



## FRANCHISE DISCLOSURE DOCUMENT

Kid's Haven Group LLC  
A Minnesota Limited Liability Company  
302 12th Avenue South  
Buffalo, Minnesota 55313  
(763) 682-3072  
[www.kidshaven.net](http://www.kidshaven.net)

The franchise offered is an educational services and daycare services business providing services to children at the infant, toddler, preschool, pre-kindergarten, and elementary school levels, that additionally offers summer camps and related services and products.

The total initial investment necessary to begin operation of a KID'S HAVEN business is from \$315,900 to \$1,311,300. This includes \$50,000 paid to the franchisor.

The 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 government 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 Kid's Haven Group LLC, 302 12th Avenue South, Buffalo, Minnesota 55313, (763) 682-3072.

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 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 DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance date: ~~April 24, 2023~~ June 4, 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:

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, 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 Minnesota than in your own state.
2. The Franchise Agreement states that Minnesota law governs the Agreement, and this law may not provide the same protections and benefits as local law. You may want to compare laws.
3. 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. **Financial Condition:** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**KID'S HAVEN**

DISCLOSURE DOCUMENT

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**EXHIBITS:**

- A. Franchise Agreement
- B. Financial Statements
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- D. Copy of Current Form of General Release
- E. State Addenda
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## **Item 1: The Franchisor and any Parents, Predecessors, and Affiliates**

Introduction. To simplify the language in this Franchise Disclosure Document, unless the context otherwise requires, all references to “Franchisor”, “we”, “us”, or “our” refer to Kid’s Haven Group LLC, and all references to “Franchisee”, “you”, or “your” refer to the person or legal entity granted the right to operate a KID’S HAVEN franchise under the terms and conditions of the KID’S HAVEN franchise agreement. If you are a corporation, limited liability company, or any other type of legal entity allowed by your state law, the term “you” or “your” may apply to your owners, officers or directors. A copy of our standard franchise agreement is attached to this Franchise Disclosure Document as Exhibit “A”.

The franchise is referenced as the “Franchised Business”, “Franchise”, or “KID’S HAVEN business”. Our unique and distinctive system for operating KID’S HAVEN businesses is referenced as the “System” and our current and future trade names, trademarks, service marks and trade dress used to identify KID’S HAVEN businesses and the services and products offered by KID’S HAVEN businesses, including the “KID’S HAVEN” mark and the distinctive color scheme and signage of KID’S HAVEN businesses is referred to as the “Marks”. Our mandatory and suggested specifications, standards and operating procedures for how to operate the Franchised Business, as communicated to you in our operating manuals or through other communications to you, is referred to as our “Methods of Operation” The use of paragraph captions throughout this document is for convenience of reference only and is not intended to change the meaning of any text.

The Franchisor. We are a limited liability company formed under Minnesota law on September 21, 2018. Our principal business address is 302 12th Avenue South, Buffalo, Minnesota 55313. Our agent or agents to receive service of process, if any, are in attached Exhibit “C”. We do not have a predecessor.

We intend to do business under our corporate name and under the KID’S HAVEN name. We sell franchises for the operation of KID’S HAVEN businesses. We have been offering KID’S HAVEN franchises for sale since 2019. Kid’s Haven Group LLC has not in the past and does not now operate a business of the type being franchised. Kid’s Haven Group LLC has not in the past and does not now engage in other business activities and has not in the past and does not now offer franchises in any other lines of business.

Parent or Predecessors. There is no parent or predecessor of Kid’s Haven Group LLC.

Affiliates.

Kid’s Haven LLC, a limited liability company formed under Minnesota law on November 20, 2014, is our affiliate. Kid’s Haven LLC’s principal business address is 302 12th Avenue South, Buffalo, Minnesota 55313. Your franchise is modeled after the educational services and daycare services business operated by Kid’s Haven LLC. Kid’s Haven LLC does not now and has never in the past offered franchises in any line of business. You may conduct business directly with Kid’s Haven LLC, as under the terms of the Franchise Agreement Kid’s Haven LLC may be an approved supplier of products and services to your franchise location.

Kid's Haven of Buffalo, Inc., a corporation formed under Minnesota law on October 14, 1991, is our affiliate. Kid's Haven of Buffalo, Inc.'s principal business address is 302 12th Avenue South, Buffalo, Minnesota 55313. Kid's Haven of Buffalo, Inc. does not now and has never in the past offered franchises in any line of business. You may conduct business directly with Kid's Haven of Buffalo, Inc., as under the terms of the Franchise Agreement Kid's Haven of Buffalo, Inc. may be an approved supplier of products and services to your franchise location.

Franchises Offered. You must sign our then-current form of franchise agreement (the "Franchise Agreement") for each KID'S HAVEN franchise you operate. Each Franchise Agreement will grant you the right to own and operate a single KID'S HAVEN Franchised Business within a designated territory. A KID'S HAVEN business is an educational services and daycare services business providing services to children at the infant, toddler, preschool, pre-kindergarten, and elementary school levels, that additionally offers summer camps and related services and products.

Our educational and daycare services are provided at an approved physical location at which you will operate the Franchised Business. You will operate the KID'S HAVEN business in accordance with our distinctive business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may improve, further develop or otherwise modify periodically. Under our Methods of Operation, you must offer customers weekly, daily, and hourly rate fee schedules for the provision of services. Generally, our services are sold to individual families and selling is not seasonal.

The Franchised Business must be staffed at all times by an on-site location director ("Location Director") who has been approved by us and who has completed all training we may require. We may require that any proposed Location Director also must be an Owner of the Franchised Business.

The Location Director will manage the daily operations of the Franchised Business. The Location Director will oversee the employment and scheduling of teachers, as well as the employment of other personnel at the Franchised Business. The Location Director will manage designated supervisory personnel who are responsible for managing teachers who provide services to 4 specified age divisions. All personnel of the Franchised Business will work cooperatively to insure that the Franchised Business is providing services to children in a safe, timely, consistent, and professional manner.

Competition. The educational services and daycare services industry is a highly competitive and developed market which can be affected significantly by many factors, including changes in local, regional or national economic conditions, increases in the number of competing businesses, and particular locations of competing businesses. Various factors can adversely affect the educational services and daycare services industry, including inflation, increases in labor and energy costs, the availability and cost of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements, and the availability of an adequate number of hourly-paid employees. There are other competing concepts operating

nationally, regionally and locally and some of these businesses have greater financial resources and longer operating histories.

Industry Specific Laws and Regulations. You should consider that certain aspects of this business may be regulated by federal, state and local laws, regulations, rules and ordinances in addition to the laws, regulations, rules, and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health and Safety Act. Many jurisdictions have daycare or childcare laws which provide for specific licensing, bonding, insurance, building code, teacher to student ratios, hours, health provisions, instructor licensing, criminal background checks and similar requirements which may be applicable to the Franchised Business. In some jurisdictions, the Franchised Business may be treated as a school which could require you comply with regulations concerning teacher and curricula accreditation.

These are only examples of some, but not all, of the laws and regulations with which you may need to comply in the state or local area in which you will operate your KID'S HAVEN Franchised Business. It is your responsibility to fully investigate and to comply with any and all such laws or regulations in your state or local area. You should fully investigate all laws and regulations applicable to operating the Franchised Business before you decide to purchase a franchise.

Non-Standard Franchise Transactions. From time to time, we may sell and franchise one or more of our company-owned KID'S HAVEN locations. In these transactions, we negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement and any lease or sublease of the real estate. If you purchase a company-owned KID'S HAVEN location, you must sign a Franchise Agreement. Depending on the circumstances, the financial and other terms may vary materially from the standard terms of our Franchise Agreement.

We also may enter into joint venture or partnership arrangements with existing franchisees or others to develop KID'S HAVEN locations. The parties negotiate the terms of these arrangements. Depending on the precise terms of these arrangements, these KID'S HAVEN locations may be considered to be either company-owned or franchised KID'S HAVEN locations for purposes of this Franchise Disclosure Document. Depending on the circumstances, the financial and other terms may vary materially from the standard terms of our Franchise Agreement.

## **Item 2: Business Experience**

### **Terry Peterson, President**

Terry Peterson is our President, a position she has held since September, 2018. Ms. Peterson also is the President of our affiliate, Kid's Haven of Buffalo, Inc., a position she has held since October, 1991. Ms. Peterson also is the President of our affiliate, Kid's Haven LLC, a position she has held since November, 2014.

## **Item 3: Litigation**

No litigation is required to be disclosed in this Item.

**Item 4: Bankruptcy**

No bankruptcy information is required to be disclosed in this Item.

**Item 5: Initial Fees**

You will pay us an Initial Franchise Fee in the amount of \$50,000 when you sign your KID’S HAVEN Franchise Agreement. The Initial Franchise Fee is fully earned and non-refundable in consideration of our entering into the Franchise Agreement.

Except possibly in connection with the sale of company-owned KID’S HAVEN locations and joint ventures that we control (see Item 1), currently the franchise fee is uniform to all franchisees purchasing a KID’S HAVEN franchise. We have the right to alter the Initial Franchise Fee periodically as business circumstances warrant.

**Item 6: Other Fees**

**Franchise Agreement**

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Interest <sup>1</sup>	Varies	When underlying obligation is paid	Highest contract rate of interest permitted by law. See Section 2.2 of the Franchise Agreement
Royalty <sup>1</sup>	3% of Gross Revenue <sup>2</sup> for the first 3 full calendar months after you open the Franchised Business and then 6% of Gross Revenue for each remaining calendar month during the term of the Franchise Agreement	Each calendar month due on the 5 <sup>th</sup> day following the end of the prior month.	Paid to us for our ongoing support and your use of the Marks and System. See Section 3.1 of the Franchise Agreement
Professional Organization Fees	Varies, but estimated not to exceed \$500 annually	Varies	Paid to any professional organizations to which we require you to belong. See Section 3.4 of the Franchise Agreement

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Location Inspection Fees	Varies, but estimated not to exceed \$1,000 per proposed location	As we and you agree	You will pay our expenses for any visit we make to inspect any proposed location upon your request . See Section 9.2 of the Franchise Agreement
Additional Owner or Employee Initial Training Fees <sup>1</sup>	\$500 per person	Prior to the initial training session	Paid to us if you want additional individuals to attend initial training. See Section 10.1 of the Franchise Agreement
Additional Ongoing Required Training Fees <sup>1</sup>	Varies	As we mutually agree	Paid to us for additional required training during the term of the Franchise Agreement. See Section 10.2 of the Franchise Agreement
Supplementary Training Fees <sup>1</sup>	Varies	As we mutually agree	Paid to us for training additional individuals during the term of the Franchise Agreement. See Section 10.3 of the Franchise Agreement
Operations Manual Replacement Charge <sup>1</sup>	Variable depending on format	When replacement is delivered to you	Paid to us if you need to replace the Operations Manual. See Section 12.1.5 of the Franchise Agreement
Per Day Fee <sup>1</sup>	\$500 per person, subject to change	As we mutually agree	Paid to us if you need us to help you operate the Franchise. See Section 13.1.8 of the Franchise Agreement
Advertising Fund Fee <sup>1</sup>	1% of Gross Revenue <sup>2</sup>	Monthly when the Royalty is paid	Paid to us to promote the Marks and the System regionally or nationally. See Section 17.1 of the Franchise Agreement
Local Advertising Expense	Not less than \$2,500 prior to beginning to operate the franchise or within 60 days of your completion of initial training and not less than \$500 each month	According to Methods of Operation as per your advertising budget	Paid by you to advertisers to promote the Franchised Business locally. See Section 17.5 of the Franchise Agreement

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Auditing Costs <sup>1</sup>	Actual Costs	Reimbursement of our actual auditing costs	We assess this charge only for audits needed in the event you fail to comply with the Franchise Agreement, fail to allow full access to your records, or we find that you underreported your Gross Revenue by 2% or more for two or more reporting periods. See Section 19.3 of the Franchise Agreement
Transfer Fee <sup>1</sup>	\$5,000, plus all our reasonable other fees and costs incurred in approving the transfer	Concurrently with the transfer	Paid to us if you want to transfer the Franchise to a third party. See Section 20.4.5 of the Franchise Agreement
Renewal Franchise Fee <sup>1</sup>	\$5,000	Concurrently with our granting a renewal of your franchise	Paid to us if you sign a new franchise agreement upon expiration of the initial franchise agreement. See Section 21.2 of the Franchise Agreement
Costs and Attorney's Fees <sup>1</sup>	Actual Costs	Reimbursement of our actual costs	Paid to us by you for accounting, attorney and other professional fees if an action is brought against you for breach of the Franchise Agreement. See Section 25.9 and 25.12.4 of the Franchise Agreement

<sup>1</sup>Paid to us and non-refundable. Generally all fees payable to us are uniformly imposed under the terms of the Franchise Agreement. However, we are not obligated to collect uniformly all fees from all franchisees. Subject to certain unique facts or circumstances relating to our then-existing franchise relationship with a specific individual franchisee, we may elect to enforce the collection of certain amounts due to us under the terms of the Franchise Agreement or forgo the collection of certain amounts that otherwise would be due to us under the terms of the Franchise Agreement.

<sup>2</sup> As used in this Franchise Disclosure Document, the term “Gross Revenue” means the total revenue and other consideration you receive from operating the Franchised Business, including, but not limited to, all amounts you receive for services, goods or merchandise sold at or away from the franchise location, and whether from cash, check, credit, or barter transactions, and including e-commerce transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and excluding

customer refunds, adjustments, credits and allowances actually made by the Franchised Business in compliance with our Methods of Operation (as defined in Franchise Agreement).

**Item 7: Estimated Initial Investment**

**Your Estimated Initial Investment**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee <sup>1</sup>	\$50,000	Lump sum	When you sign the Franchise Agreement	Us
Real Estate, Leasehold Improvements and Signs <sup>2</sup>	\$100,000 - \$1,000,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures and Equipment <sup>3</sup>	\$40,000 - \$50,000	As Arranged	As Arranged	Approved Suppliers
Technology, Office Equipment and Supplies <sup>4</sup>	\$8,000 - \$10,000	As Arranged	As Arranged	Approved Suppliers
Initial Classroom Supplies <sup>5</sup>	\$15,000 - \$20,000	As Arranged	As Arranged	Us or Approved Suppliers
Start-Up Marketing <sup>6</sup>	\$2,500 - \$10,000	As Arranged According to Methods of Operation	As Arranged According to Methods of Operation	Advertisers
Insurance <sup>7</sup>	\$5,000 - \$6,000	Lump sum payment of first year premium	Prior to opening	Insurance companies
Professional Fees <sup>8</sup>	\$1,500 - \$3,000	Terms vary	Terms vary	Accountants, lawyers, etc.
Licenses/Bonds <sup>9</sup>	\$1,000 - \$2,000	Lump sum on application	Prior to opening	Government agencies and bonding companies
Lease Deposits <sup>10</sup>	\$12,000 - \$25,000	Lump sum	Prior to opening	Landlord

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Other Deposits <sup>11</sup>	\$500 - \$1,000	Lump sum	When you engage the service	Utilities, banks/credit card companies, leased equipment vendors, alarm company, telephone company
Your Out-of-Pocket Expenses While Attending Training <sup>12</sup>	\$5,400 - \$9,300	Terms vary	Terms vary	Airfare, ground transportation, meals, lodging, etc.
Working Capital (Additional Funds over next 3 months) <sup>13</sup>	\$75,000 - \$125,000	Terms vary	Amount varies over the next 3 months	Prior to and during the 3 month period after commencement of operations
<b>Total</b>	<b>\$315,900 - \$1,311,300</b>			

The expenses in this Item 7 are estimates of your initial investment in one location prior to commencing operations and for the first three months after opening. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how closely you follow the KID'S HAVEN Methods of Operation, your management skill, experience and business acumen, local economic conditions, the acceptance by local consumers of our approved products and services, prevailing wage rates, competition, etc. We haven't included an estimate regarding real estate acquisition costs. We make no representation as to whether any of the estimated investment amounts are refundable. We relied upon our Affiliate's experience in operating a similar business to the Franchised Business in compiling these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

<sup>1</sup> See Item 5 of the disclosure document for more detailed information.

<sup>2</sup> KID'S HAVEN businesses may be located in commercial buildings or free standing locations. The cost of purchasing or leasing and developing a site for a KID'S HAVEN franchise may vary considerably depending on such factors as geographic location, size, materials expense, subcontractor expense, and the local real estate market. Typically you will need a minimum space of approximately 9,000 square feet. Additionally you will need access to an outdoor play area at the site of the Franchised Business. The low estimated amount is for improvements you need to make to an existing location. The high

estimated amount is for the construction of a brand new location. You will pay all construction expenses, including the cost of all required site work, leasehold improvements, and permitting expenses.

We will provide you with mandatory specifications and layouts for your KID'S HAVEN franchise location, including requirements for dimensions, design, image, interior layout, decor, fixtures, color scheme and other suggestions. You must have prepared, all at your expense, all required construction plans and specifications to suit the shape and dimensions of the franchise location and must ensure that the plans and specifications comply with all applicable federal, state or local laws, codes, regulations, ordinances, building codes and permit requirements and with lease requirements and restrictions. The estimated amount includes our estimate for required interior and exterior signs at the franchise location.

3 This is an estimate of the cost of leasing or purchasing required furniture, fixtures, equipment, and supplies. You must purchase all designated furniture and equipment from our authorized suppliers.

4 The estimated cost of approved software, computers, security system, and related office equipment, including printers, a copy machine, phone/voice mail system, filing cabinets, and supplies is figured into this estimate. Also, you will need to have Internet access through an approved supplier.

5 This is an estimate of the cost of purchasing required initial classroom supplies.

6 You must spend a minimum of \$2,500 to promote the opening of your Franchised Business location.

7 The insurance estimate includes several lines of insurance including property, casualty, unemployment insurance and workmen's compensation.

8 Professional fees include setting up a business entity, filing the necessary forms, setting up an accounting system, etc.

9 The estimated cost for obtaining any required licenses or municipal bonds.

10 A franchisee may be leasing rather than purchasing the real estate. The low estimate is for one month's rent deposit for a lower cost location, while the high estimate is for two month's rent deposit for a more expensive cost location.

11 The estimate for any other potential required initial deposits is provided.

12 Your Managing Owner must attend 10 days of initial training at our training location in Buffalo, Minnesota and the estimated cost for the travel, accommodation and personal expenses for up to 3 people attending the training course is provided.

13 Additional funds are an estimate of the amount of cash required to cover any operating expenses during your first 3 months of operation.

## **Item 8: Restrictions on Sources of Products and Services**

### Generally

The personal property listed in Item 7 must be purchased by you from us, our approved suppliers or according to our specifications. As of the date of this disclosure document, none of our officers own any interest in any of our approved suppliers other than in us and our Affiliates. Any computer software and hardware we require you to use is not our proprietary property.

### Approved Suppliers Standards and Requirements

Approved suppliers and specifications are contained in our Operations Manual. Approved suppliers and specifications are determined based on the current needs for operating the Franchised Business.

We evaluate approved suppliers based on price, service, quality, and other commercially reasonable benchmarks. The identity of approved suppliers and these specifications are updated periodically in writing by modifying the appropriate pages of the Operations Manual. We will send you modified pages electronically or by any other commercially reasonable means we designate. We have procedures for approving vendors and suppliers you recommend. It takes up to 90 days for us to evaluate new vendors or suppliers.

We may approve or disapprove any supplier, and we may approve a supplier conditionally, provided, however, that approval will not be withheld unreasonably. In evaluating any supplier you propose, we will, subject to reasonable restrictions and conditions to protect our trade secrets and confidential information, disclose to the proposed supplier applicable standards, specifications, processes, and procedures for the item in sufficient detail to enable the proposed supplier to demonstrate fully its capacity and capabilities to supply the items. Within 90 days after we receive all requested information, we will communicate to you in writing our decision to approve or disapprove your proposed supplier. We may disapprove any supplier who we previously approved, and you may not, after receipt of notice of disapproval, reorder from any supplier we have disapproved.

We may prescribe procedures for the submission of requests for approval and impose obligations on approved suppliers, which will be incorporated in a written license agreement with the supplier. We may obtain from you and/or the approved supplier reimbursement of our reasonable costs and expenses incurred in the approval process and on-going monitoring of the supplier's compliance with our requirements. We estimate the typical range of supplier/product review costs may be from \$500 to \$2,000.

We do not act as an agent, representative or in any other intermediary or fiduciary capacity for you in our relationship with an alternative supplier you propose and we approve. We may impose limits on the number of approved suppliers. We have the right to monitor the quality of goods or services provided by approved suppliers in a manner we deem appropriate and may

terminate any supplier who does not meet our quality standards and specifications, as may be in effect periodically.

If you purchase any products or services from us or any Affiliate, the maximum markup you will pay us is 50% over our cost for the product or service plus any related shipping costs.

The total estimated proportion of all required purchases and leases in relation to all purchases and leases you will make in establishing the business is 55% to 84%. The total estimated proportion of all required purchases and leases in relation to all purchases and leases you will make in operating the business is less than 30%.

### Site Approval, Design and Standards

Although you are not required to purchase or lease real estate from us or our Affiliate, we must approve your franchise location (see Item 11). You must improve and equip the franchise location in accordance with our then-current approved design specifications and standards. In addition to meeting our design specifications, it is your responsibility to comply with the Americans with Disabilities Act and all other federal, state and local laws.

### Insurance.

You must maintain in force: (a) commercial general liability insurance (including completed operations/product liability); (b) any other insurance policies, like business interruption insurance, sexual misconduct and molestation liability insurance, sexual harassment insurance, automobile insurance, unemployment insurance, excess umbrella insurance, and worker's compensation insurance (with a broad form all-states endorsement), as we may determine periodically and as required by law. All insurance policies must: (1) be issued by carriers approved by us; (2) contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe periodically; (3) name us and our Affiliates as additional insureds; (4) provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy; and (5) include such other provisions as we may require periodically.

Identified below are the types and minimum coverage amounts that currently we require for each franchised KID'S HAVEN business per location. If your state requires greater coverage amounts for the categories listed below, you must obtain and maintain coverage as required by your state.

