

## FRANCHISE DISCLOSURE DOCUMENT



CREATIVE WORLD SCHOOLS FRANCHISING  
COMPANY, INC.  
a Florida corporation  
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Bonita Springs, Florida 34135  
(239) 947-6177  
email address:  
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www.creativeworldschool.com  
www.creativeworldschoolfranchise.com  
www.facebook.com/CreativeWorldSchool  
twitter.com/cwschool  
creativeworldschool.wordpress.com

The franchise is for the establishment and operation of an early childhood learning center, a childcare facility and creative development school featuring childcare and daily care products and services for children ages 6 weeks to 12 years under the Creative World School® trade name and business system (a “Creative World School® Business” or “School”).

The total investment necessary to begin operation of a Creative World School® Business ranges from \$4,825,050 to \$9,208,050. These totals include the amount of \$315,000 to \$430,000 that is paid to us or our affiliates.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Marianne Whitehouse, Creative World Schools Franchising Company, Inc., 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, (239) 947-6177, e-mail: franchise@creativeworldschool.com.

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: May ~~8<sup>25</sup>, 2023~~2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits and 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 supplies you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21, or Exhibit "A" 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 <del>company-owned</del> <a href="#">Company-Owned</a> and franchised outlets.
<b>Will my business be the only Creative World School® 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 Creative World School® 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 registration requirements, or to contact your state, use the agency information in Exhibit “L.”

Your state also may have laws and 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 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 Florida. 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 Florida than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO  
TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS  
THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE  
FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE  
PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

1. Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

2. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

3. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

4. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

5. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

6. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from

exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(d) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

7. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

8. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise  
G. Mennen Williams Building  
525 W. Ottawa Street, 1st Floor  
Lansing, Michigan 48909  
Telephone Number: (517) 373



**CREATIVE WORLD SCHOOL  
FRANCHISE DISCLOSURE DOCUMENT**

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Exhibit B	Form of Deposit Agreement for Site Assessment
Exhibit C-1	Form of Franchise Agreement
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Exhibit D	Form of Conditional Assignment of Telephone Numbers and Listings and Internet Addresses
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor, Its Parent, Predecessors, and Affiliates**

The Franchisor is **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, referred to as “**we**,” “**us**,” or “**our**.” We also do business under our corporate name and the names “**Creative World School® Business**,” or “**Creative World Schools Franchising Company**.” “**You**” or “**your**” means a person who acquires a franchise from us. If you are a corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your owners. This disclosure document will indicate when your owners also are covered by a particular provision.

We are a Florida corporation, incorporated on August 13, 1999. Our current principal business address is 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135. Our agent for service of process in the State of Florida is Joshua T. Keleske, P.L., 3333 West Kennedy Boulevard, Suite 204, Tampa, Florida 33609. Our agents for service of process in the states that require franchise registration are listed in Exhibit “L” to this disclosure document. We conduct business under our corporate name and under the trade and service marks “**Creative World School®**” and our design only mark described as “**Children and Globe®**” and other associated logos, designs, symbols and trade dress (the “**Marks**”).

We have been offering franchises for Creative World School® Businesses since January, 2000. We do not engage in other business activities and have not offered franchises in other lines of business. We do not operate a business of the type being franchised, but our affiliates currently operate 5 Creative World School® Businesses in Florida and Missouri.

We have no parent or predecessors. Our affiliates are: **!**

<b>NAME</b>	<b>PRINCIPAL BUSINESS ADDRESS</b>
Creative World School, Inc. (“ <b>CWSI</b> ”)	6314 Overton Raytown, MO 64133
Discount Preschool, LLC (“ <b>Discount Preschool</b> ”)	25110 Bernwood Drive Suite 104 Bonita Springs, FL 34135
Countryside Early Learning Center LLC (“ <b>Countryside</b> ”)	25110 Bernwood Drive Suite 104 Bonita Springs, FL 34135
Causeway Early Learning Center LLC (“ <b>Causeway</b> ”)	25110 Bernwood Drive Suite 104 Bonita Springs, FL 34135
Early Learning Center Belton LLC (“ <b>Belton</b> ”)	25110 Bernwood Drive Suite 104 Bonita Springs, FL 34135
Lee Summit Early Learning Center, LLC (“ <b>Lee's Summit</b> ”)	25110 Bernwood Drive Suite 104 Bonita Springs, FL 34135

Discount Preschool has distributed goods and services to CWSI and our affiliates since November 16, 1991 and to our franchisees since 2000. It is the sole approved supplier for the interior equipment (except kitchen equipment), moveable fixtures, furniture, and supplies that must be used in establishing and operating a School. This includes tables, chairs, desks, cots, cribs, shelving, tricycles, educational equipment, toys, games, puppets, school supplies (e.g., construction paper, glue and paint), teaching supplies, curriculum, office computers, interior artwork/murals, and smallwares. Discount Preschool does not operate a business similar to the Creative World School® Businesses.

The following affiliates operate Creative World School® Businesses each as follows:

AFFILIATE	SCHOOL LOCATION
CWSI	1500 NE 96th Street Liberty, Missouri 64068
Countryside	19702 E. 40th Highway Blue Springs, Missouri 64015
Belton	16311 Cornerstone Drive Belton, Missouri 64012
Lee's Summit	1201 SE Oldham Parkway Lee's Summit, Missouri 64053
Causeway	9815 Causeway Boulevard Tampa, Florida 33619

None of our affiliates have offered franchises for this or any other lines of business. Except as described above, none of our affiliates provide products or services to our franchisees.

### The Franchise

We grant franchises for the operation of combined early childhood learning centers, childcare facilities, and creative development schools using the Marks (“**Creative World School® Business(es)**” or “**School(s)**”). The School you will operate is referred to in this disclosure document as the “**School.**” Creative World School® Businesses offer a combination of an early childhood learning center, creative development school, childcare facility and daily care for children ages 6 weeks to 12 years featuring and offering daily childcare and learning products and services, in a distinctive and innovative environment. Creative World School® Businesses are constructed and operate according to our distinctive business formats, methods, procedures, designs, layouts, signs, equipment, curricula, lesson plans, educational programs, trade dress, standards and specifications (the “**System Standards**”).

We grant to persons who meet our qualifications and who are willing to undertake the investment and effort the right to operate a School at a single location in accordance with our Franchise Agreement. A copy of the Franchise Agreement is attached to this disclosure document as Exhibit “C-1.”

### Competition

You will be competing with other childcare establishments, primary schools (K-3), non-working and working parents providing childcare, and similar types of businesses. These businesses may be associated with national or regional chains or may be local independent

schools. You also will be competing with other public and private childcare programs and schools that feature products and services that differ from those offered by Schools. Your products and services will be offered to the general public, to individual consumers, primarily on-site. However, you may face competition from internet based businesses, which may offer products and services that are similar to, or different from those products or services offered by Schools. The market for childcare services is developed in some areas and developing in other areas, depending on the number of this type of childcare service business in the particular area.

## **Regulations**

Creative World School® Business operations are subject to various federal, state and local laws and regulations. Numerous federal, state and local governmental agencies are responsible for regulating and monitoring compliance with educational standards, childcare and day care operations, certain health, sanitation, food, safety and fire standards, smoking, employment, discrimination, sexual harassment laws, child abuse, state and local licensing, zoning, land use, construction and environmental regulations. Any difficulty in or failure to obtain required licenses, certification registrations, training or approvals, by you or your staff could delay or prevent the opening of your School. Suspension of certain licenses, certification registrations or approvals due to failure to comply with applicable laws or regulations or otherwise could interrupt or adversely affect your School's operations. School personnel may be paid at the federal minimum wage rate, so that increases in the minimum wage may result in an increase in a School's labor costs. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and, therefore, may affect your School's operations. You should consult with your attorney concerning these laws as well as laws and ordinances that may affect your School's operations.

Commencing in December 2019 and continuing through 2021, the COVID-19 virus began spreading throughout the world. COVID-19 has disrupted and continues to significantly disrupt local, regional and global economics and businesses. COVID-19 may cause operating restrictions, limitations on group gatherings, changes in employee availability and other consequences of the outbreak. The only change currently in place is:

- Strict illness policy enforced - Children with any symptom that aligns with COVID symptoms are picked up and not allowed back until they are 24 hours symptom free without the aid of medication, and a negative COVID test or a note from a doctor is provided.

You also must comply with all applicable laws, rules and orders of any government authority concerning the outbreak and your response.

## **ITEM 2 BUSINESS EXPERIENCE**

**[Note: Unless otherwise indicated, all positions with us or our affiliates are based in our principal office in Bonita Springs, Florida.](#)**

**CEO, President, Director and Certified Training Instructor: Dr. Marianne Whitehouse, PhD**

Dr. Marianne Whitehouse has been our President, a Director, and a Certified Training Instructor since our inception. Dr. Whitehouse has also been a Regional Director of CWSI in Tampa and Fort Myers, Florida since July 1991. Dr. Whitehouse has been a member of Discount Preschool in Tampa, Florida since its inception.

**Vice President, Director, and Treasurer: Ms. Billie McCabe**

Ms. Billie McCabe has been our Director, Vice President, and Treasurer since our inception. Ms. McCabe has also served as a Director, President, and CEO of CWSI since its inception. Ms. McCabe has been a member of Discount Preschool since its inception.

**Vice President of Education: Ms. Kathy Thomure**

Ms. Kathy Thomure has been our Vice President of Education since January 1, 2016. She has also been one of our Certified Training Instructors since our inception. Ms. Thomure has been Vice President of CWSI since October 1989.

**Vice President of Franchise Development: Mr. Gregory L. Michael**

Mr. Gregory Michael became our Vice President of Franchise Development on January 1, 2016 after serving as our Vice President of Franchising from August 17, 2009 to January 1, 2016.

**Chief Financial Officer: Ms. Karen Riebesell**

Ms. Karen Riebesell joined us as Chief Financial Officer in June 2012 and is responsible for the overall financial aspects of the organization. She holds a Certified Public Accounting license from the State of New Jersey.

