legitimate interest, and (ii) do not cause undue hardship on Franchisee or any of the other individuals required to comply with this Section 21.

22. **TERMINATION**

22.1 Termination by Franchisee. Franchisee may terminate this Agreement at any time during the term of this Agreement by providing Franchisor with 90 days advance written notice of termination. On Franchisee's, all Franchisee's post-termination obligations in this Agreement will not be waived but will be strictly adhered to by Franchisee.

22.2 Termination by Franchisor without a Cure Period. Franchisor may immediately terminate this Agreement on written notice to Franchisee, without opportunity to cure, if:

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(i) Franchisee files a petition under any bankruptcy or reorganization law, becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(ii) Following the opening of the Center, Franchisee ceases to operate the Center at the Franchised Site, which includes failure of the Center to remain open for business for any period in excess of 3 calendar days;

(iii) Franchisee seeks to effect a plan of liquidation, reorganization, composition, or arrangement of its affairs, whether or not the same are later approved by a court of competent jurisdiction; it being understood that in no event will this Agreement or any right or interest under this Agreement be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement, or reorganization proceeding;

(iv) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and the proceeding is not dismissed within 60 days;

(v) Franchisee makes a general assignment for the benefit of its creditors;

(vi) Franchisee fails to pay when due any amount owed to Franchisor or its affiliates or subsidiaries, whether under this Agreement or not, and Franchisee does not correct the failure within 10 calendar days after written notice thereof is delivered to Franchisee;

(vii) Franchisee fails to pay when due any amount owed to any creditor, supplier, or lessor of the Center or the Franchised Site or any taxing authority for federal, state or local taxes (other than amounts for which there is a bona fide dispute through appropriate proceedings) and Franchisee does not correct the failure within 10 calendar days after written notice is delivered thereof to Franchisee;

(viii) Franchisee fails to begin operation of the Center at the Franchised Site within 24 months after signing this Agreement in the case of a Franchised Site with an existing building, or within 36 months in the case of a Franchised Site where a building must be constructed, except for any delay that Franchisor has agreed to, in its sole discretion;

(ix) Franchisee or any of Franchisee's owners are convicted of or plead no contest to a felony, a crime involving moral turpitude, or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks;

(x) Franchisee operates the Center or any phase of the franchised business in a manner that presents a health or safety hazard to Franchisee's customers, employees, or the public;

(xi) Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise;

(xii) Franchisee makes an unauthorized Transfer of this Agreement, the franchise, the Center, or an ownership interest in Franchisee;

(xiii) Franchisee or any Bound Party or any other employee of Franchisee breaches or fails to comply fully with Section 21;

(xiv) Franchisee (a) misuses or makes an unauthorized use of or misappropriates any Mark, (b) commits any act that can be reasonably expected to materially impair the goodwill associated

with any Mark, (c) challenges Franchisor's ownership of the Marks, (d) files a lawsuit involving the Marks without Franchisor's consent, or (e) fails to cooperate with Franchisor in the defense of any Mark;

(xv) Franchisee makes or permits a third party to make any unauthorized use or disclosure of any Confidential Information or Franchisor's trade secret;

(xvi) Franchisee fails to comply with any federal, state, or local law or regulation applicable to the operation of the franchise (including any law or regulation applicable to schools or childcare facilities of the type Franchisee operates, and including any failure to comply with the Anti-Terrorism Laws (as defined below) as stated in Section 32.10);

(xvii) The Center or the Franchised Site is seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder, or lessor, or a final judgment against Franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or a levy of execution has been made on the license granted by this Agreement or any property used in the Center, and it is not discharged within 5 days of levy;

(xviii) Franchisee loses for any cause whatsoever right of possession as owner or lessee of the real property on which the Center is located. (However, if all or a substantial part of the real property on which the Center is located is taken by eminent domain proceedings so as to make the Center not in compliance with Franchisor's construction specifications or so as to make the Center inoperable for the purpose of carrying out the requirements of this Agreement, then Franchisor and Franchisee will agree on a new location for the Center and Franchisee will construct and equip the new Center in accordance with Franchisor's then current construction specifications within 360 days after the designation of the location. All of the terms of this Agreement will apply to the construction, maintenance and operation of such new Center);

(xix) Franchisee knowingly maintains false books or records or denies Franchisor's authorized representatives immediate access to Franchisee's books and records during an audit or inspection;

(xx) Franchisee submits to Franchisor a financial report or other data, information, or supporting records that understate by more than 2% the Royalty Fees or Advertising Fees due for any reporting period and is unable to demonstrate that the understatements resulted from an inadvertent error;

(xxi) Franchisee has received at least 3 default notices from Franchisor within a 12 month period, even if a default is subject to a right to cure or is cured after notice is delivered to Franchisee; or

(xxii) Franchisee is dissolved either voluntarily or involuntarily.

22.3 Termination by Franchisor with a Cure Period. Franchisor has the right to terminate this Agreement on 30 days written notice if defaults remain uncured, in Franchisor's sole discretion, for the following reasons. Notwithstanding the foregoing, if the breach is curable but is of a nature that cannot reasonably be cured within the 30-day period and Franchisee has begun and is continuing to make good faith efforts to cure the breach, Franchisee will be given an additional 30 days to cure the breach, and this Agreement will not terminate, including the following:

(i) Franchisee fails or refuses to submit financial statements, reports, or other operating data, information or supporting records when due;

(ii) Franchisee commits a default (other than a monetary default that is subject to Section 22.2 (vii)) under the lease, sublease, purchase contract, or other contract for the Franchised Site, the Center, or any equipment or supplies used in the operation thereof;

(iii) Franchisee fails to provide or maintain required insurance coverage;

(iv) Franchisee fails to restore the Center to full operation within a reasonable time (not to exceed 90 days) after the Center is rendered inoperable by any casualty; or

(v) Franchisee fails to comply with any other provision of this Agreement or any mandatory specification, standard, or operating procedure Franchisor prescribes.

23. EFFECT OF AND OBLIGATIONS UPON TERMINATION

23.1 Obligations on Termination or Expiration. On the termination or expiration of this Agreement, for any reason, Franchisee will:

(i) immediately return to Franchisor all material Franchisor furnished containing Confidential Information, operating instructions, business practices, or methods or procedures, including, without limitation, the Brand Standards Manual;

(ii) discontinue at the Franchised Site all use of the Marks, and the use of all signs, products, paper goods, and other items bearing the Marks. Franchisee must completely cover any signs containing the Marks that Franchisee is unable to remove within one day of the termination or expiration of this Agreement until the time of their removal which must be within 10 days of termination or expiration of this Agreement;

(iii) if Franchisee retains possession of the Franchised Site, at Franchisee's expense, make all reasonable modifications to the exterior and interior décor of the Center and the Franchised Site as Franchisor requires to eliminate its identification as a Center and to comply with all Confidential Information Protection Agreements then in effect;

(iv) refrain from operating or doing business under any name or in any manner that may give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor or that Franchisee has the right to use the System or the Marks;

(v) refrain from making use of or availing itself to any of the Confidential Information, Brand Standards Manual or other information received from Franchisor or disclosing or revealing any of the same in violation of Section 21.2;

(vi) take all action required to cancel all assumed names or equivalent registrations relating to the use of any Mark;

(vii) on Franchisor's request, assign to Franchisor or its designee all of Franchisee's rights, title, and interest in the telephone numbers, telephone directory listings and advertisements, website URLs (whether Franchisee acquired in accordance with or in violation of Section 16.2), e-mail addresses, store leases, and governmental licenses or permits used for the operation of the Center. Simultaneously with Franchisee's signing of this Agreement, Franchisee will sign the Internet Web Sites and Listings Agreement attached as Exhibit C and the Telephone Listing Agreement attached as Exhibit D; and

(viii) strictly comply with the terms of Section 21 and any other procedures in the Brand Standards Manual that Franchisor establishes related to discontinuing the Center's operations.