#### COMMERCIAL GENERAL LIABILITY:

General Aggregate Limit:	\$2,000,000
Products/Completed Operations Aggregate Limit:	\$2,000,000
Personal and Advertising Injury Limit:	\$1,000,000

#### COMMERCIAL OR PERSONAL AUTOMOBILE LIABILITY:

Bodily Injury and Property Damage Combined Single Limit:	\$1,000,000
Hired and Non-Owned Liability Limit:	\$1,000,000

**WORKERS' COMPENSATION:**

Workers' Compensation: Statutory (with All States Broad Form)  
Employer's Liability: \$1,000,000 each accident;  
\$1,000,000 per employee, bodily injury by disease.

**UMBRELLA LIABILITY**

\$2,000,000 each occurrence (minimum)  
\$2,000,000 aggregate (minimum)

Please note that the landlord for you franchise location may have their own insurance coverage requirements that apply additionally to our requirements for insurance coverage.

**Relationships With Approved Suppliers**

We may terminate your franchise if you purchase supplies, fixtures, equipment, merchandise, goods, or services that are not according to our specifications or that are not from our approved suppliers. When your franchise is up for renewal or if you apply for an additional franchise, among other factors we consider are your compliance with your Franchise Agreement and support of our programs and policies, which would include compliance with the requirements described in this Item 8.

Neither we, nor our affiliates, derived any revenue from required purchases or leases during our fiscal year ending December 31, 2022~~3~~. We and our Affiliates have the right to receive rebates or other consideration from suppliers in connection with your purchase of supplies, fixtures, equipment, merchandise, goods, inventory, or services as described in this Item 8. Most of these payments are calculated as an amount based on items sold. We will retain and use these payments as we deem appropriate or as required by the vendor. We or our Affiliates also will derive revenue from items we sell directly to you by charging you more than the cost.

We do not provide other material benefits to you based on your purchase of particular products or services or use of designated or approved sources (for example, we do not provide any special renewal privileges or the grant of additional franchises).

There are no purchasing or distribution cooperatives at this time.

**Item 9: Franchisee's Obligations**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/ lease	8	7, 11
b. Pre-opening purchases / leases	8, 9	6, 7

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
c. Site development and other pre-opening requirements	6, 8, 9, 10, 11	7, 11
d. Initial and ongoing training	10	11
e. Opening	6	11
f. Fees	2.1, 2.2, 2.4, 3.1, 3.4, 5.3, 9.2, 10.1, 10.2, 10.3, 12.1.5, 13.1.8, 17.1, 17.5, 19.3, 20.4.5, 21.2, 25.9, 25.12.4	5, 6
g. Compliance with standards and policies / Operations Manual	4, 12	11
h. Trademarks and proprietary information	12, 14, 15, 23.2, 23.3	13, 14
i. Restrictions on products/services offered	12	16
j. Warranty and customer service requirements	12.2.14	11
k. Territorial development and sales quotas	Not applicable	12
l. Ongoing product/service purchases	12, 13.1.2, 13.1.3	8
m. Maintenance, appearance and remodeling requirements	9, 12.2.1, 21.1	7, 11
n. Insurance	11.5, 12.2.13	7
o. Advertising	13.1.4, 17	6, 7, 11
p. Indemnification	24.4	Not applicable
q. Owner's participation/management/staffing	4.1, 5, 12.2.8	11, 15
r. Records/reports	12.2.12, 18	6
s. Inspections/audits	19	6, 11
t. Transfer	20	17
u. Renewal	21	17
v. Post-termination obligations	23	17
w. Non-competition covenants	16, 23.4	17
x. Dispute resolution	25	17

**Item 10: Financing**

We do not offer direct financing. We do not guarantee any note, lease or other of your obligations.

**Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training**

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

Our Obligations

Our obligations prior to opening your KID'S HAVEN franchise (with cites to the relevant Franchise Agreement Sections) include:

Granting you a franchise to operate a KID'S HAVEN business within a designated territory (Section 1);

Allowing you to use our Operations Manual (Section 12). We offer our Operations Manual as guidance in the operation of your Franchised Business. You must follow the terms of the Operations Manual's current edition. We may update or revise the Operations Manual periodically. We will provide you with these updates. Prior to purchasing a franchise, we will provide you with the opportunity to view our Operations Manual at our main office in Buffalo, Minnesota;

Approving your choice of a location (Section 8). Our concerns regarding your choice of a location for your KID'S HAVEN franchise include general location and neighborhood, demographics, zoning, traffic patterns, parking, overall interior and exterior size, physical characteristics of the existing building and lease terms;

Reviewing and approving certain provisions of your lease for your location (Section 8.2);

Providing you with specifications and layouts for your KID'S HAVEN location (Section 9);

Providing you with an initial training program (Section 10);

Providing you with guidance for an initial advertising and promotion program (Section 17.5.);

Our ongoing obligations to you during the operation of your KID'S HAVEN franchise may include:

Providing you with general guidance concerning (Section 13):

Standards, specifications and operating procedures and methods utilized by the Franchised Business;

Purchasing required and recommended goods, equipment, materials, supplies and services;

Advertising and marketing programs;

Employee training;

Administrative, bookkeeping and accounting procedures; and

Use of authorized and approved computer systems.

Each calendar year during the term of the Franchise Agreement we will provide you with not less than 1 on-site consultation at your franchise location to assist you in operating the Franchised Business (Section 13.2). At your request, we will furnish additional guidance and assistance relating to operation of the Franchised Business (Section 13.1.8). If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with such training, including per day charges and travel and living expenses for our personnel, will be your responsibility (Sections 10.2 and 10.3).

### Site Selection

You select the site for your KID'S HAVEN location, subject to our acceptance. If we do not accept a site you propose, you may select another site, subject to our acceptance.

Before you acquire, by lease or purchase, any site for a KID'S HAVEN location, you must submit to us all required site information. We will review each proposed site and determine whether to accept or reject the site after considering factors we deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other competing facilities, and size, configuration, appearance and other physical characteristics of the site. If we accept the site, we will deliver to you a site acceptance notice. We will use reasonable efforts to make a site acceptance decision within 20 days after we acknowledge receipt of all required site information and any other materials we have requested.

Neither our acceptance of the premises nor any information communicated to you regarding our standard site selection criteria for a KID'S HAVEN location will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for a KID'S HAVEN location. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a KID'S HAVEN location at the site. Your KID'S HAVEN franchise location may not be relocated without first obtaining our written consent (Section 1.2).

We estimate the time from the date you sign the Franchise Agreement to the date you open your KID'S HAVEN location to be between 8 and 12 months. However, this time estimate may vary depending on numerous factors including location, construction schedules and financing. If you and we cannot reasonably agree on a suitable location for your franchise within 150 days of the Effective Date of your Franchise Agreement, we may terminate the Franchise Agreement and keep your Initial Franchise Fee unless we have agreed with you in writing to extend the amount of time for you to find a franchise location. You must open the franchise location within 365 days of the Effective Date of your Franchise Agreement or we may terminate the Franchise Agreement.

### Advertising and Promotion

#### KID'S HAVEN Advertising Fund (Section 17.1.).

We may, in our sole business judgment, establish and administer an Advertising Fund for advertising, marketing and public relations programs and materials as we deem necessary and

appropriate, in our sole discretion. The Advertising Fund will be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the KID'S HAVEN System, including, but not limited to, the costs of preparing and conducting radio, television, print, and Internet-based advertising campaigns; developing, maintaining, and updating a World Wide Website for the KID'S HAVEN brand and System on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies; purchasing promotional items; and providing promotional and other marketing materials and services to the businesses operating under the KID'S HAVEN System. The Advertising Fund may furnish you with samples of advertising, marketing formats, promotional formats and other materials at no additional cost to you when we, in our sole discretion, deem appropriate. Multiple copies of these types of materials will be furnished to you at our direct cost of producing them plus any related shipping, handling and storage charges.

You must contribute to the Advertising Fund amounts that we establish periodically as described in Item 6. At our discretion, these funds may be electronically drafted from the designated bank account. KID'S HAVEN businesses owned by us or any Affiliate are not required to contribute to the Advertising Fund on the same basis. All franchise businesses may not be required to contribute the same percentage to the Advertising Fund. The Advertising Fund will not spend any money on advertising that is principally a solicitation for the sale of new franchises.

We will have sole business judgment over all aspects of programs financed by the Advertising Fund, including national or regional media, creative concepts, materials, endorsements and agency relationships. Although the Advertising Fund is intended to maximize general recognition and patronage of our trademarks, service marks and associated logotypes for the benefit of all KID'S HAVEN businesses, we cannot assure you that any particular KID'S HAVEN business will benefit directly or pro-rata from the placement of advertising. There is no requirement that we must spend any amount on advertising in your franchise territory.

We may spend, on behalf of the Advertising Fund, in any fiscal year, an amount that is greater or less than the aggregate contribution of all KID'S HAVEN businesses to the Advertising Fund in that year and the Advertising Fund may borrow from us or others 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 expended. We will prepare an annual statement of monies collected and costs incurred by the Advertising Fund and furnish the statement to you upon written request. We will maintain separate bookkeeping accounts for the Advertising Fund.

In our last fiscal year ending December 31, 2022~~3~~, we did not collect any Advertising Fund amounts. We will seek the advice of owners of KID'S HAVEN businesses by formal or informal means with respect to the creative concepts and media used for programs financed by the Advertising Fund.

#### Ongoing Local Marketing Expense (Section 17.5.2)

You must spend at least \$500 each month for locally advertising and promoting the KID'S HAVEN business. Amounts spent on local advertising and promotion is identified as Ongoing Local Marketing Expense.

#### Initial Marketing Expense (Section 17.5.1)

In addition to your contributions to the Advertising Fund and your Ongoing Local Marketing, Expense, you must spend a minimum of \$2,500 for an initial opening advertising and promotion program for your KID'S HAVEN Franchised Business. The initial marketing program will use marketing and public relations programs developed by us or developed by you and approved by us. You must use the types of advertising media that we specify and you must conduct your grand opening program prior to opening the KID'S HAVEN business or within 2 months after opening. You must submit to us, for our prior approval, samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you desire to use and that have not been prepared or previously approved by us. You may not use any advertising or promotional materials that we have disapproved.

#### Advertising Cooperatives

Presently, there are no advertising cooperatives or franchisee advertising councils involved in the advertising process, although there are no restrictions on our right to require advertising cooperatives or franchisee advertising councils to be formed, changed, dissolved or merged. Presently we do not have any existing policies in place regarding the formation of any franchisee advertising council but if we establish one, we will communicate all the policies of the council to you through written updates to our Operations Manual or to our Methods of Operation. The written policies of any franchisee advertising council may include information on how members of the council are selected and whether the council serves in an advisory capacity only or has operational or decision-making power.

We may establish or approve local and/or regional advertising cooperatives in your local or regional areas, covering the geographical areas we may designate in our sole business judgment. You must participate in any designated cooperative and its programs and abide by its by-laws. Each cooperative will utilize a voting system of one vote per one eligible business. Each cooperative will be managed by its members. No changes in the by-laws or other governing documents of a cooperative will be made without our prior written consent. You and each other member of the cooperative will contribute to the cooperative, using a collection structure selected and established by us, the amount determined in accordance with the cooperative's by-laws. If we establish any cooperatives, each cooperative will prepare annual or periodic financial statements which will be available for review by prospective franchisees.

#### Web Site (Section 17.9)

You may not establish or maintain a separate website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Franchised Business, unless we provide our prior written approval. We have the right to require

you to establish and maintain a website, at your expense, in connection with the KID'S HAVEN Franchised Business.

You may not register a domain name or operate a website containing the Marks. We have the right to determine the content and use of any website associated with the Marks. Your general conduct on the Internet or other electronic media or social media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules or requirements we may specify periodically.

#### Electronic Media (Section 17.10)

Any electronic media that you use to promote the Franchised Business must be approved by us prior to publication or use in any form. Electronic Media that is approved by us or that otherwise is acceptable to us as meeting our standards will be owned by us.

You may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, except in accordance with the related standards and restrictions we specify to you periodically under our Methods of Operation. We may require you to use specified social media networks or platforms to promote client outcomes. We may restrict the Franchised Business, or any individual employed by the Franchised Business, from using social media networks or platforms to promote any individual client outcome without providing additionally any designated reference or attribution to the Marks, or to the System, that we may specify to you.

#### Computer System (Section 9.2)

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including: back office and point of sale systems, data, audio, and video systems for use at the KID'S HAVEN Franchised Business; printers and other peripheral hardware or devices; archival back-up systems; Internet access mode and speed; and physical, electronic, and other security systems (collectively, the "Computer System").

We have the right, but not the obligation, to develop or have developed for us, or to designate: computer software programs (the "Required Software") that you must use in connection with the Computer System which Required Software you must install at your expense; updates, supplements, modifications, or enhancements to the Required Software, which you must install at your expense; the tangible media upon which you record data; and the database file structure of the Computer System.

At our request, you must purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. We have the right at any time to remotely retrieve and use all data and information from your Computer System or Required Software that we deem necessary or desirable. You must, at your own expense, keep your Computer System in good maintenance and repair and install all additions, changes, modifications, substitutions,

and/or replacements to your Computer System or Required Software as we direct periodically in writing.

At this time, franchisees must record all transactions on computer-based systems that are fully compatible with our Computer System and that include an information interface capability to communicate electronically with our Computer System.

You must use Procure Software® in the operation of your franchise location. You will contact Procure Software (www.procaresoftware.com), 1 West Main Street, Suite 202, Medford, Oregon 97501, Phone (800) 338-3884, or one of their authorized dealers, for purchase, installation and support of the Procure Software®.

We estimate the current initial cost of purchasing the Procure Software® with all required modules will be \$4350. Also, you must update the software periodically as we require and the current cost of the required monthly update, maintenance, and support plan for the Procure Software® is \$85. The Procure Software® system operates from an Internet cloud-based online platform.

The Procure Software® may be used for maintaining a student and family database, student attendance tracking and scheduling, billing, student security, accounting reporting, employee data, and credit card authorization. You must obtain a license from Procure Software for use of the software. The Procure Software® will enable you to communicate daily financial information to us. To do so, you must purchase and maintain a high speed data line and register for basic Internet services. The information communicated to us, as described above, also will enable us to make automatic withdrawals of the royalty and Advertising Fund payments.

You must purchase the approved Kidsvision security camera system for use at the Franchised Business. The required Kidsvision security camera system is provided by Kidsvision, 196 Charmant Place, Suite 1, Ridgeland, Mississippi 39157, Phone: 1-888-543-7876. Typically you will need a minimum of 10 security cameras when you open the franchise location. The estimated cost of the system is \$750 each month. The Kidsvision security camera system operates from an Internet cloud-based online platform.

You will need to purchase an Apple® iPad tablet computer for each teacher employed by the Franchised Business. Your teachers will use the Apple® iPad computer for classroom activities and for record keeping. We estimate the cost of an approved Apple® iPad computer may range between \$200 and \$300.

You must use Copo Computers as the required information technology vendor for information technology support and problem solving services for your Computer System. Copo Computers runs the required e-mail server, performs computer backups, and provides maintenance services for the Computer System. You will contact Adam Stendahl, Copo Computers, PO Box 245, Rockford, Minnesota 55373, Phone: 612-418-3832, to establish the vendor relationship. The initial cost of the required support services is \$500 initially, and the current estimated ongoing cost of the services is \$635 each month.

You must, at your own expense, upgrade or replace your Computer System whenever we require it, and we have no obligation to assist you in obtaining hardware, software or related services. You may be required, at your own expense, to maintain any service plan that we specify for any required Computer System, and that incorporates any updates to any Computer System that we require. There are no contractual limits on the frequency or cost of your obligation to obtain these types of upgrades. We have the right to access all your Computer Systems as often as we deem appropriate, and we have the right to retrieve all information relating to the KID'S HAVEN Franchised Business' operations.

### Training and Commencement Assistance (Section 10)

Before opening your KID'S HAVEN Franchised Business, your Managing Owner and your Location Director (who may be the same individual, as further described in Item 15), must successfully complete our initial training program to our satisfaction, which consists of both classroom and hands-on training covering all phases of our operations, including basic techniques of management. Any on-the-job training will be conducted at a designated KID'S HAVEN business. Generally, training begins at least 30 days before opening your KID'S HAVEN Franchised Business. Training is held during regular monthly intervals during the year depending on our need to train new franchisees. The instructional material may consist of our Operations Manual, video training, checklists, demonstrations, practice and quizzes.

You must replace any individual who fails to successfully complete any required training program or who otherwise is not qualified to manage or perform their required functions at a KID'S HAVEN business. We will not charge any fees for up to 3 people to attend the initial training program. However, you will be responsible for all compensation and expenses (including travel, meals, and lodging) incurred in connection with any individual attending any training programs. Neither you nor your employees will receive any compensation from us for services performed during training.

Pre-opening training will be held at our training location, currently in Buffalo, Minnesota. Initial training consists of 10 days of training for your Managing Owner and 2 total additional owners or employees you elect to enroll in the training program. Any additional individuals whom you elect to attend the initial training will be charged \$500 per person. We may increase or decrease the amount of time for training at any time. Your Managing Owner and Location Director must attend and successfully complete pre-opening training prior to the opening of your Franchised Business. Failure of the Managing Owner and Location Director to successfully complete the required initial training program may result in termination of our Franchise Agreement.

Prior to opening or within 90 days of the date you open our representative will provide 5 days of initial on-site assistance at your Franchised Business location. We will schedule all on-site assistance on the days we specify. (Section 10.1.3).

Our initial training program will be provided substantially as follows:

### TABLE OF SUBJECTS

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On The Job Training</b>	<b>Location</b>
<b>Administration</b> - Business Philosophy and Vision - Financial Planning - Accounting - Payroll - Reporting - Regulatory Compliance - Computer System	14	5	Minnesota
<b>Facility Management</b> - Maintenance - Health & Safety - Equipment - Physical Plant Maintenance - Appearance	4	5	Minnesota
<b>Staff Management</b> - Recruitment - Hiring - Training - Policies - Job Description - Scheduling	4	2	Minnesota
<b>Child Programs</b> - Educational Philosophy - Classroom Management - Curriculum - Parent Communication	18	27	Minnesota
<b>Enrollment</b> - Procedures - Policies - Marketing - Community Relations	9	2	Minnesota

It is the nature of the KID’S HAVEN business that all subjects are integrated into the training program, and that there are no clear delineations between the subjects being learned.

Our principal trainers for the initial training program are Terry Peterson, Missy Sjolín, Shawna Fadden, Jaclyn Marek, Karri Smith, Wanda Hinkemeyer, and Shelly Althoff.

Ms. Peterson has been the owner and operator of Kid’s Haven since 1991. Ms. Sjolín has been the Director of Kid’s Haven since 2014, and has been employed by Kid’s Haven since

2002. Ms. Fadden has been our Assistant Director and Manager since 1991. Ms. Marek is our Assistant Director and Infant Supervisor and has been employed by Kid's Haven since 2006. Ms. Smith is our Toddler Supervisor and has been employed by Kid's Haven since 1995. Ms. Hinkemeyer is our Preschool Supervisor and has been employed by Kid's Haven since 1991. Ms. Althoff is our School Age Supervisor and has been employed by Kid's Haven since 1998.

Our lead trainers for the subject area of Administration are Terry Peterson, Missy Sjolin and Shawna Fadden. Our lead trainers for the subject area of Facility Management are Shawna Fadden and Missy Sjolin. Our lead trainers for the subject area of Staff Management are Shawna Fadden, Jaclyn Marek, Karri Smith, Wanda Hinkemeyer, and Shelly Althoff. Our lead trainers for the subject area of Child Programs are Missy Sjolin, Jaclyn Marek, Karri Smith, Wanda Hinkemeyer, and Shelly Althoff. Our lead trainers for the subject area of Enrollment are Terry Peterson and Missy Sjolin.

## **Item 12: Territory**

The Territory. You will be granted a specific territory (the "Territory") in which to operate your franchise. The Territory area you are granted will be determined after negotiation between you and us, carefully considering where you want to be located and whether the proposed area is available. Your Territory will be defined as a specific geographic area identified using commonly understood state, county, municipal, postal area, or other definitions. We may not modify your Territory rights except by mutual written agreement.

We will not establish or operate, or license another person to establish or operate another KID'S HAVEN business location within your Territory. We will take any reasonable steps we consider necessary to prevent any other person from establishing or operating a KID'S HAVEN business location within the Territory upon our becoming aware of the establishment or operation.

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.

You will be the only franchisee licensed to operate a KID'S HAVEN business location within your Territory. There are no restrictions on you, us, any Affiliates, or any other franchisees from providing services and products to customers living within or outside the Territory.

The Franchise Agreement grants to you the right to own and operate a KID'S HAVEN business at a specific business location. You may not conduct the business of your KID'S HAVEN business at any site other than the approved premises, or relocate your KID'S HAVEN business without our prior written consent. In our sole business judgment we may approve of the relocation of your franchise location in certain limited circumstances, for example where a similar location is available with significantly more favorable lease terms or where the physical condition of the franchise location requires that you move to another location. You must pay all our reasonable expenses incurred in evaluating any proposed relocation site for the Franchised

Business and are responsible for all expenses you incur in moving the franchise to the new location.

By virtue of signing the Franchise Agreement, you do not obtain any additional options, rights of first refusal, or similar rights to acquire additional franchises. We do not currently operate, or franchise the operation of any other business selling under different trademarks any services or products similar to the services and products offered by KID'S HAVEN businesses, and presently we do not have any plans to do so.

Our Rights. Except for rights expressly granted to you under the Franchise Agreement, we retain all of our rights with respect to the Marks, the System and KID'S HAVEN businesses anywhere in the world, including the following rights, without compensation to you:

1. Outside the Territory, we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, any business of any kind, including KID'S HAVEN businesses.

2. We have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, within the Territory and elsewhere, educational or daycare service related businesses other than KID'S HAVEN businesses;

3. We have the right to host one or more websites on the Internet that advertise KID'S HAVEN businesses and the services and products they offer and that allow potential customers to contact KID'S HAVEN businesses throughout the world, even though a website is accessible to or viewable by persons in the Territory;

4. We have the right to advertise and promote KID'S HAVEN services and products through broadcast, print and electronic media that are broadcast, delivered or otherwise transmitted into the Territory;

5. We have the right to offer and sell any services and products within the Territory and elsewhere under any trade names, trademarks, service marks or trade dress, including the Marks, through any channels of distribution other than a KID'S HAVEN business (including Internet sales; and mail-order sales); and

6. We have the right to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions.

### **Item 13: Trademarks**

The KID'S HAVEN trademark is the principal trademark you'll use under license from us through the Franchise Agreement. The KID'S HAVEN trademark listed below is registered with the United States Patent and Trademark Office. Since we have a Principal Register federal registration for the KID'S HAVEN trademark, we have certain presumptive legal rights granted by a registration.