**Secretary/CWSI: Ms. Jana Williams**

Ms. Jana Williams has served as a Regional Director since our inception. She has been Secretary of CWSI since 2013. She works between CWSI and us as a liaison, serves on the Executive Board, and lends her expertise to special projects.

**Director of Marketing: Eric Srisavaththay**

~~Mr. Eric Srisavaththay joined us as Director of Marketing in June 2020. He was Director of Digital Marketing for 21st Century Home Health Care Consultants in Bradenton, Florida, from October 2019 to June 2020. From December 2014 to August 2019 he was Digital Marketing Manager for ABC7 WWSB-TV Grey Television in Sarasota, Florida.~~

**Executive Director of CW Studio Marketing and Brand: Sarah Buzzard**

Ms. Sarah Buzzard joined us as Director of CW Studio in July 2006 and uses her graphic design talents and capabilities in a wide variety of both franchisor and franchisee projects. She became our Executive Director of Marketing and Brand on February 8, 2021.

### **Vice President of Strategic Support: Ann Braxton**

Ms. Ann Braxton ~~joined~~[has been our Vice President of Strategic Support since January 2019 after joining](#) us in November 2017 as a Franchise Business Advisor ~~and was promoted to Vice President of Strategic Support in January 2019.~~

### **Support Coach: Ms. JoAnn Sanderlin**

Ms. JoAnn Sanderlin has been one of our Support Coaches since January 1, 2016. She has also been a Certified Training Instructor since our inception. She has been Regional Director for CWSI since August 13, 1990.

### **Director of Education Operations: Ms. Rennaye Hedges**

Ms. Rennaye Hedges became a Support Coach on January 1, 2016. She has been our Certified Training Instructor since January 2011. She specializes in accreditation and operations. Ms. Hedges began with CWSI in September 2008, as a Center Director in Aurora, Illinois.

### **Director of Educational Training and Support: Rhonda Canerday**

Ms. Rhonda Canerday joined us in September 2019 as the Director of Educational Training and Support. Ms. Canerday was a Program Manager for Lutheran Services Florida in Largo, Florida from September 2018 to September 2019. ~~Prior to that she was the Early Childhood Executive Director from November 1993 to September 2018 for Easter Seals of North Georgia in Jefferson, Georgia.~~

### **Operations Specialist: Meagan Meneses**

Ms. Meagan Meneses joined us as an Operations Specialist in April of 2019. ~~Ms. Meneses worked~~ [after serving](#) as Director of Creative World School St. Cloud from April 2018 to April 2019. ~~Previously Ms. Meneses was Director of Kindercare—Orlando from April 2008 to April 2018.~~

### **Director of Training and Educational Support: Rebecca McKellar**

Ms. ~~Rebecca~~[Rebecca](#) McKellar joined us in August of 2019 as Director of Training and Educational Support. Ms. McKellar was Lead Early Childhood Specialist for Early Learning Coalition of Southwest Florida in Fort Myers, Florida, from March 2016 to August 2019.

### **Director of Special Projects: Zach Mural, Ph.D.**

[Dr. Mural joined us in November of 2023. Prior to that, he was Senior Manager Curriculum & Assessment/Director Education & Curriculum for Bright Horizons Family Solutions in Newton, Massachusetts from October 2020 to January 2023. Before that, he was a Regional Manager for Bright Horizons in Newton, Massachusetts from March 2018 to April 2020.](#)

### **Content Marketing Specialist: Monica Hurtado-Santos**

[Ms. Hurtado-Santos joined us in September of 2023. Prior to that she worked as a Marketing Specialist for the Capstone Companies in Orlando, Florida from February 2022 until](#)

September of 2023. Before that she was a Content Marketing specialist for UTSA Orlando, Florida from August 2021 to February 2022. Prior to that she was a Marketing Manager at the Prego Expo Orlando, Florida from July 2018 to August 2021.

### ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item. |

### ITEM 4 BANKRUPTCY

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

### ITEM 5 INITIAL FEES

#### Deposit for Site Assessment

We may require prospective franchisees to pay us a deposit of \$5,000 (the “**Deposit**”). We hold and apply the Deposit in accordance with our Deposit Agreement for Site Assessment (the “**Site Assessment Deposit Agreement**”). A copy of it is attached as Exhibit “B.” You must pay the Deposit when you sign the Site Assessment Deposit Agreement. We will only refund a portion of the Deposit to you if you and we both do not sign a Franchise Agreement within 180 days of signing the Site Assessment Deposit Agreement. Solely in that event, we will refund the Deposit to you less the greater of: (i) \$2,500; or (ii) our out-of-pocket expenses for time and effort expended in reliance upon your application. Otherwise, it is not refundable, but we apply it in full towards the Initial Franchise Fee, as applicable. The Deposit is uniformly imposed among franchisees who sign a Site Assessment Deposit Agreement.

#### Initial Franchise Fee

We currently charge an initial franchise fee that ranges from \$75,000 to \$80,000, depending on the number of Creative World School® Businesses you operate (the “**Initial Franchise Fee**”). Currently, the Initial Franchise Fee is \$80,000 for your first School. If you are a United States armed services veteran who presents satisfactory evidence of an honorable discharge (such as a DD214), the initial fee for your first Creative World® School franchise will be reduced to \$75,000. If you are purchasing a second or subsequent School, the Initial Franchise Fee is reduced to \$75,000. You must pay the Initial Franchise Fee in a lump sum when you sign the Franchise Agreement, less any Deposit. In consideration for this Initial Franchise Fee, we grant you a franchise to operate your School at a specific location and provide you with initial training. The Initial Franchise Fee is fully earned and nonrefundable. The Initial Franchise Fee is uniformly imposed among franchisees.

#### Opening Package Fee

You must purchase certain teaching supplies, equipment and curriculum; and other equipment, supplies, fixtures, and materials from us, or our affiliate (the “**Opening Package**”). You must pay to us, or our designee, a fee (the “**Opening Package Fee**”) in an amount ranging

from \$240,000 to \$350,000 depending on the makeup of the Opening Package and price of its contents, which varies depending on the size of your School and current vendor pricing. The contents of the Opening Package will be determined by us once we have approved the location for your School. The Opening Package Fee is due within 30 days from the date of our invoice, unless we otherwise agree in writing. The Opening Package Fee is not refundable under any circumstances. During 2022 Discount Preschools sold 2 Opening Packages.

**ITEM 6  
OTHER FEES**

<b>Name of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	5 % of your weekly Adjusted Gross Revenues <sup>(3)</sup> during the 12 months following the Royalty Commencement Date <sup>(4)</sup> ; 6 % of your weekly Adjusted Gross Revenues during the 13th through 24th month following the Royalty Commencement Date; and 7% of weekly Adjusted Gross Revenues for each subsequent week	Payable 3 days after monthly billing	To be paid by electronic transfer/ACH
Marketing Fund	1% of Weekly Gross Revenues <sup>(2)</sup>	Payable each Monday	We will not begin assessing until 50 Schools are open.
System Standards Fee	Varies (currently \$350 per month)	Due upon invoice	To be paid by electronic transfer/ACH. Currently includes website maintenance, SEO support, IPowerBI, <del>CGRM</del> , Intellikids, Engage, PlayerLync, Listen 360, ProCare cloud maintenance.
Advanced Ed Accreditation Fee	\$125	Monthly	We have achieved Corporate Accreditation status with Advanced Ed. You must participate in its system-wide accreditation program. . Once you are accredited, you must pay a monthly fee for a 5-year period which covers the Engagement Review and the annual Improvement Network Fee charged by Cognia (formerly Advanced Ed) to Creative World from the date of application.

<b>Name of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Additional Training (including Refresher Training and training new managers) or Assistance	Will vary under the circumstances. Currently \$1,000 per week, per trainer, plus expenses.	15 days after billing	We only charge if your requests for additional training or assistance are excessive.
Transfer	Greater of \$20,000 or 25% of then-current initial franchise fee	Upon signing transfer franchise agreement	N/A
Transferee Training	Training, cost to be included in Transfer fee	As incurred	You pay all travel and living expenses.
Renewal	Greater of \$20,000 or 25% of then-current initial franchise fee	Upon signing successor franchise agreement	N/A
Audit	Cost of inspection or audit plus travel	10 days after billing	Payable only if you fail to furnish reports, supporting records or other required information.
Interest	Lesser of 18 % per year or highest contract rate of interest allowed by law	15 days after billing	Payable on all overdue amounts.
Late Payment Penalties	5% of the late amount	Due on payment of late amount	Payable on all late payments including interest.
Manuals	\$1,000	15 days after billing	Cost of replacement copy if lost, severely damaged or destroyed.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your School's operations.
Inspection and Testing	Cost of inspecting and testing new products or suppliers plus travel expenses	15 days after billing	This covers the costs of testing new products or inspecting new suppliers you propose.
Operating Assets	Will vary under the circumstances	15 days after billing	This covers the cost of the products that you must purchase from us or our affiliate.

Name of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Advertising Cooperative Fee	Up to 1% of your Gross Revenues	Payable as required by the Cooperative	If a local advertising cooperative (“ <b>Cooperative</b> ”) is established, you must contribute up to 1% of your Gross Revenues as determined by the Cooperative and at the time determined by the Cooperative. Franchisor-owned outlets will have the same voting power as franchisees.