If Franchisee fails to modify the exterior and interior décor of the Center and the Franchised Site as Franchisor requires to eliminate its identification as a Center (including the removal of all signs bearing the Marks), Franchisor may take all action to modify the exterior and interior décor of the Center and the Franchised Site and charge Franchisee for the cost of this action. Franchisee will immediately pay Franchisor for the cost of any action Franchisor takes to modify the exterior and interior décor of the Center and the Franchised Site.

23.2 Effect of Expiration or Termination. On the expiration or termination of this Agreement for any reason, all rights granted to Franchisee under this Agreement are extinguished immediately, and Franchisee will not be relieved of any of its obligations, debts, or liabilities under this Agreement. The expiration or termination of this Agreement for any reason will be without prejudice to Franchisor's rights against Franchisee and will not destroy or diminish the binding force and effect of any of the terms of this Agreement that expressly, or by reasonable implication, come into or continue in effect on or after the expiration or termination.

24. **RIGHT OF FIRST REFUSAL**

If, during the term of this Agreement, Franchisee receives a bona fide offer from a prospective purchaser for any interest in Franchisee or the Center (whether by sale of assets, sale of equity interest, merger, consolidation, or otherwise), it will offer the same to Franchisor in writing at the same price and on the same terms or the monetary equivalent; which offer Franchisor may accept at any time within 30 days after receipt thereof. If the parties cannot agree on a reasonable monetary equivalent, an independent appraiser Franchisor designates will determine the monetary equivalent and the appraiser's determination will be final. If Franchisor declines or does not timely accept the offer, then Franchisee may make the Transfer to the purchaser (provided Franchisor approves of the purchaser in accordance with Section 20.2 and subject to compliance with Section 20.4), but not at a lower price nor on more favorable terms than have been offered to Franchisor. If Franchisee fails to complete the Transfer within 90 days following Franchisor's refusal or failure to act, then Franchisee may not complete the Transfer without first offering the same to Franchisor again as provided above. The parties recognize that the terms of this Section 24 do not apply to a sale and subsequent leaseback of the Franchised Site or any furnishings or equipment used thereon, or any other Transfer of the Franchised Site or the furnishings or equipment thereon in connection with any bona fide financing plan. In no event will Franchisee offer any interest in this Agreement, or the premises or any interest therein, or any interest in the business conducted thereon, or in the equipment or furnishings located thereon, or in any interest of Franchisee or an Equity Holder for Transfer at public auction, nor at any time will an offer be made to the public to Transfer the same, through the medium of advertisement, either in the newspapers or otherwise, without having first obtained Franchisor's written consent to the advertisement or publication.

25. **FACILITY CLASSIFICATION**

Franchisee will operate and maintain the Center in a manner that will ensure that the Center will obtain the highest classification possible for schools and childcare facilities of like kind from the governmental authorities that inspect these facilities in the area where the Center is operated. If Franchisee is not able to obtain this classification, or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs, and sanitation Franchisor requires, then Franchisor may, at its option, place trained personnel in the Center as Franchisor deems necessary to train the managerial and operating personnel of the Center until the Center can obtain the highest classification or meet the general standards. Franchisor's personnel will remain at the Center until the required classification is obtained or until Franchisor, in its

Exhibit B-31

sole discretion, decides to remove them. Franchisee will pay all costs associated with providing these personnel, including costs of transportation, meals, lodging, wages, or other compensation, including fringe benefits.

26. OWNERSHIP OF FRANCHISEE

Attached as Exhibit E is a description of Franchisee's legal organization (whether a corporation, limited liability company, partnership or otherwise), the names and addresses of each person or entity owning a 10% or greater interest in Franchisee (the "Principal Owners") and the percentage of interest owned by each person or entity. Franchisee agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Franchisee as stated on Exhibit E. At Franchisor's request, Franchisee will provide to Franchisor a copy of all Franchisee's governing and/or organizational documents and any amendments thereto.

27. SUCCESSORS AND THIRD PARTY BENEFICIARIES

This Agreement and the covenants, restrictions and limitations contained in this Agreement will be binding on and will inure to the benefit of Franchisor and its successors and assigns and will be binding on and will inure to the benefit of Franchisee and its permitted heirs, successors, and assigns. Except as contemplated by Section 19.1, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies on any person or legal entity not a party to this Agreement. This Agreement is, however, intended to bind the Bound Parties to the extent stated in this Agreement.

28. CONSTRUCTION

All terms and words used in this Agreement, regardless of the number and gender in which they are used, are deemed and construed to include any other number, and any other gender, as the context or sense of this Agreement or any provision of this Agreement may require, as if the words had been fully and properly written in the appropriate number and gender. All covenants, agreements, and obligations Franchisee assumes under this Agreement are deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named. Except where this Agreement expressly obligates Franchisor not to unreasonably withhold its approval of any of Franchisee's actions or requests, Franchisor has the absolute right, in its sole and arbitrary discretion, to refuse any request Franchisee makes or to withhold its approval of any of Franchisee's proposed or effected actions that require Franchisor's approval.

29. INTERPRETATION AND HEADINGS

The parties agree that this Agreement should be interpreted according to its fair meaning. Franchisee waives to the fullest extent possible the application of any rule that would construe ambiguous language against Franchisor as the drafter of this Agreement. The words "include," "includes" and "including" when used in this Agreement will be interpreted as if they were followed by the words "without limitation". References to section numbers and headings refer to sections of this Agreement unless the context indicates otherwise. Captions and section headings are used in this Agreement for convenience only. They are not part of this Agreement and will not be used in construing it.

30. NOTICES

Whenever notice is required or permitted to be given under this Agreement, it will be given in writing, and be delivered personally, by certified, express or registered mail, or by an overnight delivery service (e.g., Federal Express), postage prepaid, addressed to the party to be notified at the respective address first above

written, or at any other address or addresses as the parties periodically designate in writing. Notices are deemed delivered on the date shown on the return receipt or in the delivery service's records as the date of delivery or on the date of first attempted delivery, if actual delivery cannot for any reason be made.

31. GOVERNING LAW AND ENFORCEMENT

31.1 Governing law. Except to the extent provided by the United States Trademark Act Of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) or other applicable federal law, the terms of this Agreement will be interpreted and construed in accordance with the laws of the state of Georgia without regard to its conflict of laws provisions. Franchisee submits and irrevocably consents to the exclusive jurisdiction of the state or federal courts where Franchisor's principal executive office is located on the date of the filing of the action, and agrees not to raise and irrevocably waives, to the fullest extent permitted by law, any objection based on *forum non conveniens* or any other objection it may now have or later have to this jurisdiction or venue. Further, nothing in this Agreement will bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause irreparable harm, under the usual equity rules including the applicable rules for obtaining specific performance, restraining orders and preliminary injunctions.

31.2 Negotiation and Mediation.

(i) Agreement to Use Procedures. The parties have reached this Agreement in good faith and believing that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try resolving any dispute without litigation. Subject to Section 21.3, which provides for certain injunctive relief, they agree that, if any dispute arises between them, before beginning any legal action to interpret or enforce this Agreement, they will first follow the procedures described in this Section. Good faith participation in these procedures to the greatest extent reasonably possible, despite a lack of cooperation by one or more of the other parties, is a pre-condition to maintaining any legal action to enforce this Agreement.

(ii) Initiation of Procedures. The party that initiates these procedures ("Initiating Party") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief, and identifying one or more people with authority to settle the dispute for him, her, or it. The party receiving the notice ("Responding Party") has 10 business days within which to designate, by written notice to the Initiating Party, one or more people with authority to settle the dispute on the Responding Party's behalf. These people are called the "Authorized People."