Our principal trademark is:

<b>Trademark</b>	<b>Registration Number</b>	<b>Date of Registration</b>	<b>Register</b>
KID'S HAVEN	5726594	April 16, 2019	Principal

You must follow our operating procedures when you use the trademark. You cannot use the trademark or any other mark as part of your corporate name. You may not use the trademark in the event you wish to advertise the sale of your franchise.

There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court. There are no pending infringements, oppositions or cancellations concerning the principal trademark. There is no pending material litigation involving the principal trademark. We have filed all required affidavits.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademark in a manner material to the franchise.

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the principal trademark in the state where your franchise may be located. If it becomes advisable at any time in our business judgment for us and/or you to modify or discontinue the use of any Marks and/or use one or more additional or substitute trademarks or service marks, you are obligated to comply with our directions within a reasonable time after receiving such notice from us.

We shall defend you against any third party claim, suit, or demand arising out of your use of the Marks. If we determine that you have used the Marks in accordance with the terms of the Franchise Agreement, we will pay the cost of the defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the terms of the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be paid by you.

**Item 14: Patents, Copyrights, and Proprietary Information**

You must operate your franchise in accordance with our Operations Manual and our Methods of Operation. Our Operations Manual and our Methods of Operation contain mandatory and suggested specifications, standards, operating procedures and rules that we prescribe periodically for the operation of a KID'S HAVEN business and information relating to your other obligations under the Franchise Agreement and related agreements. The Operations Manual may be modified by us periodically to reflect changes in our Methods of Operation.

You do not receive the right to use an item covered by a federally registered patent or copyright, but you must use the proprietary information contained in our Operations Manual. The Operations Manual and the specifics on your use of the Operations Manual are described in the Franchise Agreement. Although we haven't filed an application for copyright registration, we claim copyright protection for the Operations Manual, software, advertising materials, and other materials we give you for your use or for public dissemination, other proprietary information and publications we own or have acquired under license from a third party, and everything concerning our Methods of Operation. All of this is our proprietary intellectual property.

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

**Item 15:       Obligation to Participate in the Actual Operation of the Franchise Business**

For each Franchise location, you must designate one "Managing Owner", as defined in the Franchise Agreement. You will provide us with the name and necessary contact information, such as address and telephone numbers, of this person. In the event we need to contact you, we will contact the Managing Owner. This person will have all authority necessary to carry out day to day business decisions, answer any questions or requests we have, and bind you. Your Managing Owner must personally manage and operate the franchise as a primary occupation and you may not, without our prior written consent, delegate your Managing Owner's authority and responsibility with respect to management and operation. There is no minimum equity ownership requirement of the Franchised Business for the Managing Owner.

The Franchised Business must be staffed at all times by an on-site Location Director who has been approved by us and who has completed all training we may require. The Managing Owner may also be the Location Director. We may require that any proposed Location Director at the Franchised Business also must be an Owner of the Franchised Business.

If we consent to a Location Director distinct from your Managing Owner, the Location Director will not need to have an equity share in the Franchised Business. However, both the Location Director and the Managing Owner must complete our initial training program. Any approved Location Director will need to maintain sufficient contact with the Managing Owner so that we will not need to contact the Location Director separately from our contact with the Managing Owner.

You and your employees are subject to certain confidentiality requirements. You and your owners are also subject to a covenant not to compete.

You must individually guarantee performance under the Franchise Agreement. Depending on your form of ownership of the Franchised Business (for example, corporation, limited liability company, etc.) other people may also need to sign guarantees of performance. Each of your "Owners" (as defined in the Franchise Agreement) must sign the Franchise Agreement and a personal guaranty. Each of your Owners is bound under the Franchise

Agreement to its confidentiality and non-competition provisions. We may require certain managerial employees of the franchise to sign a separate confidentiality agreement with us under our Methods of Operation. We do not require spouses or children of the franchisee or its owners to sign confidentiality agreements, the Franchise Agreement, or a personal guaranty unless the individual has an ownership interest in the franchisee.

**Item 16: Restrictions on What the Franchisee May Sell**

You must operate your KID’S HAVEN franchise in accordance with our Operations Manual and our Methods of Operation. Our Operations Manual and our Methods of Operation contain mandatory and suggested specifications, standards, operating procedures and rules that we prescribe periodically for the operation of a KID’S HAVEN business and information relating to your other obligations under the Franchise Agreement and related agreements. The Operations Manual may be modified periodically by us to reflect changes in our Methods of Operation.

You may offer and sell only those services and products that we have approved. You must offer all services and products that we designate as required for all franchisees. We have the right to add additional authorized services and products that you must offer through your franchise. There are no limits on our right to do so.

**Item 17: Renewal, Termination, Transfer, and Dispute Resolution**

**THE FRANCHISE RELATIONSHIP**

**FRANCHISE AGREEMENT**

**This table lists certain important provisions of the Franchise and related Agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

<i>PROVISION</i>	<i>SECTION IN FRANCHISE AGREEMENT</i>	<i>SUMMARY</i>
a. Length of the franchise term	1.2	Term is 10 years.
b. Renewal or extension of the term	21	Successive 10 year terms may be granted if you are not in default of any provisions of the Franchise Agreement.
c. Requirements for franchisee to renew or extend	21	Renewal means continued rights to operate in the same exclusive Territory as identified in the initial Franchise Agreement. You may need to bring the franchise into compliance with our system standards, and will need to sign a new franchise agreement and pay a renewal franchise fee. The renewal franchise agreement may contain terms or conditions that materially differ from your original Franchise Agreement.

<b><i>PROVISION</i></b>	<b><i>SECTION IN FRANCHISE AGREEMENT</i></b>	<b><i>SUMMARY</i></b>
d. Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	The Franchise Agreement does not contain such a provision.
f. Termination by franchisor with cause	22	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you an opportunity to cure. See this Item 17(g) and (h) for further description
g. "Cause" defined – curable defaults	22.3.	We must provide you with an opportunity to cure any of the deficiencies identified in Section 22.3 of the Franchise Agreement.
h. "Cause" defined – non-curable defaults	22.1, 22.2	We may terminate the Franchise Agreement without providing you an opportunity to cure for any of the deficiencies identified in Sections 22.1 and 22.2 of the Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	23	Pay us what you owe us; cease using the Marks; and follow our termination procedures; transfer all telephone numbers of the Franchised Business to us; give us all copies of your customer lists; cancel fictitious business names, adhere to the covenant not to compete in the Franchise Agreement.
j. Assignment of contract by franchisor	20.1	Fully transferable by us.
k. "Transfer" by franchisee - definition	20.3	Includes any transfer of ownership.
l. Franchisor approval of transfer by franchisee	20.2	Our approval of any transfer is required prior to your transferring the Franchise to a third party. However, will not unreasonably withhold our approval where the proposed transferee meets all our conditions for approval.
m. Conditions for franchisor approval of transfer	20.4	You must pay our transfer fee and all other expenses we incur in approving the transfer. The proposed transferee must meet our standards as to character, financial resources, and willingness to assume the existing obligations under the Franchise Agreement, sign our then-current form of franchise agreement, and complete training.
n. Franchisor's right of first refusal to acquire franchisee's business	20.9	We can match any offer for your Franchise.

<i>PROVISION</i>	<i>SECTION IN FRANCHISE AGREEMENT</i>	<i>SUMMARY</i>
o. Franchisor's option to purchase franchisee's business	23.6	60 day option upon termination or expiration
p. Death or disability of franchisee	20.6	A replacement Managing Owner must be trained.
q. Non-competition covenants during the term of the franchise	16.1	No direct or indirect interest in a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	23.4	After termination or expiration of the Franchise Agreement, you may not operate a similar type of business for a period of 36 months operating at the Franchise Location, within the Territory, within 100 miles from any point on the perimeter of your Territory, or within the territory or within 30 miles of the territory of any other then-existing KID'S HAVEN business.
s. Modification of the agreement	25.16	Must be in writing
t. Integration/merger clause	25.18	Oral statements not binding. Franchise Agreement is the entire agreement (subject to federal law). Any promises not contained in the Franchise Agreement or this Franchise Disclosure Document may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim our representations made in the disclosure document.
u. Dispute resolution by arbitration or mediation	25.12	All disputes resolved by mediation or arbitration except for actions for declaratory or equitable relief, actions in ejectment or for possession of any interest in real or personal property, or actions which by applicable law can't be arbitrated
v. Choice of forum	25.14	Minnesota, unless superseded by state law.
w. Choice of law	25.13	Minnesota, except superseded by state law.

**Item 18: Public Figures**

There are no public figures involved in the sale of this 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 possible performance at a particular location or under particular circumstances.

We do 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 Kid’s Haven Group LLC, 302 12th Avenue South, Buffalo, Minnesota 55313, (763) 682-3072, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20: Outlets and Franchisee Representations**

**Table No. 1  
Systemwide Outlet Summary  
For Years 20201 to 20223**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2020 <u>1</u>	0	0	0
	2021 <u>2</u>	0	0	0
	2022 <u>3</u>	0	0	0
Company- Owned	2020 <u>1</u>	1	1	0
	2021 <u>2</u>	1	1	0
	2022 <u>3</u>	1	1	0
Total Outlets	2020 <u>1</u>	1	1	0
	2021 <u>2</u>	1	1	0
	2022 <u>3</u>	1	1	0

**Table No. 2  
Transfers From Franchisees to New Owners (Other than the Franchisor)  
For Year 20201 to 20223**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
We do not have any franchises currently	2020 <u>1</u>	0
	2021 <u>2</u>	0
	2022 <u>3</u>	0

**Table No. 3  
Status of Franchised Outlets For Years 20201 to 20223**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
We do not have any franchises currently	2020 <del>1</del>	0	0	0	0	0	0	0
	2021 <del>2</del>	0	0	0	0	0	0	0
	2022 <del>3</del>	0	0	0	0	0	0	0

**Table No. 4**  
**Status of Company-Owned Outlets For Years 20219 to 20213**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Minnesota	2020 <del>1</del>	1	0	0	0	0	1
	2021 <del>2</del>	1	0	0	0	0	1
	2022 <del>3</del>	1	0	0	0	0	1
Total	2020 <del>1</del>	1	0	0	0	0	1
	2021 <del>2</del>	1	0	0	0	0	1
	2022 <del>3</del>	1	0	0	0	0	1

**Table No. 5**  
**Projected Openings as of December 31, 20223**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the 2023 <del>4</del> Fiscal Year	Column 4 Projected New Company-Owned Outlets in 2023 <del>4</del> Fiscal Year
Minnesota	0	1	0
Total	0	1	0

We do not have any franchisees presently, therefore we are unable to provide any franchisee contact information. We do not have any franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We are not now selling any previously-owned franchise outlet now under our control. During the previous three fiscal years, no franchisee signed any confidentiality clauses which

restricted the franchisee from freely communicating with prospective franchisees concerning the franchisee's experience with the franchise system.

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

Our Fiscal Year Ends on December 31.

**Item 21: Financial Statements**

Attached to this disclosure document as Exhibit "B" are our audited financial statements, as of December 31, 2022~~3~~, December 31, 2021~~2~~, and December 31, 2020~~19~~.

**Item 22: Contracts**

Attached to this disclosure document as Exhibit "A" is our Franchise Agreement with Appendices (A) Franchise Ownership and Management, (B) Location and Territory, (C) Guaranty and Assumption of Obligations (D) Communications Assignment, (E) Electronic Funds Transfer Authorization, (F) Addendum to Lease, and Acknowledgment Addendum to KID'S HAVEN Franchise Agreement.

Attached to this disclosure document as Exhibit "D" is a sample copy of the current general release form that we use as a condition of renewal or assignment/transfer.

**Item 23: Receipts**

The Receipts to be signed by all prospective franchisees are attached in duplicate at the very end of this Franchise Disclosure Document (identified as Exhibit "F"). You will sign and date one copy and give it to us at the time we present it to you. Your copy of the receipt is attached at the end of this Franchise Disclosure Document.

The Receipts identify all our current Franchise Sellers.

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

**[THE DISCLOSURE DOCUMENT ENDS HERE]**

**KID'S HAVEN**  
**EXHIBIT "A"**  
**TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

# FRANCHISE AGREEMENT

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**KID'S HAVEN  
FRANCHISE AGREEMENT**

This **FRANCHISE AGREEMENT** ("Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and between Kid's Haven Group LLC, a limited liability company formed under Minnesota law, with its principal business address at 302 12th Avenue South, Buffalo, Minnesota 55313, (referred to in this Agreement as "Franchisor," "we," "us" or "our"), and \_\_\_\_\_, a [STATE/TYPE OF ENTITY] with its principal business address at \_\_\_\_\_ (referred to in this Agreement as "Franchisee," "you," "your" or "Owner").

**DEFINITIONS.** Words and phrases used frequently in this Agreement will have the meaning indicated:

**"Ad Fee"** means the amount of money that you are required to contribute to the Advertising Fund.

**"Advertising Fund"** means the pool of money controlled by Kid's Haven Group LLC for the purpose of advertising, marketing and other promotional activities to promote KID'S HAVEN businesses.

**"Affiliated Companies" or "Affiliate(s)"** means any person or company that, directly or indirectly, controls, is controlled by, or is under common control with, the referenced party.

**"Agreement" or "Franchise Agreement"** means this document, all its attachments, exhibits, stipulations, and schedules and written modifications whenever made.

**"Competitive Business"** means any business that offers or provides educational services or daycare services for children at the infant, toddler, preschool, pre-kindergarten, or elementary school levels, or any business that offers or provides services or products that are the same or similar to those offered by KID'S HAVEN businesses, or any business that offers franchises or licenses to others to operate any business that offers or provides educational services or daycare services for children at the infant, toddler, preschool, pre-kindergarten, or elementary school levels, or that offers or provides services or products that are the same or similar to those offered by KID'S HAVEN businesses.

**"Computer System"** means the brands, types, makes, and/or models of communications, computer systems, software and hardware to be used by you under the System, including without limitation: (a) back office and point of sale systems, data, audio, and video systems for use at the KID'S HAVEN Franchised Business; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems.

**"Control" or "Controlling Interest"** means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

**"Corporation or Partnership"** includes, if applicable, reference to your formation as a limited liability company, limited liability partnership, or any other type of limited liability entity.

**"Designated Bank Account"** means the bank account from which we shall be authorized by you to withdraw in any manner which we prescribe, which may include electronic funds transfer ("EFT") or wire transfer, any amounts due to us or any Affiliate(s) from you under this Agreement, including Royalty fees due, and to which we shall deposit, which may include by EFT or wire transfer, any amounts due to you from us under this Agreement.

**“Effective Date”** means the date this Agreement becomes effective as designated on the Signature Page of this Agreement.

**“EFT”** means electronic funds transfer.

**“Electronic Media”** means any electronic document, application, or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes, and/or relates in any way to KID’S HAVEN businesses, the Franchised Business, the Marks, the System and/or the Franchisor. Electronic Media further includes the KID’S HAVEN Website, web pages, and website subdomains (including those related to, associated with and/or a part of the KID’S HAVEN Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, subdomains and all other media, and/or publications relating to the System, that is displayed and/or transmitted electronically.

**“Franchisee”** means the individual or entity inserted in the space at the beginning of the Agreement.

**“Franchised Business”** means your KID’S HAVEN business operated under the terms of this Agreement.

**“Franchisor”** means Kid’s Haven Group LLC.

**“Gross Revenue”** means the total revenue and other consideration you receive from operating the Franchised Business, including, but not limited to, all amounts you receive for services, goods or merchandise sold at or away from the Location, and whether from cash, check, credit, or barter transactions, and including e-commerce transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and excluding customer refunds, adjustments, credits and allowances actually made by the Franchised Business in compliance with our Methods of Operation.

**“Guarantor”** means any person who signs the Guaranty and Assumption of Obligations found in Appendix C to the Agreement.

**“KID’S HAVEN business”** means a business offering educational and daycare services and products under the Marks and using the System that we, or any of our Affiliates, own and operate or license any other person or entity to own or operate.

**“Location”** means your principal place of business where we authorize you to operate the Franchised Business, as identified in Appendix B to the Franchise Agreement.

**“Location Director”** means the required on-site manager of your Location who we may require to be an Owner and who must be duly licensed at all times and must be approved and certified by us.

**“Managing Owner”** means the Owner of the Franchised Business that has all the authority necessary to carry out day to day business decisions, answer any questions or requests we have, and bind you.

**“Marks”** means the current and future trade names, trademarks, service marks and trade dress used to identify KID’S HAVEN businesses and the services and products offered by KID’S HAVEN businesses, including the “KID’S HAVEN” mark and the distinctive color scheme and signage of KID’S HAVEN businesses.

**“Methods of Operation”** means the mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the operation of the Franchised Business.

**“National Accounts”** means regional or national businesses with which we’ve agreed to provide services to customers at certain National Account locations, which may include National Account locations within your Territory.

**“Ongoing Local Marketing Expense”** means the minimum amount you must spend each Accounting Period for locally advertising and marketing your Franchised Business according to our required standards and specifications.

**“Operations Manual”** means our confidential KID’S HAVEN Operations Manual which contains the required policies and procedures for the operation of the Franchised Business, and includes all specifications and standards we may use, and all supplemental bulletins, memoranda, revisions and replacements.

**“Owner”** means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in you (or a transferee of this Agreement and the Franchised Business or an interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise or the Franchised Business and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets thereof.

**“Person”** means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative or other legal or functional entity.

**“Professional Organization Fees”** means the fees you pay to belong to any industry professional organization that we require you to belong during the Term of the Agreement.

**“Standards”** means our required standards specified to you for operating the Franchised Business including, without limitation, those for required services and products, customer service, hours, and employee training.

**“System”** means the plan and system as updated and revised from time to time for providing our educational and daycare services or products using our software, accounting methods, merchandising, vehicles, equipment selection, advertising, promotional techniques, personnel training and quality standards that feature the Marks and includes all proprietary materials, our Standards and our Marks.

**“Territory”** means the area listed on Appendix B to the Franchise Agreement in which you may operate the Franchised Business.

**“Term”** means the ten (10) year period under which the Agreement is effective, unless otherwise terminated.

**“We”, “us” or “our”** means Kid’s Haven Group LLC, our successors and assigns or our Affiliates.

“You”, “your” or “yours” means the Franchisee.

**I. GRANT OF FRANCHISE AND TERM OF THE AGREEMENT.**

We provide educational services and daycare services for children at the infant, toddler, preschool, pre-kindergarten, and elementary school levels, as well as offering afterschool programs, summer camps and related services and products. We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort required to own and operate a KID’S HAVEN business through our designated business system, procedures, policies and standards. You have indicated to us by your actions and statements that you desire to own and operate a KID’S HAVEN business.

**1.1. Acknowledgments.**

1.1.1. **Independent Investigation.** You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement is speculative and involves business risks, and that its success depends to a material extent upon the ability of your Owners as independent businesspersons, as well as other factors. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement, and you represent and warrant that you have not entered into this Agreement in reliance upon any representation, oral or written, by us as to potential or expected sales or profits.

1.1.2. **Your Independence.** You acknowledge and agree that:

- 1.1.2.1. you are the only party that employs your employees (even though we may provide you with advice, guidance, and training);
- 1.1.2.2. we are not the employer of any of your employees, and we will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
- 1.1.2.3. the guidance that we provide and requirements under which you will operate are intended to promote and protect the value of the KID’S HAVEN brand and the Marks;
- 1.1.2.4. when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including but not limited to our System and the requirements under this Agreement); and
- 1.1.2.5. you have made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including but not limited to adopting our standards as your standards), hiring employees and employment matters (including but not limited to matters such as recruitment, hiring, compensation, scheduling,

employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

- 1.1.3. **Success Depends on You.** You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated under this Agreement.
  - 1.1.4. **Acknowledgment of Receipt.** You represent and agree that you received our Franchise Disclosure Document (with all its exhibits and this Agreement with all its exhibits) at least fourteen (14) calendar days before your signing of this Agreement or the payment of any monies to us under this Agreement, or earlier upon your reasonable request. You represent and agree that you received a completed copy of this Agreement and all related agreements with any changes to such agreements unilaterally and materially made by us at least seven (7) calendar days before executing this Agreement.
  - 1.1.5. **Acknowledgment of Understanding; Opportunity to Consult.** You acknowledge that you have read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that we have accorded you ample time and opportunity to consult with an attorney or other advisor of your own choosing about the potential benefits and risks of entering into this Agreement.
- 1.2. **Grant of Franchise.** Subject to the terms of and upon the conditions contained in this Agreement, we hereby grant you a franchise (the “Franchise”) to operate a KID’S HAVEN Franchised Business solely at the location (the “Location”) identified in Appendix B to this Agreement, and a license to use the Marks and the System in the operation thereof, for a term commencing on the Effective Date of this Agreement and expiring on the tenth (10<sup>th</sup>) anniversary of that date (the “Term”), unless sooner terminated in accordance with the terms of this Agreement. You may not operate the Franchised Business from any site other than the Location without our prior written consent. Except as otherwise provided in Section 7, we (and our Affiliates) will not establish or operate, or grant to a franchisee the right to establish or operate, another KID’S HAVEN business to be located or operated within the geographical area set forth in Appendix B attached hereto (the “Territory”). You acknowledge and agree that you have no recourse against us if other Franchisees are granted allowances or rights that are not granted to you.

## **2. INITIAL FRANCHISE FEE AND PAYMENTS.**

- 2.1. **Initial Franchise Fee.** You agree to pay us a one time, non-refundable initial franchise fee in the amount of Fifty Thousand Dollars (\$50,000), which will be due upon your execution of this Agreement. The fee will be fully earned by us upon the execution of this Agreement.
- 2.2. **Interest on Late Payments.** All amounts which you owe us and do not pay us when due will bear interest from their due date at the highest contract rate of interest permitted by law. You acknowledge that this Section does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Franchised Business. Your failure to pay all amounts then due constitutes grounds for termination of this Agreement, despite the provisions of this Section.

2.3. **Application of Payments.** Regardless of any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you owe us against any amounts we might owe you.