**Explanatory Notes**

- (1) Unless otherwise indicated, all fees are imposed by and payable to us. All fees are non-refundable.
- (2) **Gross Revenues** means all revenues and/or income generated from the provision of any and all services, the sales of any and all products, and performance of any and all other activities connected to or arising from the Franchised Business School at or away from the site, including, but not limited to, all enrollment fees, tuition fees, charges or all amounts you receive at or away from the Site from any activities or services whatsoever including any that are in any way associated with the Marks, and whether from cash, check, barter, credit or debit card or credit transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and actually paid to the appropriate taxing authority. Gross Revenues also includes (a) condemnation awards received directly or indirectly for loss of revenue or business, whether generated by, or paid to, you or your affiliates, and (b) the fair market value of any goods or services received, directly or indirectly, by you if consideration other than cash is received. You will notify us of any noncash consideration Franchisee receives.
- (3) **Adjusted Gross Revenues** means Gross Revenue less the amount of certain discounts and deductions we have authorized as described in the manuals or otherwise (“**Authorized Deductions**”). For purposes of determining Adjusted Gross Revenue, we may limit any discounts, offsets, credits, or deductions of any nature for childcare and day care service. If you offer any discounts to customers (employees or otherwise) which exceed the amount of the Authorized Deductions, then the computation of amounts due us (including Royalty and Marketing Contributions) you must add back in the amount of any discounts or deductions in excess. We are entitled to collect all amounts due based upon your then current published rates, tuition, or other fees that would have been charged if you had offered only the amount of the Authorized Deductions regardless of the amounts actually received by the Franchisee from such customer

- (4) **Royalty Commencement Date** is the earlier of: (a) the date upon which you have 75 children enrolled in your School; or (b) the first day of the 7th month following the date on which you begin operation of your School.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**Your Estimated Initial Investment**

<b>Type of Expenditure <sup>(1)</sup></b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>(1)(2)</sup>	\$75,000	\$80,000	Lump Sum	Signing Franchise Agreement	Us
Building / Leasehold Improvements, not including landscaping, irrigation, sidewalk, trail and fencing <sup>(4)</sup>	\$3,500,000	\$6,000,000	As Agreed	By agreement with provider	Lessors, Contractors, Subs
Landscaping, Irrigation, Sidewalk, Trail, Fencing, Playground Equipment, and Playground Surfacing <sup>(4)</sup>	\$175,000	\$300,000	Lump Sum or Installments	As Incurred	Third Parties
Impact Fees and Utility Connection Fees	\$100,000	\$500,000	Lump Sum	Prior to construction	City/County
Land Costs <sup>(5)</sup>	\$500,000	\$1,500,000	As Agreed	By agreement with provider	Sellers
Architectural/Engineering, Legal & Accounting Services <sup>(6)</sup>	\$150,000	\$250,000	As Agreed	By agreement with provider	Suppliers
Training Expenses (lodging, food, travel)	\$5,000	\$10,000	As Agreed	As Incurred	Suppliers
Opening Package Fee <sup>(3)</sup>	\$240,000	\$350,000	As Agreed	By agreement with us or our designee	Us, or our Affiliate
Systems Standards Fee (3 months)	\$1,050	\$1,050	Lump Sum	Monthly	Us
Signage	\$12,000	\$20,000	Lump Sum	Within 60 days of opening School	Suppliers

Type of Expenditure <sup>(1)</sup>	Low Amount	High Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Opening Inventory and Supplies <sup>(7)</sup>	\$15,000	\$20,000	Lump Sum	Within 60 days of opening School	Suppliers
Grand Opening Advertising	\$15,000	\$20,000	As Incurred	Within 60 days of opening School	Third Parties
Utility Deposits	\$3,000	\$8,000	As Incurred	Prior to opening	Third Parties
Insurance <sup>(8)</sup>	\$9,000	\$24,000	Lump sum	As Incurred	Third Parties
Additional Funds • 3 months <sup>(9)</sup>	\$25,000	\$125,000	As Incurred	As Incurred	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT UNDER THE FRANCHISE PROGRAM<sup>(9)</sup></b>	<b>\$4,825,050</b>	<b>\$9,208,050</b>			

### Explanatory Notes

- (1) All fees payable to us or our affiliate are non-refundable, except for the Deposit. At our discretion, we may require a \$5,000 Deposit when you apply to be a Creative World School franchisee. The Deposit will be credited toward the amount of the Initial Franchise Fee when you sign the Franchise Agreement. If you do not sign a Franchise Agreement within 180 days after signing the Site Assessment Deposit Agreement, then we will refund the Deposit less the greater of: (i) \$2,500; or (ii) our out-of-pocket expenses for time and effort expended in reliance upon your application. Once you and we have approved a site for your School, the Deposit will no longer be refundable.
- (2) The Initial Franchise Fee is \$75,000 for your first School. If you are a United States armed services veteran who presents satisfactory evidence of an honorable discharge (such as a DD214), the initial fee for your school is reduced to \$65,000. We reduce the Initial Franchise Fee for each additional School to \$65,000. The \$5,000 Deposit, if applicable, is included in the Initial Franchise Fee. We assume you will not be using our assistance to obtain licenses and permits.
- (3) The Opening Package contains all interior items required to operate the School in accordance with our specifications and standards. It includes the computer system, all movable fixtures, furniture and equipment, including tables, chairs, desks, cots, cribs and shelving; tricycles; educational equipment; toys, games and puppets; school supplies (such as construction paper, glue and paint); teaching supplies; curriculum; office computers; interior artwork/murals; and smallwares.

- (4) This item includes the cost of leasehold improvements other than the cost to build the building or renovate an existing building. This expense usually includes the cost of landscaping, irrigation, playground equipment and playground surfacing, sidewalk, trail, and fencing.
- (5) The School's Site typically will be in a freestanding building, on a commercial site, and commuter route, or adjacent to a large, planned community. The size of a School is estimated to be 10,000 to 16,000 square feet, with the greater number of Schools being approximately 13,000 square feet. We estimate that most Schools will be built from the ground up, utilizing design plans that meet our standards and specifications. Sites for Schools must have a minimum of 1.5 acres of land suitable for the building and playground use. The cost of construction of the building only currently are about \$200 to \$400 per square feet, and may be paid by you, financed through lenders other than us, or incorporated into the cost of the rent structure of the lease. We estimate that the cost of the construction to build (rather than to renovate an existing building), if not incorporated into the rent structure could range from \$3,000,000 to \$6,000,000 for the building, and \$3,500,000 to \$7,000,000 (See Note 4) for the building plus playground and other improvements to the property. This includes the cost of the kitchen equipment (approximately \$60,000) and other items noted below. You must utilize contractors and construction monitoring services that we designate or approve. The cost of floor covering, wall treatment, bathrooms, hand washing facilities, drinking fountains, closets or storage space, counters, kitchen, including fire suppressant hood, hand washing sinks, garbage disposal, grease trap, commercial type dishwasher and other kitchen items, ceilings, painting, window coverings, plumbing, electrical, carpentry and related work and contractor's fees (but excluding the Opening Package), is included in the estimate provided in this category but will vary significantly depending on the condition, location and size of the Site, the demand for the Site among prospective lessees and any construction or other allowances granted by the landlord after negotiations. We have not incorporated the separate cost of leasehold improvements in the cost of the rent because we believe that about 85% of Schools will be built or remodeled to suit. However, our experience has shown that such costs may be included in the rent structure and incurred by the landlord or financed through third party lenders. Our low-high estimate provided in the chart assumes that you will either: (a) remodel an existing building at the low end of the cost to remodel; or (b) construct the building on improved land at the high end of the cost to construct. Although we anticipate that you may be able to obtain financing for a significant portion of the cost of leasehold improvements described above, your ability to obtain, and the cost of financing for any or all of the cost to establish the franchise will depend on a variety of factors, including for example, your credit rating, business experience and access to collateral. This estimate assumes that you build a new facility to house the School. Due to the inherent difficulties in estimating the value of real estate, we suggest the ranges of land that are affordable to construct a building to house the School.
- (6) At your request, we can provide you architectural plans and drawings at our then current prices. Although we provide you with design guidelines, specifications, decor and layouts, you will have to develop, with the assistance of an approved or designated architect and engineer, complete architectural plans and drawings and engineering plans, at your expense.
- (7) The difference between the low and high ranges is attributable to the actual size of the School and the amount and variety of the products, materials and supplies necessary for the opening of the School in compliance with our prescribed standards and specifications.

- (8) Insurance must be obtained to meet the minimum requirements established by the System Standards.
- (9) This item estimates your initial start-up expenses which include a wide variety of miscellaneous expenses. These expenses include, for example, payroll costs, monthly advertising costs and yellow page advertising. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

We relied on the experience of our affiliates and our franchisees to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Franchisees may be able to obtain financing for some or all of the costs described above. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions from which you may request a loan.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

The source for virtually all of your purchases is restricted in some way. We estimate that required purchases of products and services represent approximately 98% of your total purchases to establish the School and less than 5% of your total purchases to operate your School.

### **Purchases from Us or Our Affiliates**

You are required to purchase your Opening Package only from us or our affiliate, Discount Preschool. The Opening Package includes the required computer system and Software designated by us. You must use this computer system for on-line reporting of such sales and other information from your computer to us as required under the Franchise Agreement or Manuals. You are also required to purchase all of your teaching supplies, equipment, curriculum and the like only from us or Discount Preschool during the operation of your School. In addition, you must pay us or Discount Prechool for the management software that you will use in the operation of your School and for our search engine optimization program for your School's website. These fees cover our actual costs for such software and search engine optimization services.

Discount Preschool will be the only distributor of the interior equipment and furniture, including, tables, chairs, desks, cots, cribs and shelving; tricycles; educational equipment; toys, games and puppets; school supplies (such as construction paper, glue and paint); teaching supplies; curriculum; office computers; interior artwork/murals; and smallwares to our franchisees. It orders, processes and stores equipment and supplies in bulk, thus receiving a discounted price. Discount Preschool receives discounts varying from 10% to 50% depending on type and quantity of purchases from vendors. Discount Preschool sometimes receives reduced or free freight allowances. Discount Preschool also sells such equipment and supplies with a discount varying up to 15% below retail cost of each item and allowing some freight

discount to individuals, childcare centers, schools, and/or churches. In selling to our franchisees, Discount Preschool anticipates that it may discount certain equipment and supplies up to 20% and absorb some or all of the freight charges. This may amount to a cost savings for our franchisees which they might not otherwise be able to receive. The actual discounts offered by Discount Preschool, if any, will depend on various factors, including the availability of equipment and supplies, market changes, Discount Preschool's supplier relationships, as well as other factors.