(iii) Direct Negotiations. The Authorized People may investigate the dispute as they consider appropriate but will meet within 30 days from the date of the Initiating Parties' written notice to discuss resolving the dispute. The Authorized People may meet at any time and any place and as often as they agree, but if the parties are unable to agree on a place, Franchisor may require that meetings occur at its offices. If the dispute has not been resolved within 30 days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

(iv) Selection of Mediator. The parties agree to proceed in good faith to mutually select a mediator to conduct the mediation.

(v) Time and Place for Mediation. In consultation with parties, the mediator will promptly designate a mutually acceptable time and place for the mediation, which will in any event be at a place within 50 miles of Franchisor's principal place of business. Unless circumstances make it impossible, the time selected may not be later than 30 days after selecting the mediator.

(vi) Exchange of Information. If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all

parties must attempt in good faith to agree on procedures for exchanging this information, with the help of the mediator if required.

(vii) Summary of Views. At least 7 days before the scheduled mediation session, each party must deliver to the mediator and the other party a concise written summary of its views of the matter in dispute, and any other matters the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator.

(viii) Representatives. In the mediation, each party must be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with the mediator's permission, bring any additional people who are needed to respond to questions, contribute information, and participate in the negotiations.

(ix) Conduct of Mediation. The mediator should advise the parties in writing of the format for the meeting or meetings. If the mediator believes it useful after reviewing the position papers, the mediator should give both the mediator and the Authorized People an opportunity for oral presentation of each party's views on the disputed matter. The mediator should assist Authorized People in negotiating resolution of the disputed matter, with or without the assistance of counsel or others. To this end, the mediators are authorized both to conduct the joint meetings, and to attend separate private caucuses with parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned in a private caucus with any party unless specifically authorized by that party to disclose information to the other party. The parties commit to participate in the proceedings in good faith with the intent of resolving the dispute if at all possible.

(x) Termination of Procedure. The parties agree to participate in the mediation procedure to its conclusion, as defined in this Section. The mediation may be concluded (1) by signing a settlement agreement by the parties; (2) by the mediator's declaration that the mediation is terminated; or (3) by a written declaration of either party, no earlier than at the conclusion of one full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action proceedings or seek another remedy before the expiration of a 5 business-day waiting period following the mediation. A party may begin litigation within this period only if litigation might otherwise be barred by an applicable statute of limitations or to request an injunction to prevent irreparable harm.

(xi) Fees of Mediator; Disqualification. The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert, counsel for any party concerning the dispute or any related or similar matter in which either of the parties is involved.

(xii) Confidentiality. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual, or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view, or opinion, oral or written, made during mediation by the parties or their agents or employees, or the mediator, is confidential and will be treated as privileged. No conduct, statement, promise, offer, views, or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

31.3 Damages And Timing of Claims. The parties agree that neither party has the right to receive or collect punitive or exemplary damages from the other party. All claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and Franchisor, or the operation of the Center brought by any party to this Agreement against another party to this Agreement, must be filed within one year from the discovery of the facts giving rise to the claim or action, or the claim or action is barred; provided, however, that this time limitation will not apply to any unperformed financial obligation of Franchisee to Franchisor. The parties understand that this time limit may be shorter than otherwise allowed by law. Franchisee and the Bound Parties agree that their sole recourse for claims arising between the parties will be against Franchisor and its successors and assigns. Franchisee and the Bound Parties agree that the owners, directors, officers, employees and agents of franchisor and its affiliates will not be personally liable nor named as a party in any action between Franchisor and Franchisee and any Bound Party.

31.4 Costs And Attorneys' Fees. If Franchisor incurs any expenses in connection with Franchisee's failure to pay any amounts it owes when due, submit any required reports when due or otherwise comply with this Agreement, Franchisee agrees to reimburse Franchisor for all of the expenses that Franchisor incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.

32. MISCELLANEOUS

32.1 Waiver. No waiver, delay, omission, or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from Franchisee's default or breach will affect or impair Franchisor's rights with respect to any later default of the same or a different kind; nor will Franchisor's delay or omission to exercise any right arising from any default affect or impair Franchisor's rights as to that default or any future default.

32.2 Severability. If any term of this Agreement is deemed invalid or unenforceable, all other terms and the application thereof to all persons and circumstances subject hereto will remain unaffected to the extent permitted by law; and if any application of any term to any person or circumstance is deemed invalid or unenforceable, the application of that term to other persons and circumstances remains unaffected to the extent permitted by law.

32.3 Force Majeure. Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if Franchisor's or Franchisee's failure to perform any obligation results from: (i) transportation shortages, inadequate supply of equipment, products, supplies, labor, material, energy or the voluntary foregoing of the right to acquire or use any of the foregoing to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (ii) acts of God; (iii) fires, strikes, embargoes, wars, or riots; or (iv) any other similar event or cause beyond the control of the affected party. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as is reasonable, except that these causes will not excuse payments of amounts Franchisee owes to Franchisor under this Agreement.

32.4 Delegation By Franchisor. Franchisor has the right to delegate performance of any or all of its obligations under this Agreement. Franchisee agrees to this delegation.

32.5 Review Of Agreement. Franchisee agrees that it has had a copy of Franchisor's franchise disclosure document for at least 14 calendar days before signing any franchise or related agreement; or at least 14 calendar days before the payment of any consideration to Franchisor. Franchisee has had the

opportunity to have this Agreement and the business offered under this Agreement reviewed by professionals of Franchisee's choosing before signing this Agreement.

32.6 No Right To Set Off. Franchisee agrees that it will not set off or withhold payment of any amounts it owes Franchisor on the grounds of Franchisor's alleged nonperformance of any of Franchisor's obligations under this Agreement or for any other reason.

32.7 Cumulative Rights. The rights granted under this Agreement are cumulative, and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude the exercise or enforcement of any other right or remedy to which either Franchisor or Franchisee are entitled.

32.8 Entire Agreement. This Agreement and any addendum, schedule or exhibit attached to this Agreement contains the entire agreement between the parties relating to the operation of the Center and the franchised business and no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, have been made or relied on by the parties other than those stated in this Agreement. No agreement altering, changing, waiving or modifying any of the terms of this Agreement are binding on either party unless and until the same is made in writing and signed by all interested parties. Notwithstanding the foregoing, nothing in this Agreement disclaims or requires Franchisee to waive reliance on any representation that Franchisor made in its most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative.

32.9 Counterparts. This Agreement may be signed in multiple counterpart copies, each of which will be deemed an original.

32.10 Anti-Terrorism Laws.

(i) Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws. In connection with compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(ii) "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States ("Executive Order 13224"), the Terrorism Sanctions Regulation (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement and/or their actions) addressing or in any way relating to terrorist acts and/or acts of war.

(iii) Franchisee and its owners certify that none of them, their respective employees, agents, bankers, affiliates, or anyone associated with them is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(iv) Franchisee certifies that it has no knowledge or information that, if generally known, would result in (a) Franchisee, (b) Franchisee's owners, employees, agents, bankers or affiliates or (c) anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(v) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee agrees that Franchisee's indemnification responsibilities stated in Section 19 include Franchisee's obligations under this Section 32.10.

(vi) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners, agents, bankers, employees and affiliates constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or Franchisor's affiliate, in accordance with Section 22.2(xvi).

IN WITNESS WHEREOF, the undersigned have signed this Agreement as of the Effective Date.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

Exhibit A

Franchised Site, Franchise Territory, and Initial Franchise Fee

Franchised Site: _____

Franchise Territory:

Displayed on the attached map and defined as a radius or “Drive Time” around the Center that varies with the Center’s capacity and with population density of children aged four or younger.

Franchise Territory will be designated when the Center reaches an enrollment level at 50% licensed capacity or 50% capacity utilization.

Franchisor has the right to adjust Franchise Territory based on territory population growth and if annual revenue is below system-wide average by more than 33% for a 24-month period.