2.4. **Designated Bank Account.** Prior to the opening of the Franchised Business, and as a condition thereof, you shall establish a designated bank account (“Designated Bank Account”) from which we shall be authorized by you to withdraw in any manner which we prescribe, which may include EFT or wire transfer, any amounts due to us or any Affiliate(s) from you under this Agreement, including Royalty fees due, and to which we shall deposit, which may include EFT or wire transfer, any amounts due to you from us under this Agreement. All costs and expenses of establishing and maintaining such designated account, including transaction fees and wire transfer fees, shall be paid by you. You agree to execute attached Appendix E (“Electronic Funds Transfer Authorization”) and you agree to maintain at all times sufficient funds in such Designated Bank Account for any allowable withdrawals by us.

### **3. ROYALTY AND OTHER FEES.**

3.1. **Royalty.** You agree to pay us a royalty (“Royalty”) each calendar month (the “Accounting Period”) during the term of the Agreement. There is no Royalty payable from you to us until after the completion of the first full Accounting Period after the date you open the Franchised Business. You agree to pay us a Royalty in the amount of three percent (3%) of Gross Revenue each Accounting Period for the first three (3) full Accounting Periods after the date you open the Franchised Business. You agree to pay us a royalty in the amount of six percent (6%) of Gross Revenue each Accounting Period thereafter during the remaining term of the Agreement.

3.2. **Definition of Gross Revenue.** As used in this Agreement, the term “Gross Revenue” means all revenue you derive from operating the Franchised Business, and whether from cash, check, credit or barter transactions, and including e-commerce transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and excluding customer refunds, adjustments, credits and allowances actually made by the Franchised Business in compliance with our Methods of Operation.

3.3. **Royalty Due Dates.** You will pay us the Royalty and any other amounts due under this Agreement, within five (5) days of the close of the Accounting Period, by EFT, or by any other form of delivery that we may specify or approve, as we determine in our sole business judgment. Additionally, you agree to deliver to us within five (5) days of the close of the Accounting Period, a statement of collected Gross Revenue and a statement of any outstanding invoices, with any such statement in such form as we specify, in our sole business judgment, and by such form of delivery as we specify, in our sole business judgment.

3.4. **Professional Organization Fees.** You acknowledge and agree that at all time during the Term of the Agreement, you must join and belong, in good standing, to such industry professional organizations that we may designate, in our sole business judgment. You acknowledge and agree that you are responsible solely for paying any initial and ongoing professional organization fees (“Professional Organization Fees”) that any such professional organization may charge in order to belong to such organization.

### **4. PERFORMANCE REQUIREMENTS.**

- 4.1. **Performance Standards.** You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder, continuously exert your best efforts to promote and enhance the Franchised Business and not engage in any other business or activity that conflicts with your obligations to operate the Franchised Business in compliance with this Agreement.
- 4.2. **Days of Operation.** You acknowledge and agree that, as required by our Methods of Operation, the Franchised Business must operate the entire calendar year, unless otherwise approved in writing by us, and must be managed at all times by your Managing Owner or an Owner or employee approved in writing by us.

## 5. **OWNERSHIP AND MANAGEMENT.**

You acknowledge and agree that your Managing Owner must personally manage and operate the Franchised Business as a primary occupation and you may not, without our prior written consent, delegate your Managing Owner's authority and responsibility with respect to management and operation.

- 5.1. **Managing Owner.** You acknowledge and agree that your Owners and you will grant to one individual (the "Managing Owner"), the authority to legally bind you in any dealings with us, or our Affiliates, and to direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Franchised Business. The Managing Owner, at all times during the Term of the Agreement, shall maintain management Control of the Franchised Business, or shall have like authority, ownership, managerial control and voting power in any limited liability company, partnership, or other form of entity, unless otherwise agreed upon in writing by us. You will notify us thirty (30) days in advance of any change in the identity of the Managing Owner. Where such change results from the death or incapacity of the Managing Owner, you shall immediately notify us of such death or incapacity and you will appoint a new Managing Owner within sixty (60) days after such death or incapacity. We reserve the right to review and disapprove of any newly appointed Managing Owner within ten (10) days of notice. We reserve the right to review and approve the authority of the Managing Owner with respect to your Articles of Organization, Limited Liability Company Operating Agreement, Partnership Agreement, Shareholders Agreement, or similar documents. Neither you nor your Owners will, directly or indirectly, take any action to avoid or restrict the authority requirement for the Managing Owner.
- 5.2. **Business Entity Franchisee.** If you are at any time a corporation, limited liability company, partnership, or other business entity, you agree and represent that, as is applicable to your form of business entity:
  - 5.2.1. Your charter, certificate of formation, or partnership agreement will at all times provide that your activities are confined exclusively to operating the Franchised Business, you will promptly furnish to us copies of your Articles of Incorporation, Articles of Organization, bylaws, partnership agreement, and any other governing documents, and any amendments thereto, including the resolution of the board of directors authorizing entry into this Agreement, and you will have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation. You will notify us within five (5) days whenever there is a change in your corporate status or whenever you receive service of process for any reason;

- 5.2.2. Your organizational documents or partnership agreement will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;
- 5.2.3. Appendix A to this Agreement will completely and accurately describe all of your Owners and their interests in you; and
- 5.2.4. Each of your Owners, at any time during the Term of this Agreement, will execute an agreement in the form that we prescribe (see Appendix C to this Agreement) undertaking to be bound jointly and severally by all provisions of this Agreement and any ancillary agreements between you and us that bind you. You and your Owners agree to execute and deliver to us such revised copies of Appendix A as may be necessary to reflect any changes in the information contained therein and to furnish such other information about your organization or information as we may request within five (5) days of change.
- 5.3. **Location Director.** You acknowledge and agree that at all times during the Term of the Agreement the Franchised Business must be staffed by one (1) on-site location director (“Location Director”) who has been approved by us in writing and who must have obtained and maintain at all times while serving as Location Director all necessary licenses to manage the Location. You acknowledge and agree that in our sole business judgment we may require any proposed Location Director to be an Owner of the Franchised Business. You acknowledge and agree that the Location Director must attend all our required training or certification courses, and that you shall pay all expenses related to such training or certification courses. You acknowledge and agree that if, at any time during the Term of the Agreement, your Location is not staffed by a duly qualified on-site Location Director, then within ninety (90) days of the occurrence of any such vacancy you must hire a replacement Location Director of whom we have provided you with our prior written approval to any such hiring. You acknowledge and agree that your failure to hire a replacement Location Director within ninety (90) days of any such vacancy at your Location shall be deemed to be a breach of this Agreement. You acknowledge and agree that if, at any time during the Term of the Agreement, the Location is not managed by at least one (1) duly licensed and trained Location Director, we may terminate the Agreement upon written notice to you, or, in our sole business judgment, we may elect to provide you with a temporary Location Director for any such interim period of time until you are able to hire a qualified Location Director, provided however, you will pay us our then-current reasonable management fees and all related expenses related to providing you with a Location Director.
6. **START OF BUSINESS.**
- 6.1. **Opening.** You agree to open the Franchised Business within your Territory within three hundred sixty five (365) days after the Effective Date of this Agreement. If you fail to open the Franchised Business within three hundred sixty five (365) days after the Effective Date of this Agreement, then we may terminate the Agreement and you will forfeit the initial franchise fee.
- 6.2. **Training.** You must successfully complete our training program for the Franchised Business to our satisfaction prior to opening the Franchised Business.
7. **TERRITORY.**

- 7.1. **Your Territory.** The geographical location where you may locate the Franchised Business is referred to as your “Territory” and is described in Appendix B attached to this Agreement. Your Location must be located within your designated Territory. During the term of this Agreement and for so long as you are not in default under this Agreement, we shall not locate, or license any other person to locate or operate another KID’S HAVEN business within the Territory. We shall take such reasonable steps as we consider necessary to prevent any other person from establishing a KID’S HAVEN business location within the Territory upon our becoming aware of such activity.
- 7.2. **Our Reservation of Rights.** We retain all rights not expressly granted hereunder, including the following, regardless of the impact on your KID’S HAVEN Franchised Business and, except as described below, regardless of proximity to the Territory or your KID’S HAVEN Franchised Business:
- 7.2.1. outside the Territory we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, any business of any kind, including educational or daycare businesses.
  - 7.2.2. we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, within the Territory and elsewhere, educational or daycare service related businesses other than KID’S HAVEN businesses;
  - 7.2.3. we have the right to host one or more websites on the Internet that advertise KID’S HAVEN businesses and the services and products they offer and that allow potential customers to contact KID’S HAVEN businesses throughout the world, even though a website is accessible to or viewable by Persons in the Territory;
  - 7.2.4. we have the right to advertise and promote the KID’S HAVEN services and products through broadcast, print and electronic media that are broadcast, delivered or otherwise transmitted into the Territory;
  - 7.2.5. we have the right to offer and sell any services and products within the Territory and elsewhere under any trade names, trademarks, service marks or trade dress, including the Marks, through any channels of distribution other than educational or daycare businesses (including Internet sales; and mail-order sales); and
  - 7.2.6. we have the right to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions.
- 7.3. **National Accounts.** You acknowledge that from time to time we may enter into agreements with certain regional or national businesses (“National Accounts”) to provide services or products at certain National Account locations which may include National Account locations within your Territory. We shall identify and designate any such National Accounts in our Operations Manual, and you acknowledge and agree that from time to time during the Term of the Agreement we may add or remove National Accounts, in our sole business judgment. You acknowledge and agree that we have sole business judgment on who may provide services or products to any National Account location, including any such National Account locations that may be located within your Territory. You acknowledge and agree that we may, in our sole business judgment, offer you the opportunity to accept and provide services or products under the terms of any such National

Account agreement (including, without limitation, any central invoicing or fixed fee terms) for National Account locations within the Territory. In the case of a National Account agreement under which the customer will pay a fixed amount for services or products at all locations listed in such agreement, we shall allocate reasonably such fixed amount among the KID'S HAVEN businesses providing such services or products.

## **8. LOCATION.**

It is your responsibility to find a Location within your Territory to operate the Franchised Business. You must submit to us, according to our procedures, a proposed Location for your Franchised Business for our approval. You must lease, sublease or purchase the Location within one hundred fifty (150) days after the Effective Date of this Agreement.

- 8.1. **Business Location.** You must locate a site for the Franchised Business and have the Location approved by us. You acknowledge and agree that you must use the services of any designated real estate agent that we may specify to you, in our sole business judgment, that any such real estate agent is not our representative or agent, and that we have no liability to you whatsoever relating to your use of, or relationship with, any such designated real estate agent. We have the right to approve the terms of any lease, sublease or purchase contract for the Location, and you agree to deliver a copy of any proposed lease, sublease or purchase contract to us for our approval before you sign it. Our approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You agree that any lease or sublease for the Location must, in form and substance, be satisfactory to us, comply with any requirements set forth in our Standards and must incorporate substantially Appendix F hereto. You further acknowledge that we have advised you to seek legal counsel to review and evaluate the lease. You must deliver a copy of the fully signed lease, sublease or purchase contract to us within fifteen (15) days after its execution.
- 8.2. **Location Approval.** A properly executed site acceptance form is the exclusive means by which we accept a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will make reasonable efforts to make a determination on your site acceptance form within twenty (20) days after receipt of it and any other materials that we have requested. We will furnish you with our standard site selection criteria and assistance for the Franchised Business, as we may establish from time to time. We also will provide such on-site evaluation of sites proposed pursuant hereto, as we deem necessary or appropriate.
- 8.3. **Qualifying Factors.** Factors used by us in deciding whether to accept or reject a proposed site may include, but is not limited to, the general location and neighborhood, demographic information, traffic patterns, zoning, access, visibility, location of other similar businesses or related establishments (including other KID'S HAVEN businesses) and size, condition, configuration, appearance and other physical characteristics of the site.
- 8.4. **Independent Investigation.** Your decision to develop and operate the Franchised Business at any particular site is based solely on your own independent investigation of the suitability of the site for the Franchised Business. You acknowledge and agree that your acceptance of the proposed site is based on your own independent investigation of the suitability of the proposed site.

- 8.5. **Disclaimer of Guarantee.** Our recommendation or approval of any proposed site and any information communicated to you regarding such site does not constitute a representation or warranty of any kind, express or implied, as to the suitability or success of such Location. Our recommendation or approval of the proposed site indicates only that the proposed site satisfies the general guidelines and criteria that we have established for locations.
- 8.6. **General Release.** In consideration of our acceptance of a proposed site, you and your Owners agree to release us, and our Affiliates, officers, directors, employees and agents from any and all loss, damages and liability arising from or in connection with the selection and/or acceptance of such site for the development of a KID'S HAVEN business.

## **9. BUSINESS DEVELOPMENT.**

- 9.1. **Location Development.** You are solely responsible for developing the Franchised Business Location, for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. We will furnish you with mandatory specifications and layouts for a KID'S HAVEN business, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme and other suggestions. The mandatory specifications and layouts we provide will not contain the requirements of any federal, state or local laws, codes or regulations. You are obligated to have prepared, at your expense, all required construction plans and specifications to suit the shape and dimensions of the Location and to ensure that such plans and specifications comply with all applicable federal, state or local laws, codes, regulations, ordinances, building codes and permit requirements and with lease requirements and restrictions. You acknowledge that design quality is important to us. If you use an architect or engineer, you must use an architect or engineer that is acceptable to us. You must submit all such modified plans and specifications, including design specifications, to us for our approval before starting to develop the Location. All final plans are subject to our approval. At our request, you must submit all revised or "as built" plans and specifications. Our review and approval of your plans is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws are your sole responsibility. All development and any signage must be in accordance with the plans and specifications we have approved and must comply with all applicable laws, ordinances and local rules and regulations. We will furnish such guidance to you in developing the Location as we deem appropriate. We may periodically inspect the Location during its development. We do not, by approving your plans or specifications or inspecting the Location, assume any liability or responsibility to you or to any third parties. Such approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your BUSINESS complies with any applicable laws, codes or regulations (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. All prototype and modified plans and specifications for your BUSINESS remain our sole and exclusive property, and you may claim no interest therein.
- 9.2. **Construction of Location.** You must start construction of your BUSINESS within ninety (90) days after you have leased, subleased or acquired the Location or the site for the Location. You must employ a general contractor acceptable to us. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must complete construction of your BUSINESS within one hundred fifty (150) days after the start of construction. Any extensions of

time are subject to our approval, which we may withhold for any reason. You must provide us with weekly progress reports during construction in a format acceptable to us. We have the right to visit and inspect the site during the construction phase. Such visits shall be at our expense, except for visits made upon your request, which shall be at your expense. The requirement to complete construction of your BUSINESS includes obtaining all required construction and occupancy licenses and permits, developing the Location (including all outdoor features and landscaping of the Location, if applicable), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have your Location ready to open for business. Your BUSINESS may not be opened for business until we have notified you that your BUSINESS meets our requirements for opening. Notwithstanding anything to the contrary contained in this Section, you shall not be deemed to be in breach of this Section if your failure to start construction, finish construction or open your BUSINESS as above provided results solely from windstorms, rains, floods, earthquakes, typhoons, mudslides, fires or other natural disasters. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld.

- 9.3. **Equipment, Fixtures, Furniture, Computer Systems, Signs, and Vehicles.** You agree to use in developing and operating the Franchised Business only those equipment, fixtures, furniture, Computer System, signs, and vehicles that we have approved for KID'S HAVEN businesses as meeting our specifications and standards for quality, design, appearance, function and performance. You agree to place or display at the Location (interior and exterior) only such signs, emblems, lettering, logos and display materials that we approve from time to time. You agree to purchase or lease approved brands, types or models of equipment, fixtures, furniture, Computer Systems, signs, and vehicles only from suppliers we have designated or approved which may include us and/or our Affiliates.
- 9.4. **General Release.** Our review and approval of any proposed business development plans for your Location and any involvement or information communicated to you regarding such business development plans is solely to ensure your compliance with the System.

## **10. TRAINING.**

- 10.1. **Initial Training.** Before the Franchised Business begins operation we will provide you with initial training on the operation and management of a KID'S HAVEN business pursuant to our Initial Training program. Before you begin operation of the Franchised Business you are required to attend and successfully complete the initial training to our satisfaction. We reserve the right to change or modify the training, as we deem necessary. If we determine that of either of your Managing Owner or your Location Director is unable to complete initial training to our satisfaction, we have the right to terminate this Agreement.
- 10.1.1. **Owner or Employee.** Any individual who you elect to enroll in the initial training program must be either an Owner or employee. We will provide initial training to three (3) total individuals with no additional fee payable from you to us. Your Managing Owner and your Location Director must attend the initial training program. Your Managing Owner may be the same individual as the Location Director. For each additional individual who you elect to enroll in the initial training program after the initial three (3) individuals, we reserve the right to require you to pay us a supplemental training fee in the amount of Five Hundred Dollars (\$500) per individual.

- 10.1.2. **Schedule, Location and Costs.** Initial training consists of ten (10) working days of training. The training will be at a location that we designate. You are responsible for all travel and living expenses, which the Managing Owner and the selected individual(s) incur in connection with training.
- 10.1.3. **Commencement Assistance.** In addition to your initial training, our designated representative will provide five (5) days of commencement assistance to you at your Location, consisting of not less than six (6) hours each day. The commencement assistance shall be provided either before the date you open the Franchised Business or within ninety (90) days of the date that you open the Franchised Business, in our sole business judgment. You acknowledge and agree that the five (5) days of commencement assistance at your Location does not need to be provided by us on consecutive days. The commencement assistance shall be provided as part of your initial franchise fee at no additional expense to you.
- 10.1.4. **Additional Activities.** You also must participate in all other activities required to operate the Franchised Business.
- 10.2. **Additional Ongoing Required Training.** We may require your Managing Owner and/or previously trained and experienced Owners or employees to attend additional required training courses at such times and locations that we designate, and we may charge reasonable fees for such courses.
- 10.3. **Supplementary Training.** After the commencement of your Franchised Business' operations, if you have additional employees that require training from us we may charge you a fee for this training.
- 10.4. **Training Assistance.** We may ask you to provide training or assistance to other KID'S HAVEN franchisees. You agree to give us reasonable assistance with such training. We agree to reimburse you for your reasonable costs and expenses in providing such assistance.
- 10.5. **Attendance at Required Meetings.** At any time that we specify to you reasonably during the Term of the Agreement, we may require your Owners or employees to attend required meetings with us, or with any third parties who may designate, in our sole business judgment. Any required meeting may be conducted through the method we may designate to you, which may include phone meetings, online meetings, in-person meetings, or any other form of meeting that we may specify in our business judgment. You acknowledge and agree that any designated personnel of the Franchised Business who may specify, in our sole business judgment, must attend any meeting or seminar we require under our Methods of Operation. We may offer a national convention and/or regional meetings or seminars at various times for additional training in operations, marketing, advertising, sales, equipment, technology, business management, or in other topics selected by us in our discretion. For any national convention, your Managing Owner, your Location Director, and/or your designated personnel must attend the full program and must stay at the designated hotel of each national convention, if held by us. Your Managing Owner, your Location Director, and your designated personnel must attend designated meetings held in your geographical area. You are responsible for all expenses incurred by your Managing Owner, your Location Director, and/or your personnel, including, but not limited to, lodging, room, board, salaries, and incidental expenses and other expenses, when attending any voluntary or mandatory programs, seminars, meetings, and/or national convention.

## 11. **PRE – OPENING REQUIREMENTS.**

Prior to opening the Franchised Business you must comply with all pre-opening requirements we specify to you. You agree not to open the Franchised Business until:

- 11.1. **Approved Location.** We approve the Location as developed in accordance with our specifications and standards;
- 11.2. **Complete Training.** Your Managing Owner and any other Owners or employees have completed training to our satisfaction;
- 11.3. **Copy of Lease.** You have given us a copy of your lease for the Location, if applicable;
- 11.4. **Amounts Paid.** The initial franchise fee and all other amounts then due to us have been paid;
- 11.5. **Insurance Documents.** We have been furnished with copies of all agreements and insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept; and
- 11.6. **Compliance With Laws.** You have obtained all required agreements and permits, licenses, and certifications for operating the Franchised Business and the Location is in compliance with all laws, rules and regulations.

## **12. OPERATION REQUIREMENTS.**

After you have satisfied the Initial Training and all our pre-opening requirements we specify to you and you have received our written approval you may begin operation of the Franchised Business. You must maintain and operate the Franchised Business in accordance with this Agreement and the terms and standards contained in the Operations Manual.

- 12.1. **Operations Manual.** For the operation of your Franchised Business we will loan you one (1) copy of our Operations Manual that may include written materials, CDs, DVDs, magnetic media and/or computer software. The Operations Manual contains the mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the operation of the Franchised Business. The Operations Manual also contains business and information relating to other obligations under this Agreement and related agreements. The Operations Manual and other specifications, standards, and operating procedures communicated from us to you (collectively, "Methods of Operation") shall be deemed a part of this Agreement.
  - 12.1.1. **Modification.** We may modify, edit, delete, update, change and enhance the Operations Manual from time to time to reflect changes in the Methods of Operation.
  - 12.1.2. **Safeguard.** You agree to keep your physical and electronic copy of the Operations Manual current and in a secure location at the Franchised Business.
  - 12.1.3. **Disputes.** In the event of a dispute relating to its contents, the master copy of the Operations Manual we maintain at our principal office will be controlling.
  - 12.1.4. **Duplication.** You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual.