The foregoing required purchases from us or Discount Preschool, in which we are the only supplier, constitutes less than 6% of the cost to establish and build a new School and less than 3% of the cost to operate a School. Currently, all of the foregoing payments for required purchases are paid to Discount Preschool. Our affiliate, Discount Preschool, received ~~\$374,362~~87434 of its total revenues of ~~\$452,876~~123,571 as shown by its financial statements for the year ended December 31, ~~2022~~2023, or ~~82.7~~71% of its total revenues from sales to our franchisees.

### **Approved Suppliers**

In order to maintain the quality of the goods and services provided by Creative World School® Businesses and the reputation of our franchise network, our affiliate Discount Preschool is the only approved supplier for the interior equipment (except kitchen equipment), moveable fixtures, furniture and supplies that you will need to establish and operate the School. This includes tables, chairs, desks, cots, cribs, shelving, tricycles, educational equipment, toys, games, puppets, school supplies (e.g., construction paper, glue and paint), teaching supplies, curriculum, office computers, interior artwork/murals, and smallwares.

You must purchase and install playground equipment and playground surfacing from approved suppliers. We do not provide material benefits to a franchisee based on their use of an approved or a recommended supplier.

Other than Discount Preschool, there are no suppliers in which any of our officers own an interest.

### **Rebates**

We do not negotiate purchase arrangements with suppliers for the benefit of franchisees. We did not derive revenue, rebate or other material consideration based on required purchases or leases by franchisees.

Our affiliate, Discount Preschool negotiates with suppliers to obtain favorable pricing on certain items you must purchase. It also provides procurement, coordination, facilitation and other services in dealing with suppliers. In return, Discount Preschool may be compensated with rebates on **purchases** made by franchisees. During the fiscal year ending December 31, ~~2022~~2023, our affiliates did not receive any revenue, rebates or other consideration based on required purchases or leases by franchisees, from approved suppliers.

### **Standards and Specifications**

You must operate and develop your School according to our System Standards. System Standards may regulate, among other things, the size of your School, learning products

and services, equipment, curricula, lesson plans, educational programs, business formats, methods, procedures, designs, layouts, signs and equipment. These specifications include standards for delivery, performance, design and appearance. Currently, you are required to purchase 95% of the furniture, equipment and products necessary to operate your School from our affiliate, Discount Preschool, and those items meet our specifications and standards. Our Manuals contain our System Standards. We will periodically make available to you any modifications to our Manuals, including any specifications that have been issued or modified. You are not currently required to purchase any food products/supplies from Discount Preschool.

### **Employees**

We do not control any of the terms or conditions of employment of your personnel. We also do not impose minimum or other standards or qualifications for them. But you must understand that it is critically important for you to only hire personnel that parents are willing to trust with their children.

You must not hire any individual that has engaged in any dishonest, unethical or criminal act which impairs the ability of that person to earn our trust, the trust of the parents and the trust of the children. You must immediately terminate any individual that poses a threat to children or other employees.

### **Accreditation**

We have achieved Corporate Accreditation status with Advanced Ed. You must participate in its system-wide accreditation program. Once you are accredited, you must pay a monthly fee for a five-year period, which covers the Engagement Review and the annual Improvement Network Fee charged by Cognia (formerly Advanced Ed) to Creative World from the date of application. Currently, the monthly fee is \$125.

### **Changes to Suppliers**

If you wish to purchase any items that do not comply with our System Standards or are to be purchased from a supplier that has not yet been approved, you can make a written request to us with sufficient information, specifications and samples for our determination whether the item complies with System Standards or the supplier meets approved supplier criteria. Based on information obtained by inspection, testing of samples, and other factors, we will determine whether the proposed suppliers, products or services are acceptable. Generally, we will, within 90 days of the date you provide us all of the information we request, notify you of our decision. You or the supplier must pay the reasonable cost of this inspection and testing. Our approval may be revoked at any time if the supplier, product or service ceases to meet our then-current standards. We may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason.

### **Computer Hardware and Software**

The required computer system and Software designated by us is included in the Opening Package. You must use this computer system for on-line reporting of such sales and other information from your computer to us as required under the Franchise Agreement or the Manuals. This will require that you have a reliable internet service provider for your school. For

any time period during which the computer system or internet service provider is not functioning properly, you must report such sales and other information to us by facsimile weekly, and by certified/registered mail no less frequently than monthly.

### **School Development**

We require Schools to be constructed or remodeled in accordance with our specifications. The Franchise Agreement requires that you purchase or lease and use only such services, equipment and supplies as we may specify or approve. We also will furnish you with our System Standards and mandatory and suggested specifications and layouts for a School, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme. We may require you to utilize a designated or approved architect, engineer and contractor for the development of your School.

### **Site**

We must approve the Site for the location of your School. The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other Schools, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, suitability of the site for use by children, acreage requirements, appearance and other physical and demographic characteristics of the proposed Site. We also must approve the lease or sublease for the Site of your School. Sites must be a minimum of 1 useable acre. We will approve or disapprove a Site you propose within 60 days after you provide us with a complete site report and any other materials we request. We must agree on a Site within 120 days of the date of the Franchise Agreement or we may terminate the Franchise Agreement. You must deliver a copy of the proposed lease and related documents to us prior to signing them. Our approval of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our approval. You must provide us with a copy of the signed lease within 15 days of its execution.

If you lease the Site from a third party, or purchase the Site, we first must approve the lease, financing and/or purchase documents that you will sign. We require that they contain certain provisions that are designed to protect our rights. If you (or your affiliate) lease the Site from a third party, you must sign and deliver to us our standard form of Conditional Assignment and Assumption of Lease (the "**Lease Assignment**"), which is attached to this disclosure document as Exhibit "E." If you (or your affiliate) purchase or own the Site, you must sign our standard form of Agreement to Lease (the "**Agreement to Lease**"), which is attached to this disclosure document as Exhibit "F."

The Lease Assignment (which you will sign if you lease the Site) and the Agreement to Lease (which you will sign if you own the Site) generally protect our rights under the Franchise Agreement, including our right to possess the Site and operate the School, at our option, if the Franchise Agreement is terminated prior to expiration. Any person who is related to or affiliated with you or one of your owners, directors, officers or other principals, and who plans to lease the Site to you or own or obtain financing for the Site, must agree to be bound by these provisions.

Under the Lease Assignment or the Agreement to Lease, we can take possession of the School's Site if you violate the lease or any obligation to us. You still will be responsible for all

lease obligations covering the time before we take over. If you and the landlord for the Site are or become related in ownership or control, and we eventually take over the Site, any lease will be amended to be the same length as the Franchise Agreement, to be consistent with commercially reasonable “triple-net” leases being signed in your metropolitan area and to reflect the Site’s fair market rental value in your metropolitan area.

**Insurance**

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, the following insurance policies (in addition to any insurance that may be required by applicable law, any lender, or any lessor):

<b>TYPE OF INSURANCE</b>	<b>MINIMUM REQUIREMENT</b>
Property Insurance (Acord 28 - 2016 )	\$2,000,000 or replacement value
Flood Insurance at FEMA maximum amount + additional as available	\$2,000,000 or Actual Cash Valuation
General Liability Insurance (Acord 28) Rated A-VII or better (May include molestation)	\$1M/ occurrence \$2M / Aggregate
Automobile Insurance (Acord 28) Deductible \$1000 or less	\$1M per accident
Student Accident Insurance - No deductible \$10,000 AD&D Benefit	\$20,000 per injury maximum
Umbrella Liability - (Acord 28) Rated A-VII or better	\$3M per occurrence
Professional Liability - (Acord 28) (Molestation included)	\$1M per occurrence / \$1M/Aggregate
Workman's Compensation and Employer's Liability (Acord 28)	\$500K/\$500K/\$500K

The cost of this coverage will vary depending on the insurance carrier’s charges, terms of payment and your history. You must send us copies of all insurance policies and each of them must name us as an additional insured party.

Our System Standards for insurance coverage are intended as “minimum” standards. Accordingly, you should review your insurance coverages and policies with your insurance agent/broker to determine if additional coverage is necessary, appropriate or desired by you.

**Miscellaneous**

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration as a result of required purchases or leases. There currently are no purchasing or distribution cooperatives. Except as described above, we do not have any other purchase arrangements with suppliers for the benefit of franchisees. However, we may do so in the future.

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2.1 and 4; Deposit Agreement for Site Assessment (" <b>Dep. Agmt</b> "); Lease Assignment; Lease	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 4, 5 and 6.2; Lease Assignment; Dep. Agmt; Lease	Items 5, 6, 7, 8, 11 and 16
c. Site development and other pre-opening requirements	Sections 4, 5, 6 and 7	Items 5, 6, 7 and 11
d. Initial and ongoing training	Section 7	Item 11
e. Opening	Sections 5.6, 5.7, 7.1 and 7.2	Item 11
f. Fees	Sections 3, 6, 7.1, 7.3, 11.1, 12, 14.2 and 15.3; Section 1 Dep. Agmt; Lease	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manuals	Sections 5, 7, 11 and 13	Item 11
h. Trademarks and proprietary information	Sections 8 and 9; Sections 2 and 3 Dep. Agmt; Conditional Assignment of Telephone Numbers and Listings and Internet Addresses	Items 13 and 14
i. Restrictions on products/services offered	Sections 5 and 11	Items 11 and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Sections 2.1 and 5.1	Item 12
l. On-going product/service purchases	Sections 5, 11 and 12	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 3, 5, 11.4 and 15.3	Items 11 and 17
n. Insurance	Sections 5, 11.2 and 19	Items 7 and 8
o. Advertising	Sections 5.7 and 12	Items 6, 7 and 11
p. Indemnification	Section 18.4; Section 3 of Lease Assignment; and Section 4 of Conditional Assignment of Telephone Numbers and Listings and Internet Addresses.	Item 6
q. Owner's participation/management/staffing	Sections 2.4, 7, 10, and 11	Items 11 and 15
r. Records and reports	Sections 11 and 13	Item 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
s. Inspections and audits	Section 13 and 14	Items 6 and 11
t. Transfer	Section 15	Items 6 and 17
u. Renewal	Section 3	Items 6 and 17
v. Post-termination obligations	Section 17	Item 17
w. Non-competition covenants	Sections 10 and 17.4	Item 17
x. Dispute resolution	Sections 20 and 21; Section 11 of Lease Assignment; and Conditional Assignment of Telephone Numbers and Listings and Internet Addresses	Item 17

**ITEM 10  
FINANCING**

Although we do not offer any financing, our affiliate, Discount Preschool, in its sole discretion, may finance a portion of the Opening Package Fee up to \$50,000 if you meet certain credit requirements. This financing is provided in conjunction with financing that you obtain in connection with the school building and/or land purchase for your Creative World School® Business. The following chart summarizes the terms of such financing, but the actual terms and conditions will be set forth in a Promissory Note and Security Agreement and such other documents as you and Discount Preschool agree upon. The form of Promissory Note, Security Agreement and UCC-1 Financing Statement are attached as Exhibit "M" to this disclosure document.