<u>Franchise Territory</u>	<u># of Children 4 Years Old or Younger</u>
3 Minute Drive Time	More than 3,000
5 Minute Drive Time	2,001-2,999
7 Minute Drive Time	Fewer than 2,000

Initial Franchise Fee (Section 4):

\$145,000

Franchisee must pay Franchisor a \$145,000 Initial Franchise Fee in 4 quarterly payments of \$36,250 with the first payment due when Franchisee signs this Franchise Agreement.

If Franchisee decides at any time before the third quarterly payment that Franchisee wishes to discontinue its relationship with Franchisor, Franchisee may provide a cancellation request to Franchisor in writing and no further fees or payments will be due to Franchisor. Franchisor will acknowledge the cancellation in writing and terminate the Franchise Agreement. In this circumstance the non-competition restrictions in Section 21 will not apply.

Exhibit C

Internet Web Sites and Listings Agreement

(See Attached)

INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (this “Agreement”) is entered into as of _____ 20__ (the “Effective Date”), between PHASE PARTNERS, LLC, a Georgia limited liability company (the “Franchisor”), and _____ (the “Franchisee”).

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a PHASE PARTNERS, LLC Franchise Agreement (the “Franchise Agreement”); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into and comply with this Agreement;

NOW, THEREFORE, for and in consideration of the mutual promises in this Agreement, and the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Agreement have the meanings stated in the Franchise Agreement. “Termination” of the Franchise Agreement includes, but is not limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of Section 16.2 of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “Internet Web Sites and Listings”) related to the Center or the Marks (all of which right, title, and interest is referred to as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, or on Franchisor’s periodic request, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee’s Interest in the Internet Web Sites and Listings to Franchisor; and (ii) to sign all documents and take all actions as necessary to effectuate the transfer. If Franchisor does not desire to accept any or all of the Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate those Internet Web Sites and Listings or will take all other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take all appropriate action and to sign and deliver all documents that are necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and all other

Exhibit B-40

agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee grants to Franchisor the power and right to do the following:

- (i) Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;
- (ii) Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and
- (iii) Sign the Internet Companies' standard assignment forms or other documents in order to affect the transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by Franchisor's officer or agent, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in the Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, the Internet Web Sites and Listings. Notwithstanding, Franchisee will remain liable to the Internet Companies for the obligations Franchisee incurred before the date Franchisor duly accepted the transfer of the Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of all of them, from and against, and will reimburse Franchisor and all of them for, all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Agreement are solely to protect Franchisor's interests and will not impose any duty on Franchisor to exercise any powers. Franchisee agrees that in no event will Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all of the Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

Exhibit B-41

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement are binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly signed this Internet Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and its exhibits and schedules remain in effect as stated therein.

3.7 Survival. This Internet Listing Agreement survives the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement are joint and several.

IN WITNESS WHEREOF, the undersigned have signed this Agreement as of the Effective Date.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

Exhibit D
Telephone Listing Agreement
(See Attached)

Exhibit B-43

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (this “Agreement”) is entered into as of _____ (the “Effective Date”) between PHASE PARTNERS, LLC, a Georgia limited liability company (“Franchisor”), and _____ (“Franchisee”).

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a PHASE PARTNERS, LLC Franchise Agreement (the “Franchise Agreement”); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into and comply with Agreement;

NOW, THEREFORE, for and in consideration of the mutual promises in this Agreement, and the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Agreement have the meanings stated in the Franchise Agreement. “Termination” of the Franchise Agreement includes, but is not limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the “Telephone Numbers and Listings”) related to the Center or the Marks (all of which right, title, and interest is referred to as Franchisee’s “Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in the Telephone Numbers and Listings to Franchisor; and (ii) to sign all documents and take all actions as necessary to effectuate the transfer. If Franchisor does not desire to accept any or all of the Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate the Telephone Numbers and Listings or will take all other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take all appropriate action and to sign and deliver all documents that are necessary or desirable to accomplish the purposes of this Agreement. Franchisee agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of

its affiliates on the other, are parties, including, without limitation, this Agreement. Without limiting the generality of the foregoing, Franchisee grants to Franchisor the power and right to do the following:

(i) Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;

(ii) Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

(iii) Sign the Telephone Companies' standard assignment forms or other documents to affect the transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee directs the Telephone Companies that they will accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by Franchisor's officer or agent, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in the Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, the Telephone Numbers and Listings. Notwithstanding, Franchisee remains liable to the Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of the Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee releases, remises, acquits, and forever discharges all of the Telephone Companies and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of all of them, from and against, and will reimburse Franchisor and all of them for, all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Agreement are solely to protect Franchisor's interests and will not impose any duty on Franchisor to exercise any powers. Franchisee agrees that Franchisor is not obligated to accept the transfer of any or all of Franchisee's Interest in any or all of the Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, it will perform all acts and sign and deliver all documents as necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement are binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly signed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto remain in effect as stated therein.

3.7 Survival. This Agreement survives the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement are joint and several.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

Exhibit E

Franchisee Information

1. Franchisee's legal organization (check one):

- sole proprietorship
- partnership
- corporation
- limited liability company
- other: _____

2. If Franchisee is not a sole proprietor, list of all its partners, members or shareholders or others holding any ownership interest in Franchisee:

	<u>Name</u>	<u>Address</u>	<u>% interest</u>	<u>Active in Operation of Business? (yes/no)</u>
(a)				
(b)				
(c)				
(d)				

3. If Franchisee is not a sole proprietor, list of Franchisee's officers, directors, managers and/or general partners:

	<u>Name</u>	<u>Title</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

[Signature Appears on Following Page]

The undersigned certifies that all information in this Exhibit E is accurate and complete, and agrees to notify Franchisor promptly (and in any case within 15 days) on any change in the information disclosed in this Exhibit E.

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

Exhibit F
State Specific Addenda
(See Attached)

Exhibit B-49

PHASE PARTNERS, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(California)

The following Addendum modifies and supersedes the PHASE PARTNERS, LLC Franchise Agreement (the “Agreement”) with respect to PHASE FAMILY LEARNING CENTER™ franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a PHASE FAMILY LEARNING CENTER™ franchise in the State of California subject to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. If any of the provisions of the Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.
2. The Agreement requires that it be governed by Georgia law. This requirement may be unenforceable under California law.
3. Franchisee must sign a general release if Franchisee renews or transfers its franchise. California Corporations Code 31512 voids a waiver of Franchisee’s rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of Franchisee’s rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
4. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. Franchisor and Franchisee agree to be bound by any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.
6. 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.
7. To the extent this Addendum is inconsistent with any terms of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum will govern.

[signatures appear on next page]

Each of the undersigned acknowledges having read, understood, and signed this Addendum.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

PHASE PARTNERS, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Illinois)

The following Addendum modifies and supersedes the PHASE PARTNERS, LLC Franchise Agreement (the “Agreement”) with respect to PHASE FAMILY LEARNING CENTER™ franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a PHASE FAMILY LEARNING CENTER™ franchise in the State of Illinois subject to the Illinois Franchise Disclosure Act of 1987, Ill. Comp. Stat. §§ 705/1 through 705/44, as follows:

1. Section 22 of the Agreement, under the heading “TERMINATION”, is supplemented by the addition of the following Section, which is considered an integral part of the Agreement:

22.5 Other. If any of the provisions of this Section 21 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

2. Although Section 31.1 of the Agreement requires that it be governed by Georgia law, Franchisor agrees that Illinois law will govern the Agreement.

3. Illinois law prohibits a prospective general release of claims subject to the Illinois Franchise Disclosure Act of 1987.

4. The provisions of the Agreement concerning governing law, jurisdiction, and venue will not constitute a waiver of any right conferred on Franchisee by Illinois law. Consistent with the foregoing, any provision in the Agreement that designates jurisdiction and venue in a forum outside of Illinois is void with respect to any cause of action that is otherwise enforceable in Illinois.