- 12.1.5. **Loss.** If your copy of the Operations Manual is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then applicable charge.
- 12.1.6. **Confidentiality.** You acknowledge and agree that the Operations Manual is our proprietary property and contains Confidential Information.
- 12.2. **Compliance with Methods of Operation.** You agree to operate and maintain the Franchised Business in accordance with Methods of Operation, as we periodically modify and supplement them during the Term of this Agreement.
- 12.2.1. **Facilities.** Our Methods of Operation may regulate the design, layout, decor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof.
- 12.2.2. **Types.** Our Methods of Operation may regulate the types, models and/or brands of equipment, fixtures, furnishings, Computer Systems, signs, products, required vehicles, materials and supplies.
- 12.2.3. **Services and Products.** Our Methods of Operation may regulate the required or authorized services and products and ancillary product categories (the sale of merchandise other than KID'S HAVEN merchandise, without our express written approval, is a material breach of the terms of the Agreement).
- 12.2.4. **Suppliers.** Our Methods of Operation may regulate the designated or approved suppliers (which may be limited to or include us) of equipment, fixtures, furnishings, Computer Systems, signs, products, vehicles, materials and supplies (the use of suppliers other than us, our subsidiaries or Affiliates, or our other approved suppliers, without our express written approval, is a material breach of the terms of this Agreement).
- 12.2.5. **Terms and Conditions.** Our Methods of Operation may regulate the terms and conditions of the sale and delivery of, including, without limitation, credit terms and letter of credit amounts, and terms and methods of payment for, and security deposits, for products, materials, supplies and services including direct labor, which you obtain from us, our Affiliates or others.
- 12.2.6. **Advertising and Marketing.** Our Methods of Operation may regulate the sales, marketing, advertising and promotional programs and materials and media used in such programs, including, without limitation, the right to enforce price policies and timing and duration of price reduction periods.
- 12.2.7. **Marks.** Our Methods of Operation may regulate the use and display of the Marks.
- 12.2.8. **Staffing.** Our Methods of Operation may regulate the staffing levels for the Franchised Business and matters relating to managing the Franchised Business; communication to us of the identities of the Franchised Business' personnel; and qualifications, training, dress and appearance of employees, including the requirement that the Franchised Business is all times under the direct management and supervision of your Managing

Owner or a trained and qualified general manager approved by us that has attended all required training courses we may require, in our sole business judgment.

- 12.2.9. **Hours of Operation.** Our Methods of Operation may regulate the days and hours of operation of the Franchised Business.
- 12.2.10. **Program Participation.** Our Methods of Operation may regulate your participation in market research and testing and product and service development programs.
- 12.2.11. **Payment Methods.** Our Methods of Operation may regulate the acceptance of credit cards, other payment systems and check verification services.
- 12.2.12. **Records.** Our Methods of Operation may regulate the bookkeeping, accounting, data processing and record keeping systems and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us.
- 12.2.13. **Insurance.** Our Methods of Operation may regulate the types, amounts, terms and conditions of insurance coverage required to be carried for the Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for the Franchised Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims.
- 12.2.14. **Laws and Standards.** Our Methods of Operation may regulate compliance with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or the Franchised Business.
- 12.2.15. **Other.** Our Methods of Operation may regulate other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and KID'S HAVEN businesses.
- 12.3. **Provisions of this Agreement.** You agree that the Methods of Operation prescribed from time to time in the Operations Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all Methods of Operation as periodically modified.
- 12.4. **Modification of Methods of Operation.** We may periodically modify Methods of Operation, which may accommodate regional or local variations as we determine, and you acknowledge and agree any such modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs.
- 12.5. **Alternative Approved Suppliers.** If you desire to purchase products or services from a party other than an approved supplier, you shall submit to us a written request to approve the proposed supplier, together with such evidence of conformity with our specifications as we may reasonably

require. We shall have the right to require that our representatives be permitted to inspect the supplier's facilities, or that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility that we designate. You shall pay a charge not to exceed the reasonable cost of the evaluation and testing. We shall use our best efforts, within ninety (90) days after our receipt of such completed request and completion of such evaluation and testing (if required by us), to notify you in writing of our approval or disapproval of the proposed supplier. We may from time to time revoke our approval of particular suppliers when we determine, in our sole business judgment, that such suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you shall cease to purchase from any disapproved supplier. You agree that you shall use products or services purchased from approved suppliers solely for the purpose of operating the KID'S HAVEN Franchised Business and not for any other purpose, including, without limitation, resale. Nothing in the foregoing shall be construed to require us to make available to prospective suppliers any standards or specifications that we deem confidential, in our sole business judgment.

### **13. GENERAL GUIDANCE.**

- 13.1. Once you commence operation of the Franchised Business you will be required to submit to us reports, records and other financial statements regarding the performance of the Franchised Business. Also, we may conduct on-site inspections. Based on the information that we receive and review we may provide you with further direction and guidance by providing you with additional written materials, telephone consultations, training or on-site consultations. General guidance as to the operation of the Franchised Business will be found primarily in the Operations Manual or given to you through other written materials or bulletins from us. Guidance may be provided to you in any of the following ways:
  - 13.1.1. Telephone and Internet e-mail consultation during such times as are outlined in the Operations Manual;
  - 13.1.2. Buying advisory services whereby we may provide you with lists of sources and approved suppliers for products, equipment, Computer Systems, merchandise, accessories, services, fixtures, furnishings, signs, vehicles, etc.;
  - 13.1.3. Wholesaling services whereby we may ourselves act as an approved or designated source for products, equipment, Computer Systems, merchandise, accessories, services, fixtures, furnishings, signs, vehicles, etc.;
  - 13.1.4. Ongoing marketing programs to fulfill our obligations of this Agreement;
  - 13.1.5. Newsletter services whereby we may inform you periodically about the current events in the KID'S HAVEN franchise program;
  - 13.1.6. Meetings, whereby we may convene with you and other KID'S HAVEN franchisees for business or social purposes;
  - 13.1.7. Research and development regarding Methods of Operation; and/or
  - 13.1.8. At your request, we will furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish from time to time. If you request, or if we require, additional or special training for your employees, all of the expenses that

we incur in connection with such training, including per diem charges and travel and living expenses for our personnel, will be your responsibility.

13.2. **On-site Consultations.**

During the Term of this Agreement, you are entitled to one (1) on-site consultation each year with our representative assisting you at your Location. The cost of these on-site consultations is included in the initial franchise fee. Each on-site consultation shall consist of not less than three (3) hours.

14. **MARKS.**

All provisions of this Agreement applicable to the Marks apply to any additional proprietary trademarks and service marks and commercial symbols that we authorize you to use.

14.1. **Ownership of Marks.** You do not have an ownership interest in the Marks used with the Franchised Business. It is our right or license to use, license or sublicense the Marks. Your right to use the Marks is derived solely from this Agreement and limited to your operation of the Franchised Business pursuant to and in compliance with this Agreement and Methods of Operation, which we prescribe from time to time during its Term. Your unauthorized use of the Marks is a breach of this Agreement and an infringement of our rights in and to the Marks.

14.2. **Use of Marks.** You agree to use the Marks as the sole identification of the Franchised Business, except that you agree to identify yourself as the independent owner thereof in the manner we prescribe.

14.3. **Goodwill of Marks.** This Agreement does not confer any goodwill or other interests in the Marks to you. Any goodwill established by use of the Marks will be exclusively for our benefit. You will not represent in any manner that you have any ownership in the Marks or the right to use the Marks except as provided in this Agreement and the Operations Manual. At the termination of this Agreement you will not receive any compensation for goodwill.

14.4. **Display of Marks.** You agree to display the Marks prominently in the manner we prescribe at the Franchised Business, on supplies or materials we designate and in connection with forms and advertising and marketing materials.

14.5. **Limitations on Use of Marks.** You may not use any Marks as part of any corporate or legal business name or Internet domain name or Internet e-mail address or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized products or services or in any other manner we have not expressly authorized in writing. No Marks may be used in any advertising concerning the transfer, sale or other disposition of the Franchised Business or an ownership interest in you. You agree to give such notices of trademark and service marks registrations, e.g., “®”, “™”, as we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree to withdraw any fictitious or assumed name registrations immediately upon termination or expiration of this Franchise Agreement.

14.6. **Modification or Replacement of Marks.** You agree to modify or replace any Marks when notified by us. You agree to comply with our directions within a reasonable time after receiving notice. You are responsible for all expenses associated with modifying or replacing the Marks.

We will not be obligated to reimburse you for any lost revenue attributable to any modified or discontinued Marks or for any expenditure you make to promote a modified or substitute Mark.

- 14.7. **Discontinuance of Marks.** You must discontinue the use of the Marks immediately upon termination or expiration of this Agreement.
- 14.8. **Infringement and Claims of Marks.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Marks or of any claim by any person of any rights in any Marks. You agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole business judgment to take such action as we deem appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office (“USPTO”) proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Marks. We shall defend you against any third party claim, suit, or demand arising out of your use of the Marks. If we, in our sole business judgment, determine that you have used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by us. If we, in our sole business judgment, determine that you have not used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Marks, you shall execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in doing such acts.
- 14.9. **Additional Restrictions on Your Use of the Marks.** You shall not attempt to register or otherwise obtain any interest in any Internet domain name or URL containing any of the Marks, or any portion thereof, or any other word, name, symbol or device which is likely to cause confusion with any of the Marks, and; You shall not develop, create, generate, own, license, lease or otherwise utilize any computer media and/or electronic media (including but not limited to the Internet, world wide web, bulletin boards, news group and/or social media) which may be used, or in any manner uses, displays or utilizes the Marks, or other commercial symbols or offers to sell or sells any of the products or services which are or may at a later date be offered for sale by KID’S HAVEN businesses. You may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms. If you desire to utilize any computerized or electronic media in conjunction with the operation of your KID’S HAVEN Franchised Business, you must obtain our prior written approval of such usage, and we may in our sole and absolute business judgment approve or not approve such usage. If we grant approval, we or our Affiliates will be the owners of and/or control the approved computerized or electronic content and media.

**15. CONFIDENTIAL INFORMATION.**

- 15.1. **Determination of Confidential Information.** We possess and will continue to develop and acquire certain confidential information (“Confidential Information”) relating to the development and operation of KID’S HAVEN businesses. Confidential Information is proprietary to us. Confidential Information may be disclosed to you that may include, but is not limited to:

15.1.1. **Locations.** Our location selection criteria;

- 15.1.2. **Business Practices.** Our trade secrets, methods, formats, specifications, standards, systems, procedures, the Operations Manual, any other proprietary materials, and knowledge of and experience in developing and operating KID'S HAVEN businesses;
- 15.1.3. **Marketing and Advertising.** Our marketing and advertising programs for KID'S HAVEN businesses and the sales and marketing techniques used;
- 15.1.4. **Specifications and Suppliers.** Knowledge of our specifications for and suppliers of certain products, supplies, materials, equipment, Computer Systems, fixtures, furnishings, and services; and
- 15.1.5. **Reports and Records.** Knowledge of the operating results and financial performance of KID'S HAVEN businesses other than your Franchised Business.
- 15.2. **Business Purposes Only.** You will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating the Franchised Business during the Term of this Agreement. Use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. Confidential Information is disclosed to you solely on the condition that you agree that you:
- 15.2.1. **Business Only.** You will not use Confidential Information in any other business or capacity.
- 15.2.2. **Term.** You will maintain the absolute confidentiality of Confidential Information during and after the Term of this Agreement.
- 15.2.3. **Copies.** You will not make unauthorized copies of any portion of Confidential Information disclosed to you in any format.
- 15.2.4. **Safeguards.** You will adopt and implement all reasonable safeguard procedures, including those that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure to the Franchised Business' personnel and others.
- 15.3. **Ideas, Concepts, Techniques or Materials.** All ideas, concepts, techniques or materials relating to a KID'S HAVEN business, whether or not constituting protected intellectual property, and whether created by or on behalf of you or your Owners, will be promptly disclosed to us, deemed to be our sole and exclusive property and part of the System and deemed to be works made for hire for us. You and your Owners agree to sign whatever assignment or other documents we may request from time to time to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials.

## 16. **EXCLUSIVE RELATIONSHIP.**

- 16.1. **Exclusive Dealings.** We have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us and not to be involved with a Competitive Business. You agree that during the Term of this Agreement neither you nor any of your Owners including any of your or your Owners' spouses, children or other first degree relatives by blood or marriage will:

- 16.1.1. **Interest or Involvement.** You will not have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, wherever located.
- 16.1.2. **Performance.** You will not perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located.
- 16.1.3. **Recruiting.** You will not recruit or hire any person who is our employee or the employee of any KID'S HAVEN business without obtaining the prior written permission of that person's employer.

## **17. MARKETING.**

17.1. **Advertising Fund.** We may establish an advertising fund ("Advertising Fund") for such advertising, marketing and public relations programs and materials as we deem necessary or appropriate in our sole business judgment. The Advertising Fund is intended to maximize recognition of the Marks and patronage of KID'S HAVEN businesses. We will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all KID'S HAVEN businesses. You will be required to contribute to the Advertising Fund as set forth in this Agreement.

17.1.1. **Contribution.** Upon our written request, you agree to contribute to the Advertising Fund such amounts that we prescribe from time to time, not to exceed one percent (1%) of Gross Revenue (the "Ad Fee"), payable monthly in the same manner as the Royalty due hereunder.

17.1.2. **Control.** We will direct and control all programs financed by the Advertising Fund, with sole business judgment over the creative concept materials and endorsements used therein and the geographic market and media placement and allocation thereof. We may do the marketing and advertising or we may elect to outsource the marketing and advertising to an agency.

17.1.3. **Purpose of Advertising Fund.** The Advertising Fund may be used to pay the costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including, among other things, the costs of preparing and conducting radio, cable television and print advertising campaigns; developing, maintaining, and updating a web site on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; and providing promotional and other marketing materials and services to the businesses operating under the System. The Advertising Fund will furnish you with samples of advertising, marketing formats, promotional formats and other materials at no additional cost to you when we deem appropriate. Multiple copies of such materials will be furnished to you at our direct cost of producing them plus any related shipping, handling and storage charges.

17.2. **Accounting of Advertising Fund.** The Advertising Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Advertising Fund and its programs. This may

include, without limitation, conducting market research, preparing advertising promotion and marketing materials, and collecting and accounting for contributions to the Advertising Fund.

- 17.2.1. **Expenditure of Advertising Fund.** We may spend, on behalf of the Advertising Fund, in any fiscal year, an amount that is greater or less than the aggregate contribution of all KID'S HAVEN businesses to the Advertising Fund in that year and the Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use.
  - 17.2.2. **Interest Earned.** 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 expended.
  - 17.2.3. **Reporting.** We will prepare an annual compiled statement of monies collected and costs incurred by the Advertising Fund and furnish the statement to you upon written request.
  - 17.2.4. **Operation.** We have the right to cause the Advertising Fund to be incorporated or operated through a separate entity at such time as we deem appropriate and such successor entity will have all of the rights and duties specified herein.
- 17.3. **Proportionality.** We undertake no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising Fund by KID'S HAVEN businesses operating in that geographic area. Nor are we under any obligation to ensure that any KID'S HAVEN business will benefit directly or in proportion to its Ad Fees paid to the Advertising Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering the Advertising Fund.
- 17.4. **Deferrals or Reductions.** We reserve the right to defer or reduce contributions of a KID'S HAVEN business franchisee and, upon thirty (30) days' prior written notice to you, to reduce or suspend your payment of Ad Fees to and suspend operations of the Advertising Fund for one or more periods of any length and to terminate (and if terminated to reinstate) the Advertising Fund. If the Advertising Fund is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the Advertising Fund during the preceding three (3) month period.
- 17.5. **Business Promotion By You.**
- 17.5.1. **Initial Marketing Expense.** You acknowledge and agree that prior to beginning to opening the Franchised Business or within ninety (90) days of your completion of initial training with us, you must spend not less than Two Thousand Five Hundred Dollars (\$2,500) for local advertising and promotion of your Franchised Business (the "Initial Marketing Expense").
  - 17.5.2. **Ongoing Local Marketing Expense.** In addition to the Initial Marketing Expense, you acknowledge and agree that each Accounting Period during the Term of the Agreement you must spend not less than Five Hundred Dollars (\$500) for local advertising and promotion of your Franchised Business according to our required standards and specifications.

- 17.6. **Proof of Expenditure.** You are required to provide proof of payment for business promotion, as identified in Section 17.5. We may periodically review your books and records to verify your expenditures for advertising and promotion as required by this Agreement. Proof of expenditures is your burden. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts into the Advertising Fund.
- 17.7. **Advertising Approval.** You may not use any advertising or promotional materials unless we have approved it. Samples of all advertising, promotional and marketing materials, which we have not prepared or previously approved, must be submitted to us for approval before you use them. We own the copyrights to anything so submitted, whether approved by us or not. If you do not receive written approval within fifteen (15) days after our receipt of such materials, we will be deemed to have NOT given the required approval.
- 17.8. **Truthful Advertising, Marketing and Promotion.** You agree that any advertising, promotion and marketing conducted will be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe. All advertising and promotion by you shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner, shall comply with federal and local laws and regulations, including but not limited to the Lanham Act, 15 U.S.C. § 1125 et seq., the Telephone Consumer Protection Act, 47 U.S.C. § 227 et seq. (the "TCPA"), the CAN-SPAM Act, the Telemarketing Sales Rules, and conform to such standards and requirements as we may specify. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from us as described in Section 17.7. You acknowledge and agree that all advertising that you use must designate only our designated telephone number for contacting you, which telephone number we may own. You acknowledge and agree that if you propose to sponsor any organization or event which intends to or will reference the sponsorship by the Franchised Business or intends to or will reference any of the Marks, then you must obtain our prior written approval prior to proceeding with any such proposed sponsorship. You acknowledge and agree that we may disapprove of any such sponsorship, in our sole business judgment. You agree you will be solely responsible for complying with any laws pertaining to communications by telephone, including federal and state anti-solicitation laws regulating phone calls, text messages, spamming, and faxing. You acknowledge and agree that in the event of the termination of this Agreement, for any reason, or the expiration of this Agreement, that the accounts related to all telephone numbers associated with the Franchised Business and all rights in and to the telephone numbers associated with the Franchised Business, shall, at Franchisor's election, be transferred to Franchisor.
- 17.9. **Participation in KID'S HAVEN Website or Other Electronic Media.** You must have Internet access and an e-mail address. You must, at your own expense, participate in the KID'S HAVEN Website on the Internet or other Electronic Media we may specify. You may not separately register any domain name or operate any website containing any of the Marks without our prior written approval. We determine the content and uses of the KID'S HAVEN Website and have the right to establish the rules under which franchisees may or must participate in the KID'S HAVEN Website or separately use the Internet, Electronic Media, or other on-line communications. We retain all rights relating to the KID'S HAVEN Website and may alter or terminate the KID'S HAVEN Website. Your general conduct on the KID'S HAVEN Website or on Electronic Media or other on-line or electronic communications and specifically your use of the Marks or any advertising on the KID'S HAVEN Website or other on-line or electronic communications (including the domain name and any other Marks we may develop as a result of participation in the website or other on-line communications) is subject to the provisions of this Agreement. You shall not use or download any software on your computer unless it has been authorized by us in

writing. In the event you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in the KID'S HAVEN Website may be considered Confidential Information, including access codes and identification codes. Your right to participate in the KID'S HAVEN Website or other online or electronic systems we may develop or otherwise to use the Marks or System on the Internet or other on-line or electronic communications terminates when this Agreement expires or terminates.

- 17.10. **Electronic Media.** You acknowledge the significance of Electronic Media to the System and necessity for our control over Electronic Media. We are the absolute owner of the Electronic Media and nothing contained in this Agreement grants to you any ownership interest in or to the Electronic Media. You shall not utilize, access, or open accounts regarding or related to Electronic Media unless expressly approved by us in writing which approval we may withhold, or limit as determined by us in our sole business judgment. If we grant any such approval, it shall be limited to the marketing and promotion the Franchised Business in accordance with our Methods of Operation. Upon expiration or termination of this Agreement for any reason, any prior authorization by us as to your right to utilize the Electronic Media and/or otherwise as to any other rights in or to the Electronic Media shall be automatically terminated and, at our election, the right to any and all accounts and/or sites (if any) associated with Electronic Media utilized by you shall be transferred to us. Under no circumstance shall you utilize the Electronic Media for purposes of or with the effect of libeling or disparaging another nor shall you violate any copyrights, and as to any such actions as between you and any third party, you are exclusively responsible for disparagement, libel and/or copyright infringement if you published and/or caused such content be published. You agree that Electronic Media, if permitted by us, must be approved by us prior to publication or use in any form. Electronic Media that is approved by us or that otherwise is acceptable to us as meeting our standards shall be owned by us. Any and all interest and right in or to the Electronic Media shall, at all times, be and is our exclusive property both during the Term of this Agreement and upon the expiration or termination of this Agreement. You acknowledge and agree that the KID'S HAVEN Website and all improvements and modifications made to the KID'S HAVEN Website and Electronic Media is and shall be our exclusive property. During the Term of this Agreement and subject to your compliance with the terms and conditions of this Agreement, the KID'S HAVEN Website shall include information related to the Franchised Business as shall be determined and designated by us in our business judgment.
- 17.11. **Restrictions on Use of Social Media.** You acknowledge and agree that without our prior written consent, you may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Instagram, Twitter, LinkedIn, and so on, except in accordance with the related standards and restrictions we specify from time to time in the Methods of Operation. You acknowledge and agree that under our Methods of Operation we may require you utilize specified social media networks or platforms to promote client outcomes. You acknowledge and agree that we may restrict the Franchised Business, or any individual employed by the Franchised Business, from utilizing social media networks or platforms to promote any individual client outcome without providing additionally in any such social media posting any designated reference or attribution to the Marks, or to the System, that we may specify to you.

**18. RECORDS, REPORTS AND FINANCIAL STATEMENTS.**

- 18.1. **Bookkeeping.** You agree to establish and maintain at your own expense a bookkeeping, accounting and record keeping system conforming to the requirements and formats we prescribe. You agree to produce records, reports and financial statements upon our request that adequately represent your financial position and that of the Guarantors. We may require you to use approved computer hardware and software in order to maintain the Franchised Business' records and reports. Records and reports must be furnished to us in the form and frequency as specified in this Agreement and the Operations Manual. You acknowledge and agree that we may require you to provide any of the following information:
- 18.1.1. **Sales Records.** You agree to provide us, by the fifth (5<sup>th</sup>) day after the end of each calendar month, with copies of all signed sales tax returns and signed withholding tax returns for the Franchised Business and copies of the canceled checks for the required sales taxes and withholding taxes.
- 18.1.2. **Monthly Financial Statements.** You agree to provide us, by the fifth (5<sup>th</sup>) day after the end of each calendar month, a profit and loss statement for the Franchised Business for the preceding calendar month and a year-to-date balance sheet.
- 18.1.3. **Annual Financial Statements.** You agree to provide us, within ninety (90) days after the end of the Franchised Business' fiscal year, reviewed annual profit and loss and source and use of funds statements and a reviewed balance sheet for the Franchised Business as of the end of such fiscal year signed by you or your principal operating officer or operating partner.
- 18.1.5. **Tax Returns.** You agree to provide us, within ten (10) days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other related information.
- 18.1.6. **Credit Reports.** You agree to allow us to obtain credits reports as deemed necessary during the period of this Agreement.
- 18.1.7. **Maintenance of Records.** You are required to maintain reports, records and financial statements as prescribed in the Operations Manual for your Franchised Business.
- 18.2. **Verification.** You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you or the location of the Franchised Business. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis at your expense by an independent third party. Moreover, we have the right, as often as we deem appropriate, including on a daily basis, to access the computer systems that you are required to maintain in connection with the operation of the Franchised Business and to retrieve all information relating to the Franchised Business' operations.