<b>Topic</b>	<b>Provisions</b>	<b>Explanatory Notes</b>
Item Financed	Portion of Opening Package Fee	At Discount Preschool's discretion and in conjunction with franchisee-obtained SBA financing of the school building and/or land purchase.
Source of Financing	Our affiliate, Discount Preschool, LLC	
Amount Financed	Up to \$50,000 (see Note 1)	Represents approximately 1.2% to 3.1% of the total project cost.
Term	20-year amortization	Term will be identical to terms of SBA 504 financing obtained by franchisee. Principal and interest will be amortized over 20 years.
APR%	5% to 7%	Rate of interest varies, but will be identical to SBA 504 financing obtained by franchisee.

<b>Topic</b>	<b>Provisions</b>	<b>Explanatory Notes</b>
Installment Payment	Varies, depending on interest rate, term and amount financed.	Installments will be identical to SBA financing obtained by franchisee.
Prepay Penalty	None	Can be prepaid at any time.
Security Required	(See Note 2)	
Liability Upon Default	Default interest is highest allowed by law; entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement.	(See Note 3)
Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have.	
Governing Law	Florida law governs the Promissory Note and Security Agreement	All actions must be brought in Lee County, Florida.

Explanatory Notes:

(1) In its sole discretion, Discount Preschool may elect to finance up to \$50,000 of the Opening Package Fee if you meet certain credit requirements. The amount financed is generally negotiated on an individual basis depending on several factors, including, without limitation, your credit history, guarantees of your owners, and financial condition. You must obtain financing related to the purchase of your school building and/or land for your Creative World School® Business, in order to qualify for a loan from Discount Preschool.

(2) You must execute a Security Agreement which grants Discount Preschool a security interest in all of the furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including the Opening Package equipment, supplies and materials, under the Uniform Commercial Code, to secure the prompt payment and performance of all of your obligations to Discount Preschool, including the indebtedness on the Promissory Note. If you are a business entity, your principal owners may be required to guaranty your obligations under the Promissory Note and the Security Agreement.

(3) Upon an event of default or acceleration event, the entire unpaid principal balance and all accrued interest will be accelerated and become immediately due and payable in full, and the interest rate will increase to the lesser of 18% or the maximum rate permitted by law. An “event of default” means: (a) you fail to pay any sums when due to Discount Preschool or us or our affiliates under the Promissory Note, the Franchise Agreement or any other agreement and do not correct such failure within 10 days after written notice of such failure is delivered to you;

or (b) you breach any of the provisions of the Franchise Agreement or any other agreement between you and Discount Preschool, us or our affiliates and do not correct such failure within the applicable cure period. You must pay all costs of collecting amounts due under the Promissory Note. In addition, a default under any of the financing documents constitutes an event of default under the Franchise Agreement.

Except as described above, neither we nor any affiliate offers direct or indirect financing to you, guarantees any note, lease or other obligation of yours, has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours, or receives any direct or indirect payments or other consideration from any person for the placement of any financing with the lender.

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

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

**Pre-Opening Obligations:** Before you open the School, we will:

1. If you and we have not already agreed upon a location for your School before signing the Franchise Agreement, provide you with our site selection criteria for demographic characteristics, traffic patterns, parking, character and safety of neighborhood, competition from and proximity to other businesses, schools and other Schools, the nature of other businesses in proximity to the site and other commercial or residential characteristics and the size, appearance, other physical characteristics of the proposed site and the proposed site's suitability for children and construction and development of a School. The site must be a minimum of 1.5 useable acres or such space as we deem appropriate for the development and operation of a School. We will approve or disapprove a location you propose for the School within 60 days after we receive the complete site report and other materials we request. We must agree on a site within 120 days of the date of the Franchise Agreement or we may terminate the Franchise Agreement. (Franchise Agreement • Section 4.1)
2. Determine the Opening Package and Operating Assets for your School following our acceptance of the Site for your School (Franchise Agreement -- Section 5.5)
3. Furnish you with prototype design plans, specifications, decor and layout for a School, including requirements for design, color scheme, image, interior layout and Operating Assets which include fixtures, equipment, signs and furnishing. (Franchise Agreement • Section 5.1)
4. Assist you, at your request, in developing the School by recommending architects and otherwise furnishing information to assist you in developing the School in accordance with our specifications. We may require you to utilize a designated or approved architect, engineer and contractor for the development of your School. (Franchise Agreement • Section 5.1)
5. At your request, provide you with assistance in securing building, utility, sign, health, sanitation, business and other permits and licenses to construct and operate the School, except

we do not provide you with legal advice or counsel. If we provide you with such assistance, you must pay our fee for such services. (Franchise Agreement – Section 5.1)

6. Train you or the Manager and at least 1 other management level employee. Although we are obligated to train up to 2 people, we may require that 3 people complete training to our satisfaction. (Franchise Agreement • Section 7.1)

7. Loan you (or make accessible, on-line or by other electronic format, to you in our discretion) one copy of the Manuals. (Franchise Agreement • Section 11.1)

**Continuing Obligations:** During your operation of the School, we will:

1. Provide you (and/or train you or your Manager to provide) the methods and techniques to use when you train your employees. (Franchise Agreement • Sections 7.2 and 7.3)

2. Advise you from time to time regarding the operation of the School based on reports you submit or inspections we make. (Franchise Agreement – Section 7.4)

3. Provide guidance to you on: (a) standards, specifications and operating procedures and methods utilized by Schools; (b) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; (c) childcare, learning and advancement methods and procedures; (d) use of suppliers, approved products, volume buying, (e) advertising and marketing programs; and (f) administrative, bookkeeping and accounting procedures. (Franchise Agreement • Section 7.4)

4. Furnish you, at your request, with additional guidance, assistance and training. (Franchise Agreement • Section 7.4)

5. Loan you (or we may make it accessible to you on-line) one copy of the Manuals, consisting of such materials (which may include audiotapes, videotapes, magnetic media, computer software and written materials) that we generally furnish to franchisees for use in operating Schools. The Manuals contains mandatory and suggested specifications, standards, operating procedures and rules (“**System Standards**”) that we prescribe from time to time for operation of a School and information relating to your other obligations under the Franchise Agreement. We do not provide any assistance in establishing prices at which you must sell your products and services but we may consult with you and suggest pricing for you from time to time. (Franchise Agreement • Section 11.1)

6. Issue, modify and supplement System Standards for Schools. (Franchise Agreement – Sections 11.2, 11.3, and 11.11)

7. We may establish, maintain and administer a system-wide advertising fund (the “**Marketing Fund**”). (Franchise Agreement • Section 12.1)

8. Inspect and observe, photograph and videotape the operations of the School, remove samples of any products, materials or supplies for testing and analysis, interview the School’s customers and personnel, and inspect and copy any books, records and documents

relating to the operation of the School from time to time to assist you in complying with the Franchise Agreement and all System Standards. (Franchise Agreement • Section 14)

### **Marketing Fund**

If we establish a Marketing Fund, we will direct all programs financed by the Marketing Fund, and may determine the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. We will determine the amount of the Marketing Fund contribution, but it will not exceed 1% of weekly Gross Revenues. We will not assess contributions to the Marketing Fund until 50 Schools are open. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; and supporting public relations, market research and other advertising, promotion and marketing activities. The Marketing Fund will periodically furnish you with samples of advertising, marketing and promotional formats and materials at its cost. 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. (Franchise Agreement – Section 12.2)

If established, the Marketing 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 Marketing Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund. We may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Schools to the Marketing Fund in that year, and the Marketing 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 Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and furnish the statement to you upon written request. We are not required to have the Marketing Fund audited. We will not use any monies from the Marketing Fund for the preparation of franchise sales solicitation materials. We have the right to cause the Marketing Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and the successor entity will have all of the rights and duties described in the Franchise Agreement. (Franchise Agreement – Section 12.3)

If established, the Marketing Fund will be intended to maximize recognition of the Marks and patronage of Schools. Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Schools, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by Schools operating in that geographic area or that any School will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. We assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to, or

maintaining, directing or administering, the Marketing Fund. (Franchise Agreement – Section 12.4)

Franchisee contributions to the Marketing Fund, if established, will not be more than 1% of Gross Revenues per week. If established, contributions to the Marketing Fund will generally be on a uniform basis, but we reserve the right to defer or reduce contributions of a franchisee and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the Marketing Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Marketing Fund. If the Marketing Fund is terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the Marketing Fund during the preceding 12-month period. We and our affiliates may contribute to the Marketing Fund on a different basis than franchise owners until circumstances warrant otherwise because our affiliates' operations are currently more or less substantial than franchise operations. (Franchise Agreement – Section 12.1)

Since we have not commenced assessments for the Marketing Fund, we neither received nor spent any funds for this purpose in fiscal year 2022.