5. Although Section 31.1 of the Agreement requires that litigation under the Agreement must be instituted in a court closest to Franchisor’s principal executive office, Franchisor agrees that jurisdiction and venue for all litigation claims brought under the Illinois Franchise Disclosure Act of 1987 will be in the State of Illinois.

6. Franchisor and Franchisee agree to be bound by any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

7. 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.

8. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

9. To the extent this Addendum is inconsistent with any terms of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum will govern.

Each of the undersigned acknowledges having read, understood, and signed this Addendum.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

PHASE PARTNERS, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Maryland)

The following Addendum modifies and supersedes the PHASE PARTNERS, LLC Franchise Agreement (the “Agreement”) with respect to PHASE FAMILY LEARNING CENTER™ franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a PHASE FAMILY LEARNING CENTER™ franchise in the State of Maryland subject to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. Section 4 of the Franchise Agreement is amended to include the following:

Based on the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees in Maryland will be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
2. Section 32.5 of the Franchise Agreement is deleted in its entirety.
3. The general release language required as a condition of renewal, sale and/or assignment or transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.
4. Under certain circumstances, the Agreement requires Franchisee to submit to a court proceeding in the State where Franchisor’s principal executive office is located. These provisions may run contrary to the Maryland Franchise Registration and Disclosure Law. Therefore, nothing will preclude Franchisee from being able to enter into litigation with Franchisor in Maryland.
5. Any claims arising under the Maryland Franchisor Registration and Disclosure Law must be brought within three years after the grant of the franchise.
6. Attached to this Disclosure Document as Exhibit I is a form of the general release that Franchisee and its owners will sign, as, and if, required by Section 2.2 or Section 20.4 of the Agreement.
7. 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.
8. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.
9. To the extent this Addendum is inconsistent with any terms of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum will govern.

[signatures appear on next page]

Each of the undersigned acknowledges having read, understood, and signed this Addendum.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

PHASE PARTNERS, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Virginia)

The following Addendum modifies and supersedes the PHASE PARTNERS, LLC Franchise Agreement (the “Agreement”) with respect to PHASE FAMILY LEARNING CENTER™ franchises offered or sold to either a resident of the Commonwealth of Virginia or a non-resident who will be operating a PHASE FAMILY LEARNING CENTER™ franchise in the Commonwealth of Virginia subject to the Virginia Retail Franchising Act, as follows:

1. Section 4 (Initial Franchise Fee) is amended to include the following language at the end:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Pursuant to 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 ground for default or termination stated in the franchise agreement does 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.

3. 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.

Each of the undersigned acknowledges having read, understood, and signed this Addendum.

FRANCHISOR:
Phase Partners, LLC

FRANCHISEE:
[Franchisee Name]

By: _____
Name: _____
Title: _____
Date Signed: _____

By: _____
Name: _____
Title: _____
Date Signed: _____

EXHIBIT C
BRAND STANDARDS MANUAL TABLE OF CONTENTS

Exhibit C-1

CONFIDENTIAL BRAND STANDARDS MANUALS TABLE OF CONTENTS

Topic	Page Count
Front Matter	
Part A: Core Standards	
Introduction & Welcome	32
Welcome Letter	1
About Operational Standards	21
Brand Standards Manual Summary	2
Services Provided to the Franchisee	2
History of Phase Family Centers	1
Leadership Team	1
Fact Sheet	1
Building Brand Consistency	2
Ethical Standards	1
Advertising, Sales, & Marketing	11
Brand and Values	2
Use of the Phase Family Centers Brand Marks	1
Creative Approval and Logo Use	2
Marketing Events and Budget	1
Local Advertising	1
Digital Advertising	2
Community Involvement	1
Shared Responsibility and Impact	1
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Chart of Accounts	1
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Credit Cards	1
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Legal, Insurance, Licensing and Regulatory Requirements	6
Legal Standards	1
Licensing & Certification Requirements	1
Accreditation	1
Required Signage	1
Minimum Standards for Childcare Centers	1
Proprietary Information and Confidentiality	1
Ratios and Staffing Requirements	1
Regulatory Inspections and Inspections	1
Insurance and Indemnification	1
Operational Assessments	1
Four Levels of Compliance	1
Monthly Self-Evaluations	1
Variance Requests	1
Debranding Guidelines	1

Topic	Page Count
Resilience and Business Continuity Best Practices	1
Part B: Operations	
Introduction to Operations	6
The Phase Difference	2
Uniforms and Grooming Standards	1
Hours of Operations	1
Phase Programs	1
Annual Calendar	1
Center Operations	16
Sales Process	2
Center Tours	2
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Kitchen Operations	1
Transportation Program	3
Sign-In/Out Procedures	1
Name to Face Activity	1
OMC Checklists	1
Customer Service Standards	2
Cleaning and Maintenance Standards	1
Inventory and Vendor Management	2
Purchasing Guidelines	1
Curriculum and Classroom Management	3
Daily Schedule	1
Checklists, Logs, and Reports	1
Assessments, Observations, and Milestones	1
Classroom Management	1
Accommodations	1
Infant Safe Sleep	1
Diaper Changing	1
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Parent Information Board	1
Health & Safety	14
Mandated Reporting	1
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Access Control and Security	1
Identification Policy	1
Allergies	1
Medication Management	1
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COVID Policy	1
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First Aid	1
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Vehicles	1
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School Closures and Delayed Opening	1
Incident Reporting	1

Topic	Page Count
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Overview of Parent Handbook	1
Student Registration	1
Managing Information	1
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Family Engagement	1
Parent Volunteers	1
Handling Complaints	1
Management Operations	8
Tuition Plan Templates	2
Assigning Tuition and Billing Plans	2
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Disenrollment Due to Overdue Balance	1
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Centers, Equipment, & Technology	7
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Part C: Staffing	
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Recruitment, Interviewing, & Hiring	5
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Onboarding and Orientation	1
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Ongoing Employee Management	14
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Employee Engagement	1
Employee File Management	1
Benefits Requirements	1
Time System Administration	1
Scheduling	1
Payroll	1
Employee Evaluations	1
Management-Employee Relations	1
Open Door	1
Conduct Code Issue Resolution	1
Progressive Discipline	1

Topic	Page Count
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Offboarding	3
Making Good HR Decision	1
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Offboarding	1
TOTAL PAGE COUNT	149

Exhibit C-5

EXHIBIT D
STATE SPECIFIC ADDENDA

Exhibit D-1

STATE SPECIFIC ADDENDUM

We must provide you with additional information as a condition of registering our franchise offering in certain states. The additional disclosures are stated below. These additional disclosures apply only if the jurisdictional requirements of the applicable state franchise law are met.

ADDITIONAL FDD DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA

Section 31125 of the California corporations code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before 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 FDD.

See the cover page of the FDD for our url address. Our website has not been reviewed or approved by the California Department Of Financial Protection & Innovation. Any complaints concerning the contents of this website may be directed to the California Department Of Financial Protection And Innovation at www.dfpi.ca.gov.

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.

Item 3, Additional Disclosure. The following statement is added to Item 3:

Neither we nor any person listed in Item 2 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 parties from membership in such association or exchange.

Item 17, Additional Disclosures. The following statements are added to Item 17:

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

The Franchise Agreement provides for termination on bankruptcy. This provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The Franchise Agreement provides for application of the laws of Georgia. These provisions may not be enforceable under California law.

The Franchise Agreement contains a covenant not to solicit that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Exhibit D-2

You must sign a general release if you receive a refund of initial fees, and if you transfer your franchise or sign a successor Franchise Agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement requires that any action you bring be filed in Georgia. This provision may not be enforceable under California law. 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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

**ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS**

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.

1. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action that is otherwise enforceable in Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

The conditions under which your Franchise Agreement can be terminated and your rights on nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of these Additional Disclosures is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures will have no force or effect if these jurisdictional requirements are not met.

**ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF INDIANA**

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.

1. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the franchise agreement and related documents and by preventing the franchisor from engaging in certain acts and practices that could be considered coercive or oppressive to the franchisee. If any of the provisions of the Franchise Agreement conflicts with this law, this law will control.

Any provisions requiring you to sign a general release of claims against us, including on signing a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.

The Franchise Agreement provides that suit must be brought in Georgia. This provision may not be enforceable under Indiana law.

Indiana franchise laws will govern the Franchise Agreement and all other related documents.

Each provision of these Additional Disclosures is effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to these Additional Disclosures. The Additional Disclosures have no force or effect if these jurisdictional requirements are not met.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND

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.

Item 5, Initial Fees

Based on the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees in Maryland will be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The Franchise Agreement provides for termination on bankruptcy. This provision may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including on signing the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have 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.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Each provision of these Additional Disclosures is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

**ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) 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 that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 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. Rule 2860.4400J. Also, a court will determine if a bond is required.

Any limitations of claims must comply with Minnesota Statutes, Section 80C.17, Subd. 5

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.

**ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

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 SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 ON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE STATED IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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. 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 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 party has pending actions, other than routine litigation incidental to the business, that 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 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 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 that person from membership in the 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 must 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 on the franchisor or on the franchisee by Article 33 of the General Business Law of the State of New York.

**ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF VIRGINIA**

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.

Item 5, Additional Disclosure. The following language is added to Item 5:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Pursuant to 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 ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term is defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF WASHINGTON**

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 that may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any mediation involving a franchise purchased in Washington, the mediation site will be either in the state of Washington, or in a place mutually agreed on at the time of the mediation, or as determined by the mediator at the time of mediation. In addition, 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 signed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when signed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that 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 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 in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned acknowledges receipt of this addendum.

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.

EXHIBIT E
CURRENT FRANCHISED FACILITIES

Exhibit E-1

OPEN FRANCHISED FACILITIES AS OF DECEMBER 31, 2023

None.

FRANCHISE AGREEMENTS SIGNED AS OF DECEMBER 31, 2023, BUT NOT YET IN OPERATION

Mark Tenant - LifeFamily (512) 220-6383 - LifeFamily Austin, State Highway 71, Austin, TX, USA

Mark Tenant - LifeFamily (512) 220-6383 - LifeFamily Marble Falls, 1901 Mormon Mill Rd, Marble Falls, TX 78654

Mark Tenant - LifeFamily (512) 220-6383 - Austin TX - LifeFamily Dripping Springs, 11091 Darden Hill Rd, Driftwood, TX 78619

Renovation Church – Lenny Moore – (910) 787-1525 - 19240 Hwy 17, Hampstead, NC 28443

ReThink Life – Rodney Gage – 2550 N. Narcoossee Road, Saint Cloud, Florida 34771

Exhibit E-2

EXHIBIT F
FRANCHISEES WHO HAVE LEFT THE SYSTEM

FRANCHISEES WHO HAVE LEFT THE SYSTEM DURING 2023

Centers Terminated/Closed during fiscal year 2023

Franchisee Name	Address	City	State	Zip Code	Phone
None.					

Centers Transferred during fiscal year 2023

Former Franchisee Name	Address	City	State	Zip Code	Phone
None.					

Franchisees that have not communicated with us within 10 week of the date of this Disclosure Document

Franchisee Name	Address	City	State	Zip Code	Phone
None.					

EXHIBIT G
FINANCIAL STATEMENTS

Exhibit G-1

PHASE PARTNERS, LLC

FINANCIAL STATEMENTS

December 31, 2023 and 2022
with
Independent Auditor’s Report

PHASE PARTNERS, LLC

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December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Phase Partners, LLC

Opinion

We have audited the accompanying financial statements of Phase Partners, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's deficit, and cash flows for the year ended December 31, 2023 and the period from inception (June 4, 2022) through December 31, 2022, 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 Phase Partners, LLC as of December 31, 2023, and 2022 and the results of its operations and its cash flows for the year end December 31, 2023 and the period from inception (June 4, 2022) through December 31, 2022 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 Phase Partners, 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 Phase Partners, 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.

Peachtree City | Griffin | Newnan | Barnesville
200 Westpark Dr., Suite 370 Peachtree City, GA 30269

Exhibit G-3

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 Phase Partners, 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 Phase Partners, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of General and Administrative Expenses are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Geeslin Group LLC

Geeslin Group LLC

Peachtree City, Georgia
March 8, 2024



Exhibit G-4

PHASE PARTNERS, LLC

BALANCE SHEETS

December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 597,411	\$ 232,612
Accounts receivable	120,650	-
Other receivable - related party	43,110	24,788
Total current assets	<u>761,171</u>	<u>257,400</u>
Other Assets		
Due from related parties	166,200	87,832
	<u>\$ 927,371</u>	<u>\$ 345,232</u>
LIABILITIES AND MEMBER'S DEFICIT		
Current Liabilities		
Accounts payable	\$ 7,324	\$ -
Deferred revenue	220,300	-
Due to related party	832,566	158,489
	<u>1,060,190</u>	<u>158,489</u>
Member's Deficit	<u>(132,819)</u>	<u>186,743</u>
	<u>\$ 927,371</u>	<u>\$ 345,232</u>

See accompanying notes.

PHASE PARTNERS, LLC

STATEMENTS OF OPERATION

For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Royalty fees	\$ 393,921	\$ 170,120
Brand fund fees	181,297	48,605
Consulting income	65,100	42,100
Other Income	16,497	-
	<u>656,815</u>	<u>260,825</u>
 General and Administrative Expenses	 <u>1,839,554</u>	 <u>760,680</u>
 Net loss from operations	 <u>(1,182,739)</u>	 <u>(499,855)</u>
 Other Income		
Interest income	 <u>294</u>	 <u>136</u>
 Net loss	 <u>\$ (1,182,445)</u>	 <u>\$ (499,719)</u>

See accompanying notes.

PHASE PARTNERS, LLC

STATEMENTS OF MEMBER'S DEFICIT

For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 186,742	\$ -
Contributions	862,884	686,462
Net loss	<u>(1,182,445)</u>	<u>(499,719)</u>
Balance, end of year	<u>\$ (132,819)</u>	<u>\$ 186,743</u>

See accompanying notes.

PHASE PARTNERS, LLC

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Net loss	\$ (1,182,445)	\$ (499,719)
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in:		
Accounts receivable	(120,650)	-
Other receivable - related party	(18,322)	(24,788)
Due from related party	(78,368)	(87,832)
Accounts payable	7,324	-
Deferred revenue	220,300	-
Due to related party	674,076	158,489
Net cash used by operating activities	<u>(498,085)</u>	<u>(453,850)</u>
Cash Flows from Investing Activities:	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:		
Member contributions	862,884	686,462
Net cash provided by financing activities	<u>862,884</u>	<u>686,462</u>
Increase in cash and cash equivalents	364,799	232,612
Cash and cash equivalents at beginning of year	<u>232,612</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 597,411</u>	<u>\$ 232,612</u>

See accompanying notes.

PHASE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023 and 2022

NOTE A – NATURE OF BUSINESS

Nature of Business: Phase Partners, LLC (the “Company”) was organized in the State of Georgia on June 4, 2022, as a single member limited liability company. Since July 19, 2022, Company has been franchising early childhood daycare and education programs for children six weeks to twelve years of age under the name of Phase Family Learning Center. The Company primarily generates revenue from the sale of franchise agreements and ongoing royalty fees earned. On December 31, 2023, there were two franchise locations namely Phase Alpharetta and Phase DC which were both owned by the parent company of Phase Partners, LLC. During the 2023 financial year, five franchises were sold however none were open for operations at December 31, 2023.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable: The Company’s accounts receivable is reviewed periodically and the carrying values of the net receivables are adjusted to the amount that the Company estimates to be the net realizable value. Accounts receivable typically result from a delay between the time when royalty fees are earned and payment is received, usually no more than one month.