## 19. **INSPECTIONS AND AUDITS.**

- 19.1. **Right to Audit.** Our designated agents and we have the right to, at any time during your regular business hours and without prior notice to you, to inspect and/or audit, or cause to be inspected and/or audited, all records relating to the Franchised Business and operation practices of the Franchised Business in order to verify that you are complying with this Agreement, collateral agreements, the Methods of Operation and that you are maintaining the uniformity and quality of the services associated with the Marks. We have the right to observe, photograph and videotape

the operations of the Franchised Business for such consecutive or intermittent periods, as we deem necessary. We have the right to interview personnel and customers of the Franchised Business. We have the right to inspect and copy any books, records and documents relating to your operation of the Franchised Business. You agree to cooperate with any such inspection.

- 19.2. **Audit Expense.** In the event such inspection and/or audit is made necessary by your failure to furnish reports, supporting records or other information as herein required, or to furnish such items on a timely basis, you agree to reimburse us for the reasonable cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees.
- 19.3. **Cure.** In the event an inspection or audit reveals that any payments have been understated in any report to us, then you must immediately pay to us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the highest contract rate of interest permitted by law. If an inspection or audit discloses an understatement in any report of two (2%) percent or more, you shall, in addition to repayment of monies owed with interest, reimburse us for any and all costs and expenses connected with the inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

## **20. TRANSFER AND ASSIGNMENT.**

- 20.1. **Assignment by Us.** This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests herein.
- 20.2. **Assignment by You.** This Agreement and the Franchise are granted personally to you. You may only assign or transfer any interest or ownership that you may have in the Franchised Business with our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void. Our approval is conditioned on the prospective transferee agreeing to sign a franchise agreement with us and meeting our qualifying conditions and requirements. We will not unreasonably withhold the approval of a prospective franchisee.
- 20.3. **Assignments.** An assignment, transfer, sale, gift or other disposition includes the following events:
- 20.3.1. transfer of ownership of capital stock, partnership interest, or other equity interest in you;
  - 20.3.2. merger or consolidation or issuance of additional securities or interests representing an ownership interest in you;
  - 20.3.3. any issuance or sale of your stock or any security convertible to your stock to any person or entity other than an existing Owner;
  - 20.3.4. transfer of an interest in you, this Agreement or the Franchised Business in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;
  - 20.3.5. transfer of an interest in you, this Agreement or the Franchised Business, in the event of your death or the death of one of your Owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

20.3.6. pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Franchised Business or your transfer, surrender or loss of possession, Control or management of the Franchised Business.

20.4. **Conditions for Approval of Transfer.** If you and all Owners are in full compliance with this Agreement, we will approve a transfer that meets all of our applicable requirements and otherwise meets our applicable standards for KID'S HAVEN business franchisees. A transfer of ownership, possession or Control of the Franchised Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or a Controlling Interest in you, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a Controlling Interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

20.4.1. **Abilities.** The transferee and its direct and indirect owners have the moral character, skill, aptitude, attitude, experience, references, credentials, acumen and financial capacity to operate the Franchised Business.

20.4.2. **Current Accounts.** You have paid all Royalties, Ad Fees, amounts owed for purchases from us and all other amounts owed to us or to third party creditors and have submitted all required reports and statements.

20.4.3. **Training.** The transferee's Managing Owner has agreed to complete training to our satisfaction and does complete training to our satisfaction prior to closing.

20.4.4. **Franchise Agreement.** The transferee has agreed to be bound by all of the terms and conditions of this Agreement for the remainder of its Term or, at our option, must execute our then current standard form of franchise agreement and related documents used in the state in which your Franchised Business is located (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations than those provided in this Agreement).

20.4.5. **Transfer Fee.** You pay us a transfer fee in the amount of Five Thousand Dollars (\$5,000). In addition to the transfer fee, you agree to pay us our reasonable legal fees and administrative costs incurred, and our reasonable out-of-pocket expenses, including, without limitation, travel, meals, lodging and other investigative expenses involved in meeting with or qualifying the transferee. If the proposed transfer is among your Owners, the transfer fee will be waived, although you are required to reimburse us for any reasonable legal and administrative costs we incur in connection with the transfer.

20.4.6. **General Release.** You (and your transferring Owners) have executed a general release, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents.

20.4.7. **Approval.** We have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Franchised Business.

20.4.8. **Priority.** If you or your Owners finance any part of the sale price of the transferred interest, you and/or your Owners have agreed that all of the transferee's obligations

pursuant to any promissory notes, agreements or security interests that you or your Owners have reserved in the Franchised Business are subordinate to the transferee's obligation to pay Royalties, Advertising Fund contributions and other amounts due to us and otherwise to comply with this Agreement.

- 20.4.9. **Collateral Agreement.** You and your transferring Owners have executed an agreement in favor of us agreeing to be bound, commencing on the effective date of the transfer, by the restrictions contained in this Agreement pertaining to the Marks (Section 14), Confidential Information (Section 15) and a Covenant not to Compete (Section 23.4).
- 20.4.10. **Representation.** You and your transferring Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other KID'S HAVEN businesses you own and operate) identify or represent yourself or themselves or any business as a current or former KID'S HAVEN business, or as one of our licensees or franchisees, use any Marks, any colorable imitation thereof or other indicia of a KID'S HAVEN business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us.
- 20.5. **Transfer to a Wholly Owned Corporation.** If you are in full compliance with this Agreement, you may transfer this Agreement to a wholly-owned corporation which conducts only KID'S HAVEN Franchised Business. You agree to maintain management Control and own and control one hundred (100%) percent of the equity and voting power of all issued and outstanding capital stock. All assets and operations of the Franchised Business are to be owned and controlled by a single corporation. Transfers of shares in such corporation will be subject to the provisions of this Agreement. You agree to remain personally liable under this Agreement as if the transfer to such corporation had not occurred.
- 20.6. **Operation Upon the Death or Disability of the Managing Owner.** If, upon the death or permanent disability of the Managing Owner, the Franchised Business is not being managed by a manager trained by us, you or such Managing Owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed ninety (90) days from the date of death or permanent disability of the Managing Owner, appoint a manager to operate the Franchised Business, subject to our written approval. Such manager must successfully complete our required initial training at your expense within thirty (30) days of being appointed to operate the Franchised Business. This manager is not necessarily the transferee of Section 20.4, but an interim manager to keep the Franchised Business operational until a transfer can be completed.
- 20.7. **Effect of Consent to Transfer.** Our consent to a transfer of this Agreement and the Franchised Business or any interest in you does not constitute a representation on our behalf as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Business or transferee or a waiver of any claims we may have against you (or your Owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.
- 20.8. **Bona Fide Offers.** If you (or any of your Owners) at any time determine to sell, assign or transfer for consideration an interest in this Agreement and the Franchised Business or an ownership interest in you, you agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of five (5%) percent or more of the offering price) and a completed

franchise application from a fully disclosed offeror (including lists of the owners of record and beneficial owners of any corporate or limited liability company, or all general and limited partners of any partnership, or, in the case of a publicly held corporation or limited partnership, copies of the most current annual and quarterly reports and Form 10K) and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in you or in this Agreement and the Franchised Business and may not include an offer to purchase any of your (or your Owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your Owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your Owners) for the interest in you or in this Agreement and the Franchised Business must reflect the bona fide price offered therefor and not reflect any value for any other property or rights.

20.9. **Our Right of First Refusal.** We have the right, exercisable by written notice delivered to you or your selling Owners within thirty (30) days from the date of the delivery to us of both an exact copy of such bona fide offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such bona fide offer, provided that:

20.9.1. we may substitute cash for any form of payment or non-cash consideration proposed in such offer;

20.9.2. our credit will be deemed equal to the credit of any proposed purchaser;

20.9.3. we will have not less than sixty (60) days after giving notice of our election to purchase to prepare for closing; and

20.9.4. we are entitled to receive, and you and your Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

20.9.4.1. ownership and condition of and title to stock or other forms of ownership interest and/or assets;

20.9.4.2. liens and encumbrances relating to the stock or other ownership interest and/or assets; and

20.9.4.3. validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

20.10. **Exercise.** If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of twenty four (24) months commencing on the date of the closing, you and they will be bound by the non-competition covenant contained in Section 23.4. You and your selling Owner(s) further agree that you and they will, during this same time period, abide by the restrictions of Section 23 of this Agreement.

20.11. **Non-Exercises.** If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such bona fide offer, subject to our approval of the transfer as provided in Section 20.4. If the sale is not completed within one hundred twenty (120) days after delivery of such bona fide offer to us, or if there is a

material change in the terms of the sale (which you agree promptly to communicate to us), the sale will be treated as a new sale subject to our right of first refusal as provided in Section 20.9.

## **21. EXPIRATION OF THIS AGREEMENT.**

21.1. **Expiration and Renewal.** Upon the expiration of the Term of this Agreement you may renew the franchise for the Franchised Business if you and each of your Owners have substantially complied with this Agreement during its Term. You will have the right to renew your franchise, under the terms and conditions of the Franchise Agreement we are using at that time, provided that you agree to add or replace improvements, equipment, signs, and vehicles, and otherwise modify the Franchised Business as we require to bring it into compliance with specifications and standards then applicable for KID'S HAVEN businesses.

21.2. **Renewal Fee.** If you are eligible and elect to renew your franchise the renewal franchise fee is Five Thousand Dollars (\$5,000).

21.3. **Notice.** You agree to give us written notice of your election to renew your franchise during the last year of the Term of this Agreement but not less than six (6) months prior to the date of expiration of this Agreement. We agree to give you written notice ("Our Notice"), not more than ninety (90) days after we receive your notice, of our decision.

21.3.1. **Grant.** Our Notice may grant to you a ten (10) year renewal franchise;

21.3.2. **Conditional Grant.** Our Notice may be a conditional grant to you a renewal of the franchise on the condition that deficiencies of the Franchised Business, or in your operation of the Franchised Business, are corrected within a specified time frame; or,

21.3.3. **No Grant.** If we elect not to grant a renewal franchise, Our Notice will describe the reasons for our decision.

21.4. **Agreements / Releases.** If you satisfy all of the other conditions to the grant of a renewal franchise, you and your Owners agree to execute the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of renewal franchises for KID'S HAVEN businesses. You and your Owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. Failure by you or your Owners to sign these agreements and releases and deliver them to us for acceptance and execution within sixty (60) days after their delivery to you will be deemed an election not to acquire a renewal franchise.

## **22. DEFAULT AND TERMINATION**

22.1. **Automatic Termination.** You shall be deemed to be in default under this Agreement, and all rights granted to you herein shall automatically terminate without notice to you or opportunity to cure, if: You become insolvent or make a general assignment for the benefit of creditors; a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; you are adjudicated bankrupt or insolvent; a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law should be instituted by or against you; a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond

is filed); you are dissolved; execution is levied against your business or property; suit to foreclose any lien or mortgage against the Location or equipment is instituted against you and not dismissed within thirty (30) days; or the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

22.2. **Notice Without Opportunity to Cure.** In addition to the foregoing, upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you (in the manner provided under Section 26 hereon:

22.2.1. If you fail to open and operate the KID'S HAVEN Franchised Business within the time limits provided in Section 6.1 hereof;

22.2.2. If your Managing Owner, Location Director or the other individuals identified in Section 10.1 fail to complete the Initial Training Program to our satisfaction, fail to attend additional training as described in Section 10.3 hereof, or if you fail at any time to staff the Location with an approved and qualified Location Director, as herein required;

22.2.3. If you at any time cease to operate or otherwise abandon the Franchised Business for one (1) or more consecutive business days, or lose the right to possession of the Location, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located; however, if, through no fault of your own, the Location is damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you shall have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the Location, which approval shall not be unreasonably withheld;

22.2.4. If you, or any of your Owners, officers, or directors, are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or our interest therein; or if you or any of your Owners, officers, or directors, commit any acts or engage in any behavior that we believe is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interest therein, including but not limited to conduct that is fraudulent, unfair, unethical, or deceptive;

22.2.5. If a threat or danger to public health or safety results from construction, maintenance, or operation of the Franchised Business;

22.2.6. If any purported assignment or transfer of any direct or indirect interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business is made to any third party without our prior written consent, or otherwise contrary to the terms of Section 20 hereof;

22.2.7. If an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 20.6 hereof;

22.2.8. If you fail to comply with the covenants in Section 16 hereof;

22.2.9. If, contrary to the terms of Section 15 hereof, you disclose or divulge the contents of the Operations Manual or other Confidential Information provided to you by us;

- 22.2.10. If you intentionally under-report Gross Revenue;
- 22.2.11. If you knowingly maintain false books or records or submit any false reports or other documentation (including your application for this franchise) to us;
- 22.2.12. If you misuse or make any unauthorized or improper use of the Marks or any other identifying characteristics of the System, or otherwise materially impair the goodwill associated therewith or our rights therein; or if you fail to utilize the Marks solely in the manner and for the purposes directed by us;
- 22.2.13. If you refuse to permit us to inspect the Location, or the books, records or accounts of you upon demand as provided for herein;
- 22.2.14. If you, after curing any default pursuant to Section 22.3 hereof, commit the same default again, whether or not cured after notice;
- 22.2.15. If you sell products not previously approved by us, or purchase any product or service from a supplier not previously approved by us;
- 22.2.16. If you (or any of your owners) have made any material misrepresentation to us or any other party or omission in connection with your purchase of the Franchised Business; or
- 22.2.17. If we cure any default by you pursuant to Section 22.4 hereof.
- 22.3. **Notice With Opportunity to Cure.** Except as otherwise provided in Sections 22.1 and 22.2 of this Agreement, upon any other default by you, we shall give you written notice of such default and an opportunity to cure such default within thirty (30) days (or such shorter period specified below) of your receipt of such notice. We shall have the right to terminate this Agreement immediately upon notice to you if you fail to cure any default to our satisfaction, and provide proof thereof, within the thirty (30) days period (or such shorter period specified below). If applicable law requires a longer cure period, such period shall apply to our notice. Defaults which are susceptible of cure hereunder include the following illustrative events:
- 22.3.1. If you fail to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time be supplemented by the Operations Manual, or fail to carry out the terms of this Agreement in good faith;
- 22.3.2. If you fail, refuse or neglect promptly to pay any monies owing to us or our Affiliates when due, or to submit the financial or other information required by us under this Agreement (You shall have seven (7) days from your receipt of written notice to cure such default);
- 22.3.3. If you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement, the Operations Manual, or otherwise in writing;
- 22.3.4. Except as provided in Section 22.2.6 hereof, if you fail, refuse or neglect to obtain our prior written approval or consent as required by this Agreement;
- 22.3.5. If, upon inspection by us or a government health inspector, your KID'S HAVEN Franchised Business is in violation of the health, safety, or sanitation standards prescribed

by us in this Agreement, the Operations Manual, or otherwise in writing, or is in violation of any health or safety law, codes, or regulation (You shall have twenty four (24) hours from your receipt of written notice to cure such default);

22.3.6. If you act, or fail to act, in any manner which is inconsistent with or contrary to your lease or sublease for the Location, or in any way jeopardize your right to renewal of such lease or sublease (You shall have seven (7) days from your receipt of written notice to cure such default);

22.3.7. If you engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to the Marks (You shall have seven (7) days from your receipt of written notice to cure such default); or

22.3.8. If you fail to comply with all applicable laws, rules and regulations related to the operation of the KID'S HAVEN Franchised Business (including, without limitation, the applicable provisions regarding the construction, design and operation of the KID'S HAVEN Franchised Business).

22.4. **Limitation of Services or Benefits.** If you receive a notice of default issued pursuant to either Section 22.2 or Section 22.3 and fail to cure such default within the time period permitted in such notice, we shall have the right, in our sole business judgment, to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to you hereunder in lieu of exercising our right to terminate this Agreement pursuant to its terms, including, without limitation:

22.4.1. To restrict you or any of your staff attendance at any initial training, continuing training, meetings, workshops, or conventions;

22.4.2. To refuse or permit any Affiliate to sell or furnish to you any equipment, supplies, products, or advertising and promotional materials, including, but not limited to, withholding shipment of equipment or other products used in the Franchised Business;

22.4.3. To refuse to provide you with ongoing advice about the operation of the KID'S HAVEN Franchised Business;

22.4.4. To refuse any request by you to approve a new supplier; and

22.4.5. To refuse any request by you to approve the use of any advertising or promotional materials.

You agree to hold us harmless with respect to any action taken by us pursuant to this Section 22.4; and you further agree that we shall not be liable for any loss, expense, or damage incurred by you or the KID'S HAVEN Franchised Business because of any action we take pursuant to this Section 22.4. Nothing in this Section 22.4 constitutes a waiver of any of our rights or remedies under this Agreement or any other agreement between the parties, including, without limitation, the right to terminate this Agreement under Sections 22.1, 22.2, and 22.3 hereof. You acknowledge and agree that our exercise of our rights pursuant to this Section 22.4 shall not be deemed a constructive termination of this Agreement or of any other agreement between the parties, and shall not be deemed a breach of any provision of this Agreement by us. Any services or benefits removed, curtailed, or limited pursuant to this Section 22.4 may be reinstated at any time by us in our sole business judgment and you hereby agree to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited. You acknowledge and

agree that, if we limit any services or benefits under this Section 22.4, you shall continue to pay timely all fees and payments required under this Agreement and any other agreement between you and us, including, without limitation, any fees associated with services or benefits limited by us. You shall have no right to a refund of any fees paid in advance for such services or benefits.

**23. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

23.1. **Payment of Amounts Owed to Us and Assignment of Customer Accounts.** Any money which you owe us as of the termination or expiration date of this Agreement shall be paid to us by you within fifteen (15) days of the effective date of the termination or expiration. You agree that all customer accounts shall be assigned by you immediately to us upon termination or expiration of this Agreement and you agree to execute any and all documents and do such acts as we may request to carry out such assignment of your customer accounts, in our sole business judgment.

23.2. **Marks.** Upon the termination, for any reason, or expiration of this Agreement:

23.2.1. you may not directly or indirectly at any time or in any manner (except with respect to other KID'S HAVEN businesses you own and operate) identify yourself or any business as a current or former KID'S HAVEN business, or as one of our licensees or franchisees, use any Marks, any colorable imitation thereof or other indicia of a KID'S HAVEN business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that indicates or suggests a connection or association with us;

23.2.2. you agree to take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any Marks;

23.2.3. if we do not exercise our option to purchase the Franchised Business pursuant to Section 23.6, you agree to deliver to us within thirty (30) days after the Notification Date (as defined in Section 23.6.1.) all signs, sign-faces, sign-cabinets, marketing materials, forms, packaging and other materials containing any Marks or otherwise identifying or relating to a KID'S HAVEN business and allow us, without liability to you or third parties, to remove all such items from the Franchised Business;

23.2.4. if we do not exercise our option to purchase the Franchised Business pursuant to Section 23.6, you agree that, after the Notification Date, you will promptly and at your own expense make such alterations as we may specify to distinguish the Franchised Business clearly from its former appearance and from other KID'S HAVEN businesses so as to prevent confusion therewith by the public;

23.2.5. if we do not exercise our option to purchase the Franchised Business pursuant to Section 23.6, you agree that, after the Notification Date, you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, facsimile or other numbers and any regular, classified or other telephone directory listings associated with any Marks, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify; and

23.2.6. you agree to furnish us, within thirty (30) days after the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

- 23.3. **Confidential Information.** You agree that, upon termination, for any reason, or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials, including, without limitation, computer software and any mechanisms (electronic key) used to access the software, that we have allowed you to use.
- 23.4. **Covenant Not to Compete.** Upon the termination or expiration of this Agreement in accordance with its terms and conditions, including the transfer or assignment of this Agreement or any interest in the Franchised Business, you agree that, for a period of thirty six (36) months commencing on the effective date of termination or expiration neither you nor any of your Owners will have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee in a management or sales capacity, consultant, representative or agent or in any other capacity in any Competitive Business operating at the Location, within the Territory, within one hundred (100) miles from any point on the perimeter of your Territory, or within (30) miles from the principal business address of any other then-existing KID'S HAVEN business.
- 23.5. **Commencement by Order.** If it becomes necessary to enforce the Covenant Not to Compete by court order, we will seek to enjoin competition for two years from the date of issuance of the order. You and your Owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living.
- 23.6. **Our Rights to Purchase the Franchised Business.**
- 23.6.1. **Exercise of Option.** Upon termination or expiration of this Agreement in accordance with its terms and conditions or your termination of this Agreement without cause, we have the option, exercisable by giving written notice to you within sixty (60) days from the date of such termination or expiration, to purchase the Franchised Business from you, including the leasehold rights to the Location, free and clear of all liens, restrictions or encumbrances. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "Notification Date.") We have the unrestricted right to assign this option to purchase the Franchised Business. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.
- 23.6.2. **Leasehold Rights.** You agree, at our election, to assign your leasehold interest in the Location to us or, to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.
- 23.6.3. **Purchase Price.** The purchase price for the Franchised Business will be its fair market value, determined in a manner consistent with reasonable depreciation of the Franchised Business' equipment, signs, inventory, materials and supplies, provided that the Franchised Business will be valued as an independent business and its value will not include any value for the Franchise or any rights granted by this Agreement; the Marks; or participation in the network of KID'S HAVEN businesses. The length of the

remaining term of the lease for the Location will also be considered in determining the Franchised Business' fair market value.

23.6.4. Exclusions. We may exclude cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Franchised Business' operation or that we have not approved as meeting standards for KID'S HAVEN businesses from the assets purchased, and the purchase price will reflect these exclusions.