### **Local Advertising**

In addition to your contributions to the Marketing Fund, if one is established, and the grand opening advertising expenditures of \$7,000 to \$15,000, you must allocate 0.5% of your Gross Revenues quarterly for advertising and promotion of the School. We may review your books and records relating to your expenditures for such advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay the unexpended amounts into the Marketing Fund, if one is established. (Franchise Agreement – Section 12.5)

All advertising, promotion and marketing must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you use them. If you do not receive written disapproval within 30 days after we receive the materials, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have disapproved. (Franchise Agreement – Section 12.5)

There currently are no franchisee advertising councils or advertising cooperatives that advise us on advertising policies. If a local advertising cooperative is established, you must contribute the amount required by such advertising cooperative, but not more than 1% of your Gross Revenues. (Franchise Agreement – Section 12.5)

### **Websites**

We may restrict, limit, control or designate nearly every aspect of your use of websites, the internet, intranets, worldwide web home pages, social media sites, or e-mail, and require you to participate in a centralized website. You must adhere to any social media policies that we establish from time to time, and must require your employees to do so as well. (Franchise Agreement – Section 12.6)

## Computer Systems

The computer system that meets our specifications and standards (the “**Computer System**”) is included in the Opening Package. The cost of the required Computer System and Software is included in the Opening Package cost. We are routinely investigating or evaluating supplies for the Computer System and establishing new Computer System Standards. Currently, the Computer System does not comprise our proprietary property. We anticipate that the Computer System will comprise automated attendance, account, employee, class ratio and immunization tracking along with other useful features. (Franchise Agreement – Section 11.6)\_

You must use whatever Computer System we specify during the term of the Franchise Agreement. Currently, we require Schools to use ProCare software, SEO Support, PowerBI, PlayerLync, ~~CCRM~~, Intellikids (CRM) and Listen 360 which is included in the Opening Package; however there is a monthly fee (currently \$350) that you must pay to us or our designee for the use of such software (the "**System Standards Fee**"). Additionally, QuickBooks Financial Software should be used for tracking your School's accounting and bookkeeping.\_

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We expect that the computer system will need to be maintained and updated. We anticipate that software upgrades will cost less than \$800 per year. However, due to the changing nature of the computer and information technology industry, we estimate that the cost of hardware upgrades and both hardware and software upgrade costs may vary significantly from any current expectations. We have not yet arranged for a mandatory software or hardware maintenance contract for the Computer System to be purchased by you, but may do so in the future. It is anticipated that hardware may need to be updated and/or replaced on average every 2 to 3 years.\_

We have independent access to the information and data generated and stored on the Computer System. Generally, we may access the Computer System to obtain gross and net sales information, product mix, labor reports and customer counts. There are no limitations on our right to do so.

## Time To Opening

We estimate that there will be an interval of 10 to 18 months between the signing of the Franchise Agreement and the opening of the School, but the interval may vary based upon such factors as the location and condition of the Site, the construction schedule for the School, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations. You must locate a Site within 120 days of your signing the Franchise Agreement. You must obtain our approval of the Site. You must submit Construction Plans to us for our approval. Once we have approved them, you may not modify or alter your Construction Plans without our prior approval. And, within 12 months of the date we approve your Construction Plans, you must open the School for business. We may grant you extensions because of delays incurred in obtaining permits or licenses to operate if such delay is caused beyond your reasonable control. (Franchise Agreement – Sections 4.1 and 5.1)\_

You may not open the School for business until: (1) we approve the School as developed according to our specifications and standards; (2) pre-opening training of you and your management personnel has been completed to our satisfaction; (3) the Initial Franchise Fee, the Opening Package Fee and all other amounts then due to us or our affiliate have been paid; (4) we have approved the manager of your School and you have demonstrated that the conditions of the Franchise Agreement have been met; (5) we have received copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we accept; and (6) we have received signed counterparts of all required documents pertaining to your acquisition of the Site and construction of the School. You cannot open the School until we are satisfied that you have completed all necessary steps to open. You must commence development of the School within 9 months after the date of the Franchise Agreement. (Franchise Agreement – Sections 5.1 and 5.6)

### **Training**

Before the School's opening, we will provide initial training in the form of School operations management training ("**Management Training**") to you, or your manager, and at least 1 other management level employee for no additional fee, except that you must pay the expenses of the trainees, including food, lodging and travel expenses. At least 2 persons must complete the Management Training to our satisfaction and we may require that a 3<sup>rd</sup> person complete such Management Training to our satisfaction as well. Approximately 2 to 3 weeks of Management Training will be furnished at our designated training facility and/or at an operating School. Currently, the Management Training is conducted at one of our locations in Florida. You and your managerial employees must complete the initial training to our satisfaction. We expect that Management Training will be conducted after the Franchise Agreement has been signed and while the School is being developed. We plan to be flexible in scheduling training to accommodate our personnel, you and your personnel. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. Management Training must be completed at least 1 month prior to Opening.

In addition, 2 to 4 weeks of employee/staff training ("**Employee Training**") will be provided at your School, another School or training facility and will consist of on-the-job training with a Creative World School® Business trainer for you and your employees. Trainers will observe, demonstrate and discuss with you and your employees appropriate practices to train on Creative World School® Business Franchise policies and curriculum. In addition to this on-the-job training component, you and your employees may be required to participate in weekly 3-hour classroom sessions. The following is an example of our anticipated Employee Training program for you and your employees, which will take place at your School. There are no additional fees for this training, but you must pay the expenses of the trainees which may include food, lodging and travel expenses. (Franchise Agreement – Section 7.2) We expect the Employee Training will be conducted immediately before and after your School opens. Although we provide Employee Training relating to our systems and brand standards, you are solely responsible for all other employee training and all terms and conditions of employment.

## TRAINING PROGRAM

### Leadership Training Program

Subject	Hours of Classroom Training	Hours of On the Job Training	Location or Virtual
Training Overview	1	0	One of our locations in Florida
Our Philosophy	0.5	0	One of our locations in Florida
Business Management	2	0	One of our locations in Florida
Budgeting	2	0	One of our locations in Florida
Regulatory Agencies	1	0.5	One of our locations in Florida
Accreditation	2	1	One of our locations in Florida
<del>Software</del> <u>System Technology</u> Training	2	1	One of our locations in Florida
<del>Collections</del> <u>Establishing rates and collecting fees</u>	0.5	0	One of our locations in Florida
Financial, Payroll and Recordkeeping	2	0	One of our locations in Florida
Marketing and Enrolling <u>Your School</u>	3	1	One of our locations in Florida
<del>Center Tour</del> <u>Touring a prospective Family</u>	1	0.5	One of our locations in Florida
Human Resource <del>Package</del> <u>Regulations</u>	1	0	One of our locations in Florida
Hiring and <del>Recruiting</del> Staff <u>Recruitment</u>	2	1	One of our locations in Florida
Food and Nutrition	1.5	1	One of our locations in Florida
Kitchen Operations	1.5	1	One of our locations in Florida
<del>Center</del> Supplies and Purchasing	1	0.5	One of our locations in Florida
Staff Training and Development	2	2	One of our locations in Florida
Staff Evaluations and Retention	1	1	One of our locations in Florida
Health and Safety	2	2	One of our locations in Florida
<del>Safety Checklist</del> <u>Creating a Safe Environment</u>	1	1	One of our locations in Florida
Curriculum Overview	0.5	0.5	One of our locations in Florida
<del>Room Arrangements</del> <u>The Classroom Environment</u>	1	0.5	One of our locations in Florida
Exploratorium™	1	1	One of our locations in Florida
Infant/Toddler Curriculum and Observation	2	2	One of our locations in Florida
Playgrounds and Observations	1.5	1	One of our locations in Florida
<del>Housekeeping and</del> Building Maintenance	1	1	One of our locations in Florida
Two Year Old Curriculum and Observation	2	2	One of our locations in Florida
Parent Communication	0.5	0.5	One of our locations in Florida
<del>Parent</del> <u>Family</u> Orientations	1	1	One of our locations in Florida
Retaining Enrollment	1	0.5	One of our locations in Florida
Preschool Curriculum Overview and Observations	2	2	One of our locations in Florida

Subject	Hours of Classroom Training	Hours of On the Job Training	Location or Virtual
Appropriate Discipline	1	1	One of our locations in Florida
<u>Assessing Children's Assessments Learning</u>	2	1	One of our locations in Florida
School Age Curriculum and Observations	2	2	One of our locations in Florida
Field Trip Safety	1	0	One of our locations in Florida
Transporting Children	0.5	0.5	One of our locations in Florida
Vehicle Maintenance	0.5	0	One of our locations in Florida
<b>TOTALS</b>	<b>50.5 hrs.</b>	<b>30 hrs.</b>	

### Employee Training Program

Subject	Hours of Classroom Training	Hours of On the Job Training	Location or Virtual
Licensing and Training Requirements	2	0	Your School, another School or Training Facility
<u>Age Specific Curriculum</u>	2	6	Your School, another School or Training Facility
<del>Room-</del> <u>Arrangement Classroom Environment</u>	2	4	Your School, another School or Training Facility
<u>Enriching Play Interest Centers</u>	2	4	Your School, another School or Training Facility
<del>Menus and Food</del> <u>Lunch Routines</u>	2	4	Your School, another School or Training Facility
<u>Toileting and Restroom Procedures</u>	1	2	Your School, another School or Training Facility
Transition Procedures	2	2	Your School, another School or Training Facility
Parent Interaction	1	0	Your School, another School or Training Facility
Health and Safety <del>Issues</del>	3	2	Your School, another School or Training Facility
<del>Housekeeping</del> <u>Maintaining our Environment</u>	1	3	Your School, another School or Training Facility
Toys/Equipment Use and Maintenance	2	3	Your School, another School or Training Facility
Child Abuse Concerns/ Appropriate Discipline	1	0	Your School, another School or Training Facility
<del>The</del> <u>Playground Rules Environment</u>	1	1	Your School, another School or Training Facility
<del>Security Issues</del> <u>Keeping our Building Secure</u>	1	0	Your School, another School or Training Facility
<u>Establishing</u> Routines	1	3	Your School, another School or Training Facility
Allergy and Medication Procedures	1	1	Your School, another School or Training Facility

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location or Virtual</b>
Attendance <del>Records</del> <u>Procedures</u>	1	1	Your School, another School or Training Facility
<del>Child</del> -Assessments <u>and</u> <u>Portfolios</u>	4	2	Your School, another School or Training Facility
Opening Procedures	1	5	Your School, another School or Training Facility
Closing Procedures	1	5	Your School, another School or Training Facility
<b>Totals</b>	<b>32</b>	<b>48</b>	

The materials used in training include the Owners Manual (Training Manual – Owner Resource Guide), the Directors Manual (Director Training Manual – Center Operation and Management Guide), the Cook Manual (Kitchen Training Manual – Food Service Guide), Classroom and Curriculum Manuals for Infants, Toddlers, Two’s, Pre School, Exploratorium, and School Age children, Forms Book (Franchise Training Manual – Forms Guide), and the Staff Manual (Franchise Training Manual – Staff Policies and Procedures), as well as other presentation materials, including PowerPoint presentations, overhead transparencies and handouts.