Royalty Fees: Pursuant to the franchise agreement, franchise owners pay the Company royalty fees at a rate of 7% of sales on a monthly basis. There is also a brand fund fee of 3% of sales paid monthly.

Initial Franchise Fees: Nonrefundable franchise fees paid by franchisees are recognized as revenue when the specific location commences operations. When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. These services have typically been provided by the time the store commences operations. The Company records the receipt of franchise fees as deferred revenue until earned. The Company did not charge a franchise fee to either of the franchises owned by the parent company. Also see Note C for other related party transactions.

Advertising Costs: Advertising costs are expensed as incurred. There were \$281,453 and \$98,451 advertising costs incurred during the years ended December 31, 2023, and 2022 respectively.

Income Taxes: The Company is organized as a single member limited liability company and is considered a disregarded entity for income tax reporting purposes. The Company does not file a separate income tax return. Instead, the Company’s income and expenses are included on the tax return of the parent company.

Supplemental Disclosures for Statements of Cash Flows: For purposes of the statements of cash flows, the Company considers investments purchased with an original maturity of three months or less to be cash equivalents.

Significant Concentration of Credit Risk: The Company’s revenue is primarily from the sales of franchise agreements and ongoing royalty fees from franchisees. The financial condition of the Company is largely dependent on the success of the individual franchisees. During 2023 and 2022, each of the store locations individually represented more than 20% of total royalty fees.

PHASE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Company maintains cash balances with a financial institution which is insured by the Federal Deposit Insurance Corporation within regulated limits. At times, these cash balances may exceed the federally insured limits.

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Events Occurring After Report Date: Management has evaluated events and transactions that occurred between December 31, 2023, and the date of the auditor's report, which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

Revenue Recognition: The Company has adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which introduces a new core principle that requires organizations to approach revenue recognition in a new way. The focus of ASC 606 is on the transfer of control and requires that the entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that they expect to be entitled to in change. ASC 606 provides a five-step framework for organizations to determine the amount and timing of revenue recognition.

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company franchises provide early childhood daycare and education programs for children from six weeks to twelve years of age. The Company primarily generates revenue from the sale of franchise agreements and ongoing royalty fees earned. Franchise fees are not deemed to be earned until the franchisee's new location has opened to the public, at which time the Company has fulfilled its obligations under the franchise agreement. Ongoing royalty fees are earned as the franchisees record sales and are paid monthly. After a detailed evaluation by the Company, it was determined that ASC 606 does not result in a materially different revenue recognition as compared to previous accountant standards.

NOTE C – RELATED PARTY TRANSACTIONS

During 2023 and 2022, there were several advances to and from related parties through common ownership. At December 31, 2023 and 2022, there was \$166,200 and \$87,833, respectively, due from these related parties and \$832,566 and \$158,489, respectively, due to these related parties. It is management's intent to discontinue these advances, settle all outstanding balances and operate on its own cash flow.

At December 31, 2023 and 2022 the Company had accounts receivable from a related party through common ownership of \$36,473 and \$24,788, respectively, which represented royalties from December 2023 and 2022 sales of this franchisee.

PHASE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023 and 2022

NOTE C – RELATED PARTY TRANSACTIONS - Continued

The Company pays its parent company 6% of monthly royalty fees earned. Total expenses for the periods ended December 31, 2023, and 2022, were \$128,896 and \$31,107, respectively. On December 31, 2023, and 2022, the Company owed its parent company royalty fees of \$-0- and \$6,839, respectively. All royalty and brand fund fees earned during the period ended December 31, 2023, and 2022, were from related parties through common ownership.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
 PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE
 ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE
 FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT
 OR FORM.**

Phase Family Center

Balance Sheet

As of May 31, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$95,175.33
Accounts Receivable	\$151,899.77
Other Current Assets	
1130 Brand Fund and Royalty Fees Receivable	43,110.36
1141 Due from (to) Phase Alpharetta	-836,075.99
1142 Due from (to) Phase DC	-54,382.08
1143 Due from (to) Phase Enterprises	449,944.74
Total Other Current Assets	\$ -397,402.97
Total Current Assets	\$ -150,327.87
TOTAL ASSETS	\$ -150,327.87
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	\$34,397.07
Other Current Liabilities	
2020 Payroll Liabilities	22,865.40
2040 Accrued Wages & Salaries	39,066.53
2041 Accrued Commissions	2,777.66
2150 Deferred Revenue	252,200.00
Total Other Current Liabilities	\$316,909.59
Total Current Liabilities	\$351,306.66
Total Liabilities	\$351,306.66
Equity	
3200 Capital	1,649,346.00
3900 Retained Earnings	-1,715,798.24
Net Income	-435,182.29
Total Equity	\$ -501,634.53
TOTAL LIABILITIES AND EQUITY	\$ -150,327.87

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 OR FORM.**

Phase Family Center

Profit and Loss
 January - May, 2024

	TOTAL
Income	
4100 External Revenue	
4110 Existing Franchise Fees	
4111 Royalty Fees	37,831.19
4112 Brand Fund Fees	16,455.40
4113 Curriculum Fee	1,750.00
4119 Other Existing Franchise Fees	8,885.66
Total 4110 Existing Franchise Fees	64,922.25
4120 New Franchise Fees	
4121 Initial Fees	162,500.00
4124 Grand Opening Marketing Fees	40,000.00
Total 4120 New Franchise Fees	202,500.00
4130 Franchise Consulting	
4131 Site Assessments	49,750.00
4139 Other Consulting	7,420.16
Total 4130 Franchise Consulting	57,170.16
Total 4100 External Revenue	324,592.41
4200 Internal Revenue	
4210 Existing Company Center Fees	
4211 Royalty Fees	169,083.08
4212 Brand Fund Fees	47,658.29
Total 4210 Existing Company Center Fees	216,741.37
Total 4200 Internal Revenue	216,741.37
Total Income	\$541,333.78
Cost of Goods Sold	
5100 Franchise COS	
5190 Other Costs of Services	17,622.84
Total 5100 Franchise COS	17,622.84
Total Cost of Goods Sold	\$17,622.84
GROSS PROFIT	\$523,710.94
Expenses	
6100 Payroll Expense	
6110 Payroll Salaries	
6111 Payroll Salaries	591,362.60
Total 6110 Payroll Salaries	591,362.60

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 FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT
 OR FORM.**

Phase Family Center

Profit and Loss
 January - May, 2024

	TOTAL
6120 Payroll Taxes	
6121 Social Security Tax	34,996.33
6122 Medicare Tax	8,184.60
6123 SUI Tax	3,079.46
6124 FUTA Tax	408.30
6125 Taxes	4.91
Total 6120 Payroll Taxes	46,673.60
6130 Payroll Benefits	
6131 Workers Comp Insurance	765.26
6132 Health Insurance	10,116.04
Total 6130 Payroll Benefits	10,881.30
Total 6100 Payroll Expense	648,917.50
6200 Sales and Marketing	
6210 Franchisee Marketing	
6211 Franchisee Online Campaign	33,471.01
6212 Franchisee Direct Mail	839.94
6214 Franchisee Marketing Events	20.18
6215 Franchisee Printing	4,975.54
6217 Franchisee Website	5,678.07
Total 6210 Franchisee Marketing	44,984.74
6290 Franchise Sales and Marketing	
6291 Franchise Sales and Marketing Commission	28,225.04
6292 Franchise Sales Marketing	35,386.09
6293 Franchise Sales Travel Expenses	13,496.02
6294 Franchise Sales Travel Meals	2,364.85
Total 6290 Franchise Sales and Marketing	79,472.00
Total 6200 Sales and Marketing	124,456.74
6500 Business Unit Expenses	
6590 CS Expenses	
6591 CS Subscriptions	25,322.55
6592 CS Office Supplies	14,624.40
6595 CS Training	15,546.52
6596 CS Entertainment Meals	4,106.65
6597 CS Travel	
6597-1 CS Travel Expenses	6,234.48
6597-2 CS Travel Meal	27.57
Total 6597 CS Travel	6,262.05
6598 CS Professional Services	
6598-3 CS IT	4,649.09
Total 6598 CS Professional Services	4,649.09
Total 6590 CS Expenses	70,511.26