23.6.5. Appraisal. If we and you are unable to agree on the Franchised Business' fair market value, its fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser, you will appoint one appraiser and the two party appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within fifteen (15) days after the date we determine that we are unable to agree on the Franchised Business' fair market value, and the two appraisers so chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the reasonable fees and expenses of the third appraiser chosen by the two party appointed appraisers. You and we will take reasonable actions to cause the appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

23.6.6. Closing. The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your Owners owe to us.

23.6.7. Instruments. At the closing, you agree to deliver instruments transferring:

23.6.7.1. good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you; and

23.6.7.2. all licenses and permits of the Franchised Business which may be assigned or transferred; and

23.6.7.3. the leasehold interest in the Location and improvements thereon.

23.6.8. Escrow. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will, at our election, be accomplished through an escrow arrangement with an independent escrow agent selected by us.

23.6.9. Releases. You and your Owners agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

23.7. Continuing Obligations. All of our and your (and your Owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

**24. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION.**

- 24.1. **Independent Contractors.** You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, Franchised Business personnel and others as the Owner of the Franchised Business under a franchise we have granted and to place such notices of independent ownership on such forms, checks, business cards, stationery and advertising and other materials as we may require from time to time.
- 24.2. **No Liability For Acts of Other Party.** You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than Franchisor and Franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages of any nature whatsoever to any person or property directly or indirectly arising out of the Franchised Business' operation or the business you conduct pursuant to this Agreement.
- 24.3. **Taxes.** We will have no liability for any sales, use, service, occupation, excise, employment related, gross receipts, income, property or other taxes, whether levied upon you or the Franchised Business, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.
- 24.4. **Indemnification.** You, and each of the Guarantors identified in Appendix C, agree that you shall, at all times, indemnify, exculpate, defend and hold harmless, to the fullest extent permitted by law, us, our successor, assigns, affiliates and the respective officers, directors, shareholders, agents, representatives, independent contractors, servants, and employees of each of them (the "Indemnified Parties") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof, which arises out of or is based upon any of the following: the infringement, alleged infringement or any other violation by you, your Guarantors or principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties; the violation, breach, or asserted violation or breach by you, your Guarantors or principals of any federal, state, or local law, regulation, ruling or industry standard; libel, slander, or any other form of defamation by you or your Guarantors or principals; the violation or breach by you or by your Guarantors or principals of any warranty, representation, agreement, or obligation of this Agreement or in any other agreement between you and us or our Affiliates; acts, errors, omissions of you, any of your Affiliates, any of your principals, officers, directors, shareholders, agents, representatives, independent contractors, and employees of you and your Affiliates in connection with the establishment and operation of the Franchised Business, including, but not limited to, any acts, errors, or omissions of any of the foregoing in the operation of any motor vehicle or in the establishment or implementation of security for the Franchised Business. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs incurred in the defense of any claim against any of the Indemnified Parties, including,

without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us at your expense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

- 24.5. **Mitigation Not Required.** Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

## 25. **ENFORCEMENT AND MISCELLANEOUS MATTERS.**

- 25.1. **Severability and Substitution of Valid Provisions.** Except as expressly provided to the contrary herein, each provision of this Agreement, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt from us of a notice of non-enforcement thereof.

- 25.2. **Lesser Covenant Enforceable.** If any covenant herein is unenforceable because it is too broad, but would be enforceable by reducing it in scope, time or other manner you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

- 25.3. **Greater Notice.** If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required herein, this Agreement is deemed modified to comply with the applicable law.

- 25.4. **Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver we grant will be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked, in our sole business judgment, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

- 25.5. **Non-Waiver.** We and you will not be deemed to have waived or impaired any right, power or option reserved by this Agreement.

- 25.6. **Force Majeure.** Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations is not our or your fault and results from:

25.6.1. unforeseeable transportation shortages, inadequate supply of equipment, products, merchandise, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order 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;

25.6.2. acts of nature;

25.6.3. fires, strikes, embargoes, war or riot; or

25.6.4. any other similar event or cause.

25.7. **Extend Performance.** Any delay resulting from any force majeure causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed.

25.8. **Discontinued Programs/Promotions.** We are not liable to you for any loss or damage, or deemed to be in breach of this Agreement, if we discontinue any programs or promotions and they are no longer a part of our Methods of Operation or if we cannot deliver, or cause to be delivered, or if our Affiliates or designated sources or approved suppliers cannot deliver, all of your orders for products, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.

25.9. **Costs and Attorney's Fees.** If we incur expenses in connection with your failure to pay when due amounts owed to us, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

25.10. **You May Not Withhold Payments Due to Us.** You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder. You agree that all such claims will, if not otherwise resolved by us, be submitted to arbitration as provided in Section 25.12.

25.11. **Rights of Parties are Cumulative.** Our and your rights hereunder are cumulative, and no exercise or enforcement by us or you of any right or remedy hereunder will preclude our or your exercise or enforcement of any other right or remedy hereunder which we or you are entitled by law to enforce.

25.12. **DISPUTE RESOLUTION.**

25.12.1. **Mediation.** Except as provided in Section 25.12.3., prior to filing any demand for arbitration, the parties agree to mediate any dispute, controversy or claim between the parties and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or Owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Franchised Business, any loan or other finance arrangement between us or our Affiliates and you, the parties' relationship, your Franchised Business, or any Methods of Operation, our System or any Standard, in accordance with the following procedures:

25.12.1.1. The party seeking mediation must commence mediation by sending the other party, in accordance with Section 26, a written notice of its request for mediation headed "Notification of Dispute". The Notification of Dispute will specify, to the fullest extent possible, the party's version of

the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other relief such party claims. The party (or parties as the case may be) receiving a Notification of Dispute will respond within twenty (20) days after receipt thereof, in accordance with Section 26, stating its version of the facts, and, if applicable, its position as to damages sought by the party initiating the dispute procedure; provided, however, that if the dispute has been the subject of a default notice given under Section 22 of this Agreement, the other party will respond within ten (10) business days.

25.12.1.2. Upon receipt of a Notification of Dispute and response under Section 25.12.1, the parties will endeavor, in good faith, to resolve the dispute outlined in the Notification of Dispute and response. If the parties have been unable to resolve a dispute outlined in a Notification of Dispute or a response thereto within twenty (20) days after receipt of the response, either party may initiate a mediation procedure in accordance with the American Arbitration Association (“AAA”), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties will take place in the city of our then-current corporate headquarters. The parties must select a mediator jointly.

25.12.1.3. All mediation sessions will occur in Minnesota at a mutually agreed location and must be attended by your Principal Owners or Managing Owner (and any other persons with authority to settle the dispute on your behalf) and our representatives(s) who is/are authorized to settle the dispute. The parties may be represented by counsel at the mediation. The parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the dispute if at all possible within thirty (30) days of the notice from the party seeking to initiate the mediation procedures. If the dispute is not resolved within thirty (30) days, the parties are free to pursue arbitration. In addition, if the party receiving notice of mediation has not responded within five (5) days of delivery of the notice or a party fails to participate in the mediation, this Section 25.12.1. will no longer be applicable and the other party can pursue arbitration. The parties agree that the costs of the mediator will be split equally between the parties. Each party must pay its own fees and expenses incurred in connection with the mediation. The mediation proceeding and any negotiations and results thereof will be treated as a compromise settlement negotiation and the entire process is confidential. At least five (5) days prior to the initial mediation session, each party must deliver a written statement of positions.

25.12.2. Arbitration. Except as provided in Section 25.12.3, any dispute, controversy or claim between you and us and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or Owners arising under, out of, in connection with or in relation to this Agreement, any lease of sublease for your Franchised Business, any loan or other financial arrangement between us or our Affiliates and you, the parties’ relationship, your Franchised Business, or any System Standard or the scope or validity of the arbitration obligation under this Section not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The

arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

- 25.12.2.1. In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such a proceeding will be barred.
- 25.12.2.2. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation or joinder of or class action certification of claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts, in accordance with Section 25.14.
- 25.12.2.3. The arbitration must take place in the city closest to where our headquarters is located at the time of the dispute.
- 25.12.2.4. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must be a former federal or state court judge with at least five (5) years of significant experience in commercial law. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. The arbitrator may not under any circumstances (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of Franchisor is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to: any decision as to whether Section 25.14 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.
- 25.12.2.5. The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc. by any court having jurisdiction.
- 25.12.2.6. The arbitrator will have subpoena powers limited only by the laws of the state in which the main office of the Franchisor is located.

- 25.12.2.7. The parties to the dispute will have the same discovery rights as are available in civil actions under the laws of the state in which the main office of Franchisor is then located.
  - 25.12.2.8. All other procedural matters will be determined by applying statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which the main office of Franchisor is then located.
  - 25.12.2.9. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator) will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.
  - 25.12.2.10. The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.
  - 25.12.2.11. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with Section 25.9 or 25.12.4.
- 25.12.3. Exceptions to Arbitration. Notwithstanding Sections 25.12.1 and 25.12.2, the parties agree that the following claims will not be subject to arbitration or mediation.
- 25.12.3.1. any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceeding initiated hereunder,
  - 25.12.3.2. any action in ejectment or for possession of any interest in real or personal property;
  - 25.12.3.3. any action which by applicable law cannot be arbitrated; or
  - 25.12.3.4. our decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between us.
- 25.12.4. Costs and Attorneys' Fees. The prevailing party in any action or proceedings arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed.

- 25.12.5. **Survival.** The provisions of this Section 25.12 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
- 25.12.6. **Tolling of the Statute of Limitations.** All applicable statutes of limitations and defenses based on the passage of time are tolled while the dispute resolution procedures in this Section 25.12 are pending. The parties will take such action, if any, required to effectuate tolling.
- 25.12.7. **Performance to Continue.** Each party must continue to perform its obligations under this Agreement pending final resolution of any dispute pursuant to this Section 25.12, unless to do so would be impossible or impracticable under the circumstances.
- 25.13. **Governing Law.** All matters relating to arbitration will be governed by the FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 *et. seq.*). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of Minnesota, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section.
- 25.14. **Consent to Jurisdiction.** Subject to Section 25.12, you and your Owners agree that we may institute any action against you or your Owners in any state or federal court of general jurisdiction in Minnesota, and you (and each Owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or he or she) may have to either the jurisdiction of or venue in such courts.
- 25.15. **Waiver of Punitive Damages and Jury Trial.** Except with respect to your obligation to indemnify us pursuant to Section 24 hereof and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your respective owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.
- 25.16. **Binding Effect.** This agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.
- 25.17. **Limitations of Claims.** Except for claims arising from your nonpayment or underpayment of amounts you owe us pursuant to this Agreement or claims related to your unauthorized use of the Marks, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.
- 25.18. **Construction.** The preambles and exhibits are a part of this Agreement which, together with the Operations Manual and our other written policies, constitute our and your entire agreement except as provided below, and there are no other oral or written understandings or agreements between

us and you relating to the subject matter of this Agreement, except that you acknowledge that we justifiably have relied on your representations made prior to the execution of this Agreement. Except as contemplated by the arbitration provisions of Section 25.12, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Nothing in the Agreement or in any related agreement is intended to disclaim our representations made in the Franchise Disclosure Document.

- 25.19. **Withhold Approval.** Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.
- 25.20. **Headings.** The headings of the Sections are for convenience only and do not define, limit or construe the contents of the Sections.
- 25.21. **Joint and Several Owners' Liability.** If two or more persons are at any time the Owner of the Franchised Business, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.
- 25.22. **Multiple Copies.** This Agreement may be executed in multiple copies, each of which will be deemed an original.

26. **NOTICES AND PAYMENTS.**

- 26.1. **Notices.** All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Operations Manual will be deemed so delivered:
- 26.1.1. at the time delivered by hand;
- 26.1.2. one (1) business day after transmission by telecopy, facsimile or other electronic system, provided there is evidence of delivery;
- 26.1.3. one (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or
- 26.1.4. five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.
- 26.2. **Payments.** All payments required to be delivered by the provisions of this Agreement or the Operations Manual will be deemed so delivered as provided in Section 2 above and will be deemed delivered by bank-wire transfer upon telephone or electronic confirmation with the receiving bank.

**[THE SPACE BELOW IS INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Agreement on the date stated on the first page hereof.

Kid's Haven Group LLC

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

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

Dated: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

**EACH OF THE UNDERSIGNED PARTIES WARRANTS AND REPRESENTS THAT HE/SHE HAS NOT RELIED UPON ANY GUARANTEES CONCERNING REVENUE, PROFIT OR THE SUCCESS OF THIS FRANCHISE IN SO SIGNING.**

[OWNER CORPORATION OR PARTNERSHIP]

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

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

Dated: \_\_\_\_\_

As Individuals:

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

**APPENDIX A**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

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DATED \_\_\_\_\_, 20\_\_

**FRANCHISE OWNERSHIP AND MANAGEMENT.**

1. **MANAGING OWNER.** The name, home address, and social security number of the Managing Owner is:

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**LOCATION DIRECTOR.** The name, home address, and social security number of the Location Director is:

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2. **FORM OF OWNER.**

**Business Entity.** What is the form of your business entity?

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Date of Formation of Entity (Date of Incorporation, if applicable):

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Federal Identification Number of Entity:

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The following is a list of your directors, if applicable, and officers as of the effective date of Appendix A shown above:

**Name of Each Director/Officer/Partner**

**Position(s) Held**

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3. **OWNERS.** The following list includes the full name and mailing address of each person who is one of your Owners (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest.

**Owner's Name and Address**

**Description of Interest**  
(Must total 100%)

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**APPENDIX A**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

\_\_\_\_\_  
(continued)

**IN WITNESS WHEREOF, the parties hereto have executed this Appendix A to the Franchise Agreement on the date(s) set forth below.**

Kid's Haven Group LLC

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

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

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

[OWNER CORPORATION OR PARTNERSHIP]

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

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

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

Dated: \_\_\_\_\_

*As Individuals:*

\_\_\_\_\_

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

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Dated: \_\_\_\_\_

**APPENDIX B**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

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DATED \_\_\_\_\_, 20\_\_

**LOCATION AND TERRITORY.**

1. **LOCATION.**

The approved location ("Location") of the Franchised Business is:

\_\_\_\_\_  
\_\_\_\_\_.

If no location is approved at the time this Agreement is executed, this Appendix B will be updated when a location has been designated by you and duly approved by us.

2. **TERRITORY DEFINITION.** The Territory referred to in the Franchise Agreement shall be as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

3. **TERRITORY AS OF TODAY.** If the Territory is identified by counties or other political subdivisions, the Territory will be fixed by the political boundaries as they exist today. Any later changes to political boundaries shall not change the boundaries of the Territory.

**[THE SPACE BELOW IS INTENTIONALLY LEFT BLANK]**

**APPENDIX B**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

---

(continued)

Kid's Haven Group LLC

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

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

Dated: \_\_\_\_\_

[OWNER CORPORATION OR PARTNERSHIP]

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

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

Dated: \_\_\_\_\_

As Individuals:

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

**APPENDIX C**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

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DATED \_\_\_\_\_, 20\_\_

**GUARANTY AND ASSUMPTION OF OBLIGATIONS.**

1. **GUARANTORS.** THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (the "Guaranty") is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by  

---
  
2. **GUARANTEES.** In consideration of, and as an inducement to, the execution of the Franchise Agreement (the "Agreement") dated today between \_\_\_\_\_ ("Franchisee") and Kid's Haven Group LLC ("us" "we" or "our"), each of the undersigned guarantors (the "Guarantor") hereby personally and unconditionally:
  - 2.1. guarantees to us and our successors and assigns, for the Term of the Agreement and thereafter as provided in the Agreement, that  

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will punctually pay, perform and satisfy each and every obligation, undertaking, agreement and covenant of Franchisee set forth in the Agreement; and
  - 2.2. agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities; and
  - 2.3. agrees to pay reasonable attorney's fees and all costs incurred by us in collecting, or attempting to collect, any sums owed by Franchisee under the Agreement, or otherwise enforcing, or attempting to enforce, any provision of the Agreement, or owed by the Guarantor as a result of, or in connection with this Guaranty. Each Guarantor's liabilities and obligations hereunder are primary and direct and are independent of Franchisee's obligations, and separate actions may be brought and prosecuted against the Guarantor. This is a Guaranty of payment and performance and not of collection.
  
3. **CONSENT AND AGREEMENT.** Each Guarantor consents and agrees that:
  - 3.1. his direct and immediate liability under this Guaranty will be joint and several;
  - 3.2. he will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses, for any reason, punctually to do so;

**APPENDIX C**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

\_\_\_\_\_  
(continued)

- 3.3. such liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; and
- 3.4. such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the Term of the Agreement and thereafter.
- 3.5. This Guaranty shall be binding on each Guarantor and his respective successors and assigns, and shall inure to our benefit and the benefit our successors and assigns. The Guarantor may not assign his obligations hereunder without our prior written consent.

The obligations of Franchisee and Guarantor, as described herein and in the Agreement, shall not be considered fully paid, performed and discharged unless and until all payments by Franchisee to us are no longer subject to any right on the part of any person to set aside such payments or to seek to recoup the amount of such payments. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Code. If any such payments by Franchisee to us are set aside in whole or in part after being made, or are settled without litigation, to the extent of such settlement, all of which is in our business judgment, the Guarantor shall be liable, jointly and severally for the full amount of our costs, interest, attorney's fees and any and all expenses which we pay or incur in connection therewith.

- 4. **WAIVERS.** Each Guarantor waives all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Franchisee arising as a result of the Guarantor's execution of and performance under this Guaranty.

**IN WITNESS WHEREOF**, each of the undersigned Guarantors has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX D**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

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DATED \_\_\_\_\_, 20\_\_

**COMMUNICATIONS ASSIGNMENT.**

The undersigned Franchisee, hereby nominates Kid's Haven Group LLC as Attorney-In-Fact to transfer all of Franchisee's right, title, and interest in all telephone numbers, facsimile numbers, and e-mail addresses to Kid's Haven Group LLC

This nomination is only effective where Franchisee is in default of the Franchise Agreement to which this Communications Assignment is attached and Franchisee has failed to cure such defaults under the terms of the Franchise Agreement or where the Term of the Franchise Agreement to which this Communication Assignment is attached has expired.

Franchisee: \_\_\_\_\_

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

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

Dated: \_\_\_\_\_

As Individuals:

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

**APPENDIX E**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

---

DATED \_\_\_\_\_, 20\_\_

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION.**

The undersigned depositor ("DEPOSITOR") hereby: 1.) authorizes Kid's Haven Group LLC ("KID'S HAVEN") to initiate debit entries and/or credit correction entries to the DEPOSITOR's checking and/or savings account indicated below and 2.) authorizes the depository designated below ("DEPOSITORY") to debit such accounts pursuant to KID'S HAVEN's instructions.

\_\_\_\_\_  
DEPOSITORY

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authority shall remain in full force and effect until DEPOSITORY has received joint written notification from KID'S HAVEN and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity to act on it. Notwithstanding the foregoing, DEPOSITORY shall provide KID'S HAVEN and DEPOSITOR with thirty (30) days' prior written notice of the termination of this authority. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

\_\_\_\_\_  
DEPOSITOR (Print Name)

\_\_\_\_\_  
DEPOSITORY (Print Name)

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

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

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

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

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

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

**APPENDIX F**

TO THE FRANCHISE AGREEMENT  
BETWEEN Kid's Haven Group LLC  
AND

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**ADDENDUM TO LEASE**

This Addendum to Lease (this "Addendum") is executed as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, ("Franchisee") and \_\_\_\_\_ ("Landlord") as an addendum to the lease (as amended, renewed, and/or extended from time to time, "the Lease") for the premises located \_\_\_\_\_ at \_\_\_\_\_, (the "Location") dated as of \_\_\_\_\_.

WHEREAS, Franchisee has executed or intends to execute a Franchise Agreement (the "Franchise Agreement") with Kid's Haven Group LLC("Company") for the operation of a KID'S HAVEN Franchised Business at the Location, and as a requirement thereof, the lease for the Location must include the provisions contained in this Addendum; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Company a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Notwithstanding anything to the contrary contained in the Lease, Franchisee shall have the absolute right to sublet, assign or otherwise transfer its interest in the Lease to Company or to a corporation or other entity with which Company may merge or consolidate, without Landlord's approval, written or otherwise.
3. Franchisee shall, if requested by Company, assign to Company, and Landlord hereby irrevocably and unconditionally consents to such assignment, all of Franchisee's rights, title and interest to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without the granting of successor rights; and (b) Company notifies the Franchisee and Landlord in writing that Company assumes Franchisee's obligations under the Lease.
4. Company shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease.
5. The Lease may not be modified, amended, renewed or extended in any manner or assigned by Franchisee without Company's prior consent.
6. Franchisee and Landlord acknowledge and agree that Company shall have no liability or obligation whatsoever under the Lease unless and until Company assumes the Lease in writing

pursuant to Sections 2, 3 or 4 above. Company shall assume all of Franchisee's obligations under the lease from and after the date of assignment, but shall have no obligation to pay any delinquent rent or to cure any other default under the lease that occurred or existed prior to the date of the assignment.

7. If Company assumes the Lease, as above provided, Company may further assign the Lease to another person or entity to operate the KID'S HAVEN Franchised Business at the Location, subject to Landlord's consent, which consent shall not be unreasonably withheld or delayed. Landlord agrees to execute such further documentation to confirm its consent to the assignments permitted under this Addendum as Company may reasonably request.
8. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Company and its personnel or agents shall have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Company, its personnel or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without the granting of successor rights), or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a KID'S HAVEN Franchised Business. Landlord agrees to permit Company, its personnel or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Company, provided Company shall bear the expense of repairing any damage to the Location as a result thereof.
9. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Company at Kid's Haven Group LLC, 302 12th Avenue South, Buffalo, Minnesota 55313, Attn: President, or such other address as Company shall specify by written notice to Landlord.
10. Under the Franchise Agreement, any lease for the location of a KID'S HAVEN Franchised Business is subject to Company's approval. Accordingly, the Lease is contingent upon such approval.

[SIGNATURE PAGE FOLLOWS]

WITNESS the execution hereof under seal as of the date stated above.

LANDLORD:

\_\_\_\_\_

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

Name (printed): \_\_\_\_\_

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

FRANCHISEE:

\_\_\_\_\_

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

Name (printed): \_\_\_\_\_

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

**SMALL BUSINESS ADMINISTRATION  
ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM** (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Franchisor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

**CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

**FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisor owns the real estate where the Franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

**COVENANTS**

- If the Franchisor owns the real estate where the Franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms. Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of Franchisor:

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

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

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

Authorized Representative of Franchisee:

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

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

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

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the Franchise Agreement must meet all SBA eligibility requirements.