Our training is supervised by Dr. Marianne Whitehouse, Kathy Thomure, [Dr. Zach Mural](#), Rennaye Hedges, Rhonda Canerday, Rebecca McLellar, JoAnn Sanderlin, Kathy Thomure, Jana Williams, Ann Braxton., and Meagan Meneses.

Ms. Whitehouse has been our President, Director and a Certified Training Instructor for us since 1999 and has been a Regional Director for CWSI since July 1991. Ms. Thomure has been our Vice President of Education since January 1, 2016 and has been a Certified Training Instructor since 1999 and a Vice President of CWSI since October 1989. Ms. Hedges has been our Support Coach since January 1, 2016, and has been a Certified Training Instructor since 2011 and a Center Director for CWSI since 2008. Ms. Canerday have been our Director of Educational Training and Support and Ms. McLellar has been our Director of Training and Educational Support as well as Certified Training Instructors since September 2019, and have 39 and 9 years of experience in the subject matter they teach. Ms. Sanderlin has been our Support Coach since January 1, 2016 and has been a Certified Training Instructor since 1999 and a Regional Director for CWSI since 1990. Ms. Williams has been our Regional Director and a Certified Training Instructor since 1999 and a Regional Director for CWSI since December 1983. Ms. Braxton has been our Vice President of Strategic Support since November 2017 and has 29 years of experience in the subject matter she covers. Ms. Meneses has been our Operations Specialist since April 29, 2019 and has 4 years of experience in the subject matter she teaches. Additional employees who have experience in some facet of the operation of a Creative World School® Business may also assist in training.

It is the nature of the School's business that all aspects of Management Training and Employee Training are integrated. Regardless of any day specified in the chart above, there are no definitive starting and stopping times. The training is intended to be accomplished over a 2 to 3 week training period for Management Training and consecutively or intermittently over a 2 to 4 week training program for Employee Training. Generally, Management Training occurs

at least 2 months prior to your opening of your School and Employee Training occurs within 1 month of your opening of the School.

You, your Manager and/or previously trained and experienced managers must attend any periodic refresher training courses that we provide from time to time and pay the applicable fees. All management team staff are required to complete our initial training program. Therefore, you will have to pay us for training new managers hired after the School's opening. All of your employees must complete our employee training program, including initial and weekly classroom and on-the-job training. The Employee Training program must be conducted by trainers that we have approved or certified, who have also satisfactorily completed our training. When training is onsite, you must provide an alternative training facility if we feel that construction or other distractions prevent us from satisfactorily performing the training on premises.

### Manuals

Following are the tables of contents of our Operations Manuals containing a total of 838 pages. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any unauthorized copies of the Manuals.\_

## **Infant Curriculum Manual Table of Contents**

Welcome to the Creative World Family!

### Section 1 – CW SPIRIT

*Chapter One: Power Up Your CW SPIRIT / Core Values*

*Chapter Two: Power Up Your Professionalism*

*Chapter Three: Power Up Your Interactions*

*Chapter Four: Power Up Your Teamwork*

### Section 2 – CW EDUCATION

*Chapter One: Inspire Curiosity / CW Educational Philosophy*

*Chapter Two: Inspire Investigation / Quality Curriculum*

*Chapter Three: Inspire Learning / Effective Teaching*

*Chapter Four: Inspire Success / Student Learning*

### Section 3 – CW ROUTINES

*Chapter One: Encouraging Everyday Elements*

*Chapter Two: Encouraging Feeding Routines*

*Chapter Three: Encouraging Outdoor/Gross Motor Play*

*Chapter Four: Encouraging Nap/Rest Routines*

### Section 4 – CW ENVIRONMENT

*Chapter One: Be A Showcase / Your Classroom Environment*

*Chapter Two: Be Healthy / Creating a Healthy Environment*

*Chapter Three: Be Safe / Creating a Safe Environment*

*Chapter Four: Be Nutritious / Family Style Dining*

### Section 5 – CW RELATIONSHIPS

*Chapter One: Deliver the WOW Customer Service*  
*Chapter Two; WOW Your Families / Positive Relationships*  
*Chapter Three: WOW Moments / the Creative World App*  
*Chapter Four: Creating a WOW / Classroom Management*

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**Toddlers Curriculum Manual**  
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*Chapter Four: Inspire Success / Student Learning*

**Section 3 – CW ROUTINES**

*Chapter One: Encouraging Everyday Elements*  
*Chapter Two: Encouraging Enriching Play*  
*Chapter Three: Encouraging Outdoor/Gross Motor Play*  
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**Section 4 – CW ENVIRONMENT**

*Chapter One: Be A Showcase / Your Classroom Environment*  
*Chapter Two: Be Healthy / Creating a Healthy Environment*  
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**Two Year Olds Curriculum Manual**  
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- Chapter Four: Be Nutritious / Family Style Dining*

Section 5 – CW RELATIONSHIPS

- Chapter One: Deliver the WOW / Customer Service*
- Chapter Two: WOW Your Families / Positive Relationships*
- Chapter Three: WOW Moments / the Creative World App*
- Chapter Four: Creating a WOW / Classroom Management*

**Total Pages in Preschool Curriculum Manual** ..... **64**

**Pre-K Curriculum Manual**  
**Table of Contents**

Welcome to the Creative World Family!

Section 1 – CW SPIRIT

- Chapter One: Power Up Your CW SPIRIT / Core Values*
- Chapter Two: Power Up Your Professionalism*
- Chapter Three: Power Up Your Interactions*
- Chapter Four: Power Up Your Teamwork*

Section 2 – CW EDUCATION

- Chapter One: Inspire Curiosity / CW Educational Philosophy*
- Chapter Two: Inspire Investigation / Quality Curriculum*
- Chapter Three: Inspire Learning / Effective Teaching*
- Chapter Four: Inspire Success / Student Learning*

Section 3 – CW ROUTINES

- Chapter One: Encouraging Everyday Elements*
- Chapter Two: Encouraging Enriching Play*
- Chapter Three: Encouraging Outdoor/Gross Motor Play*
- Chapter Four: Encouraging Nap/Rest Routines*

Section 4 – CW ENVIRONMENT

- Chapter One: Be A Showcase / Your Classroom Environment*
- Chapter Two: Be Healthy / Creating a Healthy Environment*
- Chapter Three: Be Safe / Creating a Safe Environment*
- Chapter Four: Be Nutritious / Family Style Dining*

Section 5 – CW RELATIONSHIPS

- Chapter One: Deliver the WOW / Customer Service*
- Chapter Two: WOW Your Families / Positive Relationships*
- Chapter Three: WOW Moments / the Creative World App*
- Chapter Four: Creating a WOW / Classroom Management*

**Total Pages in Pre-K Curriculum Manual ..... 58**

**Exploratorium Curriculum Manual  
Table of Contents**

Welcome to the Creative World Family!

- Chapter One: Introduction to the Exploratorium*
- Chapter Two: A Successful Exploratorium*
- Chapter Three: Exploratorium Curriculum*
- Chapter Four: Overall Exploratorium Environment*

**Total Pages in Exploratorium Curriculum Manual ..... 38**

**School Age Curriculum Manual  
Table of Contents**

Welcome to the Creative World Family!

Section 1 – CW SPIRIT

- Chapter One: Power Up Your CW SPIRIT / Core Values*
- Chapter Two: Power Up Your Professionalism*
- Chapter Three: Power Up Your Interactions*
- Chapter Four: Power Up Your Teamwork*

Section 2 – CW EDUCATION

- Chapter One: Inspire Curiosity / CW Educational Philosophy*
- Chapter Two: Inspire Investigation / Quality Curriculum*
- Chapter Three: Inspire Learning / Effective Teaching*
- Chapter Four: Inspire Success / Assessing Your Program*

Section 3 – CW ROUTINES

- Chapter One: Encouraging Everyday Elements*
- Chapter Two: Encouraging Stations*
- Chapter Three: Encouraging CW Kid's Clubs*
- Chapter Four: Encouraging Outdoor Play*

**Section 4 – CW ENVIRONMENT**

*Chapter One: Be A Showcase / Your Classroom Environment*

*Chapter Two: Be Healthy / Creating a Healthy Environment*

*Chapter Three: Be Safe / Creating a Safe Environment*

*Chapter Four: Be Nutritious / Family Style Dining*

**Section 5 – CW RELATIONSHIPS**

*Chapter One: Deliver the WOW / Customer Service*

*Chapter Two: WOW Your Families / Positive Relationships*

*Chapter Three: WOW Moments / the Creative World App*

*Chapter Four: Creating a WOW / Classroom Management*

**Total Pages in School Age Curriculum Manual..... 55**

**Leadership Guide  
Table of Contents**

**Section 1 – CW EDUCATION**

*Chapter One: Inspire Curiosity | CW Educational Philosophy*

Our Philosophy

CW WOW

CW Accreditation

*Chapter Two: Inspire Investigation | Curriculum Content*

Infant Program Overview

Toddler | Two Year Old Program Overview

Preschool Program Overview

School Age Program Overview

Monthly Portfolio Classroom Checklist\*

*Chapter Three: Inspire Educators | Teacher Effectiveness*

Empowering Teachers

Schedules and Routines

*Chapter Four: Inspire Success | Student Learning & Development*

Creative World Portfolio Assessments

Documenting Curriculum

Affirming Diversity

iSTEAM

**Section 2 – CW SPIRIT**

*Chapter One: We Live Our Core Values Every Day*

Core Values

A Culture of Collaboration and Empowerment

Leadership Dress Code

Effective Team Communication

Office Communication Log

CW Leadership Tracking Exercise

Encouraging Teacher Excellence

Celebrating Your Team

Getting to Know You

CW Bucks

Staff Birthday Coupon  
Staff Certification of Appreciation  
A Great Place to Work  
Workplace Satisfaction  
Staff Survey