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
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 ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE
 FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT
 OR FORM.
 Phase Family Center**

Profit and Loss
 January - May, 2024

	TOTAL
6599 Franchise Professional Services	
6599-1 Legal	10,732.10
6599-2 Accounting	35,652.08
6599-4 Other	4,361.60
Total 6599 Franchise Professional Services	50,745.78
Total 6500 Business Unit Expenses	121,257.04
6700 Fees	
6710 Credit Card Fees	1,282.77
6740 Payroll Processing Fees	1,009.00
6750 QuickBooks Fees	1,209.23
Total 6700 Fees	3,501.00
6800 Franchise Fees	
6890 Other Franchise Fees	49,827.25
Total 6800 Franchise Fees	49,827.25
6900 Travel	
6910 Travel Expenses	10,651.58
6920 Travel Meals	353.86
Total 6900 Travel	11,005.44
Total Expenses	\$958,964.97
NET OPERATING INCOME	\$ -435,254.03
Other Income	
7110 Interest Income	71.74
Total Other Income	\$71.74
NET OTHER INCOME	\$71.74
NET INCOME	\$ -435,182.29

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE
FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT
OR FORM.**

Phase Family Center

Statement of Cash Flows

January - May, 2024

	TOTAL
OPERATING ACTIVITIES	
Net Income	-435,182.29
Adjustments to reconcile Net Income to Net Cash provided by operations:	
1121 Accounts Receivable (A/R)	-31,249.77
1141 Due from (to) Phase Alpharetta	43,675.60
1142 Due from (to) Phase DC	14,216.02
1143 Due from (to) Phase Enterprises	-283,744.74
2010 Accounts Payable (A/P)	27,073.31
2021 Payroll Liabilities:Federal Taxes (941/943/944)	16,119.98
2022 Payroll Liabilities:Federal Unemployment (940)	14.60
2023 Payroll Liabilities:GA Income Tax	4,345.46
2024 Payroll Liabilities:GA Unemployment Tax	225.70
2025 Payroll Liabilities:Guideline Traditional 401(k)	547.00
2026 Payroll Liabilities:IL Income Tax	907.40
2040 Accrued Wages & Salaries	39,066.53
2041 Accrued Commissions	2,777.66
2150 Deferred Revenue	31,900.00
Payroll Liabilities:Guideline Roth 401(k)	705.26
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	-133,419.99
Net cash provided by operating activities	\$ -568,602.28
FINANCING ACTIVITIES	
3210 Capital:Capital - Phase Enterprises, LLC	100,000.00
3900 Retained Earnings	-33,633.42
Net cash provided by financing activities	\$66,366.58
NET CASH INCREASE FOR PERIOD	\$ -502,235.70
Cash at beginning of period	597,411.03
CASH AT END OF PERIOD	\$95,175.33

EXHIBIT H
FRANCHISEE DISCLOSURE QUESTIONNAIRE

Exhibit H-1

FRANCHISEE DISCLOSURE QUESTIONNAIRE

THIS DOCUMENT WILL NOT BE SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

As you know, Phase Partners, LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a franchised Phase Family Learning Center (the “Center”).

If you are intending to purchase an existing Center from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Center from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on:

_____, 20__.

3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

I signed the Franchise Agreement and Addendum (if any) on _____, 20__, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the “Executive Order”) prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you certify that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

Exhibit H-2

- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this ____ day of _____, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL(S)

Sign here if you are taking the franchise as a

CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

Signature

Print Name _____

Signature

Print Name _____

Signature

Print Name _____

Print Name of Legal Entity

By: _____

Signature _____

Title _____

EXHIBIT I
GENERAL RELEASE

Exhibit I-1

GENERAL RELEASE

This General Release is made effective this ____ day of _____, 20___. In consideration for the grant by Phase Partners, LLC, a Georgia limited liability company, to the undersigned of certain rights in connection with the operation of a PHASE FAMILY LEARNING CENTER™ facility and/or the transfer or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned, individually and collectively, unconditionally release, discharge, and acquit Phase Partners, LLC, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement signed by any of the undersigned and Phase Partners, LLC (or any subsidiary or affiliate of Phase Partners, LLC), any PHASE FAMILY LEARNING CENTER™ (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and Phase Partners, LLC (or any subsidiary or affiliate of Phase Partners, LLC), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against Phase Partners, LLC (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive.

California Release-Waiver Under Section 1542. The undersigned waives all rights he or she may have under section 1542 of the California Civil Code. Section 1542 provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Being fully informed of this provision of the Civil Code, the undersigned waives any rights under that section, and acknowledges that this Agreement extends to all Claims the undersigned has or might have against Phase Partners, LLC (or any subsidiary or affiliate of Phase Partners, LLC), whether known or unknown.

This General Release survives the assignment or termination of any of the franchise agreements or other documents entered into by and between Phase Partners, LLC and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned that cannot be waived under applicable state franchise laws. This General Release is governed by and construed in accordance with the laws of the State of Georgia without regard to its conflicts of law provisions.

WITNESS:

By: _____

Name: _____

Title: _____

_____, Individually

_____, Individually

EXHIBIT J
STATE EFFECTIVE DATES

Exhibit J-1

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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	Pending
Maryland	Pending
Minnesota	Pending
Virginia	Pending
Washington	Pending

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.

EXHIBIT K
RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the development agreement, the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Phase Partners, LLC offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If Phase Partners, 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 the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: Frank Bealer at 12150 Morris Rd., Alpharetta, GA 30005, telephone (470) 239-2480.

The issuance date of this Franchise Disclosure Document is July 22, 2024 (except those states listed on the State Effective Dates to this Disclosure Document that have a different effective date).

We authorize the respective agents identified on Exhibit A to receive service of process for us in the particular states.

I received a Disclosure Document from Phase Partners, LLC dated July 22, 2024 that included the following Exhibits:

- A. State Agencies and Administrators and Franchisor's Agents for Service of Process
- B. Franchise Agreement
- C. Brand Standards Manual Table of Contents
- D. State Specific Addenda
- E. Current Franchisees
- F. Franchisees Who Have Left the System
- G. Financial Statements
- H. Franchisee Disclosure Questionnaire
- I. General Release
- J. State Effective Dates
- K. Receipts

Exhibit K-2

Dated: _____

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s): _____

Your Copy- Retain For Your Files

RECEIPT

This Disclosure Document summarizes provisions of the development agreement, the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Phase Partners, LLC offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If Phase Partners, 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 the appropriate state agency identified on Exhibit A.

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The issuance date of this Franchise Disclosure Document is July 22, 2024 (except those states listed on the State Effective Dates to this Disclosure Document that have a different effective date).

We authorize the respective agents identified on Exhibit A to receive service of process for us in the particular states.

I received a Disclosure Document from Phase Partners, LLC dated July 22, 2024 that included the following Exhibits:

- A. State Agencies and Administrators and Franchisor's Agents for Service of Process
- B. Franchise Agreement
- C. Brand Standards Manual Table of Contents
- D. State Specific Addenda
- E. Current Franchisees
- F. Franchisees Who Have Left the System
- G. Financial Statements
- H. Franchisee Disclosure Questionnaire
- I. General Release
- J. State Effective Dates
- K. Receipts

Exhibit K-4

Dated: _____

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

(Name of corporation or LLC)

(Signature)

By: _____

(Print Name)

Its _____
(Title)

(Signature)

(Print Name)

(Signature)

(Print Name)

Address of corporation, LLC, or individual(s): _____

Our Copy- Return To Us