**ACKNOWLEDGMENT ADDENDUM TO  
KID'S HAVEN FRANCHISE AGREEMENT**

As you know, you and we are entering into a Franchise Agreement for the operation of a KID'S HAVEN franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations.**

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes.  No.

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes.  No.

If "No," what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

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3. Did you receive a copy of the Franchise Agreement at least seven (7) days prior to signing it?

Yes.  No.

4. Have you received and personally reviewed the Disclosure Document we provided to you?

Yes.  No.

5. Do you understand all of the information contained in the Disclosure Document?

Yes.  No.

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

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6. Did you receive a copy of the Disclosure Document at least fourteen (14) days prior to signing any agreement with us or paying us any money?

Yes.  No.

7. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?
- Yes.  No.
8. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other Businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
- Yes.  No.
9. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?
- Yes.  No.
10. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes.  No.
11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchised Business?
- Yes.  No.
12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?
- Yes.  No.
13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes.  No.
14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?
- Yes.  No.
15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes.  No.

16. If you have answered “Yes” to any of questions nine (9) through fifteen (15), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of such questions, please leave the following lines blank.

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17. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes.  No.

18. Do you understand that nothing in the Franchise Agreement or in our communications with one another is intended to make, or in fact makes, either you or us a general or limited partner, general or special agent, joint venturer, or employee of the other for any purpose, that the Franchise Agreement does not create a fiduciary relationship between you and us, and that we and you are and will be independent contractors during the term of the Franchise Agreement?

Yes.  No.

By signing this Questionnaire, you agree that you understand that your answers are important to us and that we will rely on them, and you are representing that you have responded truthfully to the above questions.

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

Signed: \_\_\_\_\_

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

APPROVED ON BEHALF OF  
Kid’s Haven Group LLC

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

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

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

**KID'S HAVEN**  
**EXHIBIT "B"**  
**TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**KID'S HAVEN GROUP LLC**

**FINANCIAL STATEMENTS**

# KID'S HAVEN GROUP LLC

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## Independent Auditor's Report

To the Member of

**Kid's Haven Group, LLC.**

### Opinion

We have audited the accompanying financial statements of **Kid's Haven Group LLC** (the "Company"), which comprise the balance sheet as of December 31, 2023 and the related statements of operations, changes in member's equity, and cash flow for the year ended December 31, 2023, 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 the Company as of December 31, 2023, and the related statements of operations, changes in member's equity, and cash flow for the year ended December 31, 2023, 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 the Company 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.

### Prior Period Financial Statements

The financial statements of the Company as of December 31, 2022, were audited by other auditors whose report dated April 24, 2023 expressed an unmodified opinion on those statements.

### 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 the Company'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

#### ASSURANCE DIMENSIONS, LLC

also d/b/a McNAMARA and ASSOCIATES, LLC

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**SOUTH FLORIDA:** 2000 Banks Road, Suite 218 | Margate, FL 33063 | Office: 754.800.3400 | Fax: 813.443.5053

[www.assurancedimensions.com](http://www.assurancedimensions.com)

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substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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.

*Assurance Dimensions*

Tampa, Florida

June 4, 2024

**ASSURANCE DIMENSIONS, LLC**  
also d/b/a McNAMARA and ASSOCIATES, LLC

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**KID'S HAVEN GROUP LLC**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2023 AND 2022**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash	\$ 500	\$ 800
<b>TOTAL ASSETS</b>	<u>\$ 500</u>	<u>\$ 800</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LIABILITIES</b>		
Due to Related Party	\$ 30,050	\$ 30,050
<b>TOTAL LIABILITIES</b>	<u>30,050</u>	<u>30,050</u>
<b>MEMBER'S EQUITY</b>	<u>(29,550)</u>	<u>(29,250)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>\$ 500</u>	<u>\$ 800</u>

**KID'S HAVEN GROUP LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2023</u>	<u>2022</u>
FRANCHISE REVENUE	\$ -	\$ -
GENERAL AND ADMINISTRATIVE EXPENSES	-	<u>2,100</u>
INCOME (LOSS) FROM OPERATIONS	-	(2,100)
OTHER INCOME (EXPENSE)		
Filing Fees	(300)	<u>(300)</u>
<b>NET INCOME (LOSS)</b>	(300)	(2,400)
MEMBER'S EQUITY - BEGINNING BALANCE	(29,250)	(26,950)
Capital Contributed	-	<u>100</u>
<b>MEMBER'S EQUITY - ENDING BALANCE</b>	<u>\$ (29,550)</u>	<u>\$ (29,250)</u>

**KID'S HAVEN GROUP LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (300)	\$ (2,400)
Increase (decrease) in liabilities:		
Due to Related Party	-	2,400
Net cash provided by (used for) operating activities	<u>(300)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash provided by (used for) investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member Contributions	-	100
Net cash provided by (used for) financing activities	<u>-</u>	<u>100</u>
Net increase (decrease) in cash and cash equivalents	(300)	100
Cash and cash equivalents at beginning of year	800	700
Cash and cash equivalents at end of year	<u>\$ 500</u>	<u>\$ 800</u>

**KID'S HAVEN GROUP LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Kid's Haven Group LLC (the Company) was organized on September 21, 2018, as a franchisor to sell Kid's Haven franchises in the Midwest, primarily in Minnesota. The Company's business model is to franchise educational and daycare services under the name "Kid's Haven™", utilizing the educational and daycare methods developed by the Company. The Company plans to provide site selection and design assistance, marketing, training and operational assistance and services to its franchisees.

Cash and Cash Equivalents

The Company considers all short-term investments with a maturity of twelve months or less to be cash equivalents.

Revenue Recognition

Franchise fees from sales of individual franchises are recognized as revenue, net of an allowance for uncollectible amounts, when substantially all services to be provided have been performed.

The Company has not sold any franchises.

Start-Up Cost

The Company expenses all start-up cost as incurred. The total start-up cost incurred in the year ended 2023 and 2022 were \$-0- and \$-0-, respectively.

Subsequent Events

Subsequent events have been evaluated through May 20th, 2024, which is the date the financial statement was available to be issued. See related party footnote for commentary on subsequent event as of January 1, 2024.

2. RELATED PARTIES

Kid's Haven, LLC (LLC) is an affiliate of the Company. The LLC owns and operates a Kid's Haven in Buffalo, MN. The franchisees may conduct business directly with LLC as a provider of services and supplies. The Company has a balance due to LLC of \$30,050 and \$30,050 as of December 31, 2023 and 2022, respectively, for professional and filing fees.

As of January 1, 2024, this amount due has been paid off by the member of the Company, reducing the amount owed to \$0, and increasing the capital account by \$30,050.

Kid's Haven of Buffalo, Inc. (INC) is an affiliate of the Company. The INC owns the facility that the LLC operates its services in. The franchisees may conduct business directly with INC as a provider of services and supplies.

3. MEMBER'S EQUITY

The Company had authorized and issued 100 membership units.

**KID'S HAVEN GROUP LLC**

**FINANCIAL STATEMENTS**

JMSC, PLLC  
215 Hwy 55 E, Suite 306  
Buffalo, MN 55313

# KID'S HAVEN GROUP LLC

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## INDEPENDENT ACCOUNTANT'S AUDIT REPORT

Board of Members  
Kid's Haven Group LLC  
Buffalo, Minnesota

We have audited the accompanying financial statements of Kid's Haven Group LLC, (the Company) which comprise the balance sheets, statements of income and member's equity, and the statement of cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.



**JOHNSON, MATTSO, SMAIL, & COLLUM, PLLC**

April 24<sup>th</sup>, 2023

**KID'S HAVEN GROUP LLC**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2022 AND 2021**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 800	\$ 700
<b>TOTAL ASSETS</b>	<u>\$ 800</u>	<u>\$ 700</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LIABILITIES</b>		
Due to Related Party	\$ 30,050	\$ 27,650
<b>TOTAL LIABILITIES</b>	<u>30,050</u>	<u>27,650</u>
<b>MEMBER'S EQUITY</b>	<u>(29,250)</u>	<u>(26,950)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>\$ 800</u>	<u>\$ 700</u>

**KID'S HAVEN GROUP LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2022</u>	<u>2021</u>
FRANCHISE REVENUE	\$ -	\$ -
GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,100</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	(2,100)	-
OTHER INCOME (EXPENSE)		
Filing Fees	<u>(300)</u>	<u>(300)</u>
<b>NET INCOME (LOSS)</b>	(2,400)	(300)
MEMBER'S EQUITY - BEGINNING BALANCE	(26,950)	(26,650)
Capital Contributed	<u>100</u>	<u>-</u>
<b>MEMBER'S EQUITY - ENDING BALANCE</b>	<u><u>\$ (29,250)</u></u>	<u><u>\$ (26,950)</u></u>

**KID'S HAVEN GROUP LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (2,400)	\$ (300)
Increase (decrease) in liabilities:		
Due to Related Party	2,400	-
Net cash provided by (used for) operating activities	<u>-</u>	<u>(300)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash provided by (used for) investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member Contributions	100	-
Net cash provided by (used for) financing activities	<u>100</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	100	(300)
Cash and cash equivalents at beginning of year	700	1,000
Cash and cash equivalents at end of year	<u>\$ 800</u>	<u>\$ 700</u>

**KID'S HAVEN GROUP LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Kid's Haven Group LLC (the Company), was organized on September 21, 2018, as a franchisor to sell Kid's Haven franchises in the Midwest, primarily in Minnesota. The Company's business model is to franchise educational and daycare services under the name "Kid's Haven™", utilizing the educational and daycare methods developed by the Company. The Company plans to provide site selection and design assistance, marketing, training and operational assistance and services to its franchisees.

Cash and Cash Equivalents

The Company considers all short-term investments with a maturity of twelve months or less to be cash equivalents.

Revenue Recognition

Franchise fees from sales of individual franchises are recognized as revenue, net of an allowance for uncollectible amounts, when substantially all services to be provided have been performed.

The Company has not sold any franchises.

Start-Up Cost

The Company expenses all start-up cost as incurred. The total start-up cost incurred in the year ended 2022 and 2021 were \$-0- and \$-0-, respectively.

Subsequent Events

Subsequent events have been evaluated through April 24, 2023, which is the date the financial statement was available to be issued.

2. RELATED PARTIES

Kid's Haven, LLC (LLC) is an affiliate of the Company. The LLC owns and operates a Kid's Haven in Buffalo, MN. The franchisees may conduct business directly with LLC as a provider of services and supplies. The Company has a balance due to LLC of \$30,050 and \$27,650 as of December 31, 2022 and 2021, respectively, for professional and filing fees.

Kid's Haven of Buffalo, Inc. (INC) is an affiliate of the Company. The INC owns the facility that the LLC operates its services in. The franchisees may conduct business directly with INC as a provider of services and supplies.

3. MEMBER'S EQUITY

The Company had authorized and issued 100 membership units.

**KID'S HAVEN**

**EXHIBIT "C"  
TO THE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS AND  
LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE AGENCIES

<p style="text-align: center;"><b><i>California</i></b></p> <p>Department of Financial Protection and Innovation 320 West 4<sup>th</sup> Street Los Angeles, California 90013 866-275-2677</p>	<p style="text-align: center;"><b><i>Indiana</i></b></p> <p>Franchise Section Indiana Securities Division Secretary of State Room E-111 302 West Washington Street, Indianapolis, Indiana 46204 317-232-6681</p>	<p style="text-align: center;"><b><i>Minnesota</i></b></p> <p>Minnesota Dept. of Commerce 85 7<sup>th</sup> Place East, Suite 280 Saint Paul, Minnesota 55101 651-539-1600</p>
<p style="text-align: center;"><b><i>Connecticut</i></b></p> <p>Connecticut Dept. of Banking Securities &amp; Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103 860-240-8230</p>	<p style="text-align: center;"><b><i>Kentucky</i></b></p> <p>Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 502-696-5300</p>	<p style="text-align: center;"><b><i>Nebraska</i></b></p> <p>Nebraska Department of Banking and Finance 1200 N Street – Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 402-471-3445</p>
<p style="text-align: center;"><b><i>Florida</i></b></p> <p>Florida Department of Agriculture &amp; Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, FL 32399-6500 850-410-3807</p>	<p style="text-align: center;"><b><i>Maine</i></b></p> <p>Bureau of Banking Securities Division 121 State House Station Augusta, Maine 04333 207-624-8551</p>	<p style="text-align: center;"><b><i>New York</i></b></p> <p>NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 212-416-8236</p>
<p style="text-align: center;"><b><i>Hawaii</i></b></p> <p>Business Registration Division Securities Compliance Dept. of Commerce &amp; Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 808-586-2744</p>	<p style="text-align: center;"><b><i>Maryland</i></b></p> <p>Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, MD 21202 410-576-6360</p>	<p style="text-align: center;"><b><i>North Carolina</i></b></p> <p>Secretary of State Legislative Office Building 2 South Salisbury Street Raleigh, NC 27601-2903 919-807-2000</p>
<p style="text-align: center;"><b><i>Illinois</i></b></p> <p>Illinois Attorney General 500 South Second Street Springfield, IL 62706 217-782-1090</p>	<p style="text-align: center;"><b><i>Michigan</i></b></p> <p>Michigan Attorney General's Office - Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1<sup>st</sup> Floor Lansing, Michigan 48913 517-373-7117</p>	<p style="text-align: center;"><b><i>North Dakota</i></b></p> <p>North Dakota Office of Securities Commission 600 East Boulevard Bismarck, North Dakota 58505 701-328-2910</p>

## LIST OF STATE AGENCIES

<p style="text-align: center;"><b><i>Rhode Island</i></b></p> <p>Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue John Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527</p>	<p style="text-align: center;"><b><i>Texas</i></b></p> <p>Secretary of State Statutory Document Section 1719 Brazos Austin, Texas 78701 512-475-1769</p>	<p style="text-align: center;"><b><i>Wisconsin</i></b></p> <p>Wisconsin Department Financial Institutions 4822 Madison Yards Way, North Tower Post Office Box 1768 Madison, Wisconsin 53703 608-261-9555</p>
<p style="text-align: center;"><b><i>South Carolina</i></b></p> <p>Secretary of State 1205 Pendleton Street Suite 525 Columbia, SC 29201 803-734-1087</p>	<p style="text-align: center;"><b><i>Utah</i></b></p> <p>Department of Commerce Division of Consumer Protection 160 East 300 South Post Office Box 45804 Salt Lake City, Utah 84145-0804 801-530-6601</p>	
<p style="text-align: center;"><b><i>South Dakota</i></b></p> <p>South Dakota Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 605-773-4823</p>	<p style="text-align: center;"><b><i>Virginia</i></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Richmond, Virginia 23219 804-371-9051</p>	

## LIST OF STATE AGENTS FOR SERVICE OF PROCESS

<b><i>California</i></b> California Commissioner of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street Los Angeles, California 90013 213-576-7500	<b><i>Indiana</i></b> Indiana Secretary of State Room E-111 201 State House 200 W. Washington Street Indianapolis, Indiana 46204 317-232-6531	<b><i>Minnesota</i></b> Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 Saint Paul, Minnesota 55101 651-539-1600
<b><i>Connecticut</i></b> Commissioner of Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103 860-240-8230	<b><i>Kentucky</i></b> Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601 502-696-5300	<b><i>Nebraska</i></b> Nebraska Department of Banking and Finance 1200 N Street – Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 402-471-3445
<b><i>Florida</i></b> Florida Department of Agriculture & Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, FL 32399-6500 850-410-3807	<b><i>Maine</i></b> Bureau of Banking Securities Division 121 State House Station Augusta, Maine 04333 207-624-8551	<b><i>New York</i></b> Secretary of State of New York 99 Washington Street Albany, New York 12231 518-474-4750
<b><i>Hawaii</i></b> Commissioner of Securities, Dept. of Commerce & Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 808-586-2727	<b><i>Maryland</i></b> Maryland Securities Commissioner Securities Division 200 Saint Paul Place Baltimore, MD 21202-2020 410-576-6360	<b><i>North Carolina</i></b> Secretary of State Legislative Office Building 2 South Salisbury Street Raleigh, NC 27601-2903 919-807-2000
<b><i>Illinois</i></b> Illinois Attorney General 500 South Second Street Springfield, IL 62706 217-782-1090	<b><i>Michigan</i></b> Michigan Dept. of Commerce, Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48910 517-241-6470	<b><i>North Dakota</i></b> North Dakota Office of Securities Commission 600 East Boulevard Bismarck, ND 58505 701-328-2910

**LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

<p align="center"><b><i>Rhode Island</i></b></p> <p>Director of Rhode Island Department of Business Regulation 1511 Pontiac Avenue John Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527</p>	<p align="center"><b><i>Texas</i></b></p> <p>Secretary of State Statutory Document Section 1719 Brazos Austin, Texas 78701 512-475-1769</p>	<p align="center"><b><i>Washington</i></b></p> <p>Director, Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater WA 98501 360-902-8760</p>
<p align="center"><b><i>South Carolina</i></b></p> <p>Secretary of State 1205 Pendleton Street Suite 525 Columbia, SC 29201 803-734-1087</p>	<p align="center"><b><i>Utah</i></b></p> <p>Department of Commerce Division of Consumer Protection 160 East 300 South Post Office Box 45804 Salt Lake City, Utah 84145-0804 801-530-6601</p>	<p align="center"><b><i>Wisconsin</i></b></p> <p>Wisconsin Department Financial Institutions 4822 Madison Yards Way, North Tower Post Office Box 1768 Madison, Wisconsin 53705 608-261-9555</p>
<p align="center"><b><i>South Dakota</i></b></p> <p>Director of South Dakota Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 605-773-4823</p>	<p align="center"><b><i>Virginia</i></b></p> <p>Clerk, State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 804-371-9672</p>	

**KID'S HAVEN**

**EXHIBIT "D"  
TO THE DISCLOSURE DOCUMENT**

**COPY OF CURRENT FORM OF GENERAL RELEASE**

## RELEASE OF CLAIMS

### THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Kid's Haven Group LLC, ("KID'S HAVEN") and \_\_\_\_\_ ("Franchisee") enter into this Release of Claims ("Agreement").

### RECITALS

A. Kid's Haven Group LLC and Franchisee entered into a **KID'S HAVEN** Franchise Agreement dated \_\_\_\_\_, \_\_\_\_.

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, KID'S HAVEN and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

### AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Kid's Haven Group LLC.** In consideration of, and only upon full payment of \$\_\_\_\_\_ to KID'S HAVEN, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, KID'S HAVEN, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge KID'S HAVEN and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** KID'S HAVEN and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the

opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the State of Minnesota.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: \_\_\_\_\_, 20\_\_\_\_

Kid's Haven Group LLC

By \_\_\_\_\_  
Its \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**KID'S HAVEN**  
**EXHIBIT "E"**  
**TO THE DISCLOSURE DOCUMENT**  
**STATE ADDENDA**

ADDENDUM TO  
**KID'S HAVEN**  
FRANCHISE DISCLOSURE DOCUMENT FOR THE  
STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body:

1. Item 5 and Item 7:

We will defer the collection of all initial franchise fees from you until after we have provided all our pre-opening obligations and the Franchised Business is open.

2. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

4. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

5. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

ADDENDUM TO  
**KID'S HAVEN**  
FRANCHISE AGREEMENT FOR THE  
STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Article 2.1. is revised to add the following language: We will defer the collection of all initial fees from you until after we have provided all our pre-opening obligations to you and the Franchised Business is open.

2. Section 14.8 of the Franchise Agreement is hereby modified with the addition of the following sentence to the end of the Section.

“Minnesota Law requires us to protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.”

3. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. With Respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3 and 4 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

5. The Franchise Agreement is hereby modified by the addition of the following statement:  
“According to Minnesota law, you cannot waive any rights under the Minnesota Franchises Law. You cannot consent to us obtaining injunctive relief. We may seek injunctive relief.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern. Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Kid’s Haven Group LLC  
By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_

[OWNER CORPORATION OR PARTNERSHIP]  
By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_

**KID'S HAVEN**  
**EXHIBIT "F"**  
**TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE DISCLOSURE DOCUMENT RECEIPTS**

### **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.

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.

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:

<b>State</b>	<b>Effective Date</b>
Minnesota	June 5, 2023

**RECEIPT  
KID'S HAVEN**

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

If Kid's Haven Group LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant.

Michigan law requires that Kid's Haven Group LLC provides this franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Kid's Haven Group 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 appropriate state agency listed in Exhibit "C". Kid's Haven Group LLC's registered agents authorized to receive service of process are listed in Exhibit "C".

<b>The name, principal business address and telephone number of each franchise seller offering the franchise is:</b>			
	Terry Peterson		Angela Smith
	Melissa Sjolín		
The principal business address and telephone number for the individuals listed above is: Kid's Haven Group LLC, 302 12th Avenue South, Buffalo, Minnesota 55313, (763) 682-3072			

Date of Issuance: ~~April 24, 2023~~ June 4, 2024

I received a disclosure document dated ~~April 24, 2023~~ June 4, 2024, that included the following Exhibits:

- A. FRANCHISE AGREEMENT
- B. FINANCIAL STATEMENTS
- C. LIST OF STATE AGENCIES AND LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- D. COPY OF CURRENT FORM OF GENERAL RELEASE
- E. STATE ADDENDA
- F. RECEIPTS

DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Print Name and Address: \_\_\_\_\_

Please sign and date this Receipt (with the date you received the Franchise Disclosure Document) and if you received it electronically via email, also: Open the attached Franchise Disclosure Document to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the cover page of this Franchise Disclosure Document, stating that you received and downloaded this Franchise Disclosure Document.

**Also, print, sign and date a copy of this Receipt (with the date you received this Franchise Disclosure Document), and return the signed Receipt by mail to us at: Kid's Haven Group LLC, 302 12th Avenue South, Buffalo, Minnesota 55313.**

FRANCHISEE'S COPY

**RECEIPT  
KID'S HAVEN**

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DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Print Name and Address: \_\_\_\_\_

Please sign and date this Receipt (with the date you received the Franchise Disclosure Document) and if you received it electronically via email, also: Open the attached Franchise Disclosure Document to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the cover page of this Franchise Disclosure Document, stating that you received and downloaded this Franchise Disclosure Document.

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FRANCHISOR'S COPY