*Chapter Two: Build Your Team | Recruitment*

Your CW Team  
Build Your CW Team  
Levels of Advancement  
Salary Guidelines Matrix  
Advertising for the Ideal Candidate  
Employee Application  
Job Descriptions  
Assessing Applicants  
Recruitment Tool  
Observation Notes  
Strategic Interviewing  
Countdown to Day One  
Employee Information Checklist  
Welcoming New Team Members  
Staff Bio

*Chapter Three: Coach Your Team | Training*

Training Your New Teachers  
CWS Classroom: Foundations of Excellence  
Verification of Experience  
New Staff Training Timeline  
Staff Orientation Booklet  
Training Evaluation  
Initial Employee Evaluation  
Your Coaches: The Team Leaders  
Team Leader Job Description  
Team Leader Training Outline  
Guiding Development  
New Staff Training Grid  
Weekly Curriculum Plan  
Classroom Observation Form  
Proactively Tackling Challenges  
Employee Job Performance Review  
Concern Resolution Report  
Strategic Exits  
Exit Interview  
Exiting an Employee

*Chapter Four: Invest in Your Team | Development*

Ongoing Training  
Successful Staffing = Happy Staff  
Staffing Flow Chart  
Break Schedule  
Request For Time Off  
Developing Professionals  
Professional Development Plan

Employee Evaluation

### **Section 3 – CW DOLLARS & \$ENSE**

*Chapter One: Invest in Your Enrollment | More Than a Number*

Enrollment Composition  
Licensing Capacity | Slot Analysis  
Slot Projections  
Enrollment Plan  
Child Equivalency Factor

*Chapter Two: Invest in Your School | Maximizing Resources*

Budgeting  
Monthly Budget Tool  
Income  
Expenses  
Staff Roster Template

*Chapter Three: Tracking Your Investment | Key Performance Indicators*

Financial Analysis  
Quarterly Analysis  
ProCare Reports  
Contract Billing Summary A1  
Enrolled Children By Classroom A2  
Change of Enrollment Status A3  
Account Aging (Past Due Reports) A4  
Children Without Contract Billing A5  
Expense Tracking  
Cash Paid Out  
Required Reporting  
Tuition Billing  
Tuition Collection  
Payment Plan  
Vacation Request Policy  
Best Practices for Tuition Payment

*Chapter Four: Invest in Your Organization | Office Management*

Licensing and Inspections  
Children's Records  
Staff Files  
FranConnect

### **Section 4 – CW RELATIONSHIPS**

*Chapter One: Deliver the WOW | Customer Service*

Building Relationships  
Parent Communication Tips  
Building Partnerships with Parents  
New Child Joining Your Classroom  
New Family Needs Assessment  
Transforming a Concern into an Opportunity  
Online Reputation Management  
Saying Goodbye To Families

*Chapter Two: How to WOW | Marketing and Conversion*

Introduction To CW Studio  
CW Studio Services Overview

Facebook Policies and Procedures  
 Your School Marketing Budget  
 Quarterly Marketing Plan  
 Know Your Competition  
 How to Market Your School  
 Telephone Marketing Assessment Tool  
 Refer-A-Friend Program  
 Discovery Day Promotion  
 Thank You For Review  
 Translating Marketing Into Enrollment  
 How to Use Contact Manager  
 E.N.R.O.L.L.  
 Mystery Caller Checklist  
 E.N.R.O.L.L. Phone Edition  
 E.N.R.O.L.L. Email Edition  
 E.N.R.O.L.L. Voicemail Edition  
 Prospective Family Tours  
 Mystery Visitor Checklist  
 CLASP Exercises  
 Classroom Tour Rating  
 Director Tour Guide  
 Parent Tour Guide  
 Waiting Lists  
 Waiting List Form  
*Chapter Three: WOW Your Families | Family Connections*  
 Family Connections: The Enrollment Process  
     Online Enrollment Training Guide  
     OWL Brochure  
     Importing OWL Enrollment to ProCare  
     Orientation of a New Family  
     Family Survey  
 Family Relationships  
 The Creative World App  
 Communication Strengthens Relationships  
 Retaining Your Enrollment  
     Classroom Welcome Sign  
*Chapter Four: WOW Your Town | Community Involvement*  
 Get Involved and Network  
 Be Known in Your Community  
 Giving Back to Your Community

## **Section 5 – CW ENVIRONMENT**

*Chapter One: Be A Showcase | Your School Environment*  
 Our Exploratorium™  
 Captivating Learning Environment  
 First Impressions  
 First Impressions Checklist  
 Maintaining The Environment  
 Mileage Bus Log  
 Daily Bus Log

Annual Vehicle Maintenance  
 Monthly Director Maintenance Checklist  
 Checklist  
 Maintenance Log  
 Maintenance/Equipment Replacement Work Order  
 Maintenance Work Order  
*Chapter Two: Be Healthy | Creating a Healthy Environment*  
 Establishing Policies That Support Health  
 Illness and Communicable Diseases  
 Medication Guidelines  
 Authorization Dispense Medication  
 I Took My Medicine  
 Medicine  
 Children's Allergy Policy  
 Allergy Policy  
 Healthy Outdoors  
 A Clean Environment Is A Healthy Environment  
*Chapter Three: Be Safe | Creating a Safe Environment*  
 Safety Procedures  
 Employee Injury Log  
 Injury Log  
 Work Place Safety  
 Safety  
 Employee Accident Tracking  
 Accident Tracking  
 Arrival and Departure Procedures  
 Keeping the School Environment Safe  
 Common Health Concerns  
 When a Bite Occurs  
 Biting Log  
 Biting Occurrence Report  
 Emergency Procedures  
 Fire Drill Record  
 Guidelines>Fire Drill Record  
 Fire Extinguisher Safe Zone Check  
 Tornado Drill Record  
 Transportation Emergency Plan  
 Bus and Field Trip Safety  
 Transportation Procedures  
 Bus Safety Rules  
 How To Choose a Field Trip  
 Field Trip Rules  
 Field Trip Checklist  
 Field Trip Permission Slips  
 Field Trip Sign Up Sheet  
 Field Trip Tracking Form  
*Chapter Four: Be Nutritious | Creating Healthy Choices*  
 Your School Kitchen  
 Cook Job Description  
 Sample Menus

Sample Vegetarian Menus	
Food Ordering	
From Kitchen To Classroom	
Monitoring the Kitchen	
Daily Meal Log	
Kitchen Closing Checklist	
<b>Total Pages in Leadership Guide</b>	<b>315</b>

<b>Total Number Of Pages All Manuals</b>	<b>838</b>
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**ITEM 12  
TERRITORY**

The franchise is granted for a specific location that first must be approved by us (the “Site”). The Site will be located in an exclusive Market Area identified on Exhibit “B” to the Franchise Agreement. You must obtain our written consent before relocating your School. We will only approve a Site for relocation that is within your Market Area. Generally, the Market Area consists of the location of the School and the geographic area within a 5-mile radius around the location. We do not grant you any rights of first refusal, or similar rights, to acquire additional franchises.

We grant you an exclusive Market Area. As long as you are in compliance with the Franchise Agreement, we will not grant a franchise to anyone else to operate, or ourselves operate, a School within your Market Area. However, we may establish other Schools (franchised or owned by us) anywhere outside of the Market Area, that may or may not compete with your location. Other than your right to operate the School at its address within the Market Area, we do not grant you any exclusive territorial rights whatsoever. You may face competition from other franchisees, from other Schools owned by us or our affiliates, or from other channels of distribution or competitive brands we control. We may establish other franchises or ~~company-owned~~ Company-Owned units or other channels of distribution that provide similar products or services under different trademarks.

There are no minimum sales quotas. You maintain rights to your Market Area even though the population increases or other circumstances change.

There are no restrictions on you, us or other franchisees from soliciting or accepting customers outside your or another franchisee's Market Areas. You may use the Internet to advertise or to develop a website only in compliance with the Franchise Agreement. We have no obligation to pay you or another franchisee any compensation for soliciting or accepting customers inside your or their Market Area.

**Rights We Retain**

We (and our affiliates) retain the right, without any compensation to you, to:

1. establish and grant to our franchisees the right to establish Schools anywhere outside the Market Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Market Area or through any website, e-mail site, Internet, Intranet or other form of e-commerce);

2. operate and grant franchises to others to operate businesses, whether inside or outside the Market Area, specializing in the sale of products or provision of services, other than a Competitive Business or a School, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate; and

3. operate and grant franchises to others to operate businesses, schools or other services, whether inside or outside the Market Area, that do not use any of the Marks.

We do not generally grant options, rights of first refusal or similar rights to acquire additional franchises, as each franchise is awarded on a franchise-by-franchise basis. Accordingly, you may only acquire additional franchised Creative World School® Businesses from us if you meet our qualifications at the time you apply. And we may limit the number of Creative World School® Businesses owned by any franchise owner or its affiliates. You may only relocate your Creative World School® Business with our approval, both for the relocation and for the new site. We apply the same considerations for evaluating relocation of a Creative World School® Business and the leasing of the additional site as we do for Creative World School® Businesses and sites generally.

**ITEM 13  
TRADEMARKS**

**Primary Trademark**

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating your School. The primary trademarks we use are the “Creative World School®” service mark, the Children And Globe® Design service mark, and other names, logos, symbols, and associated designs and trade dress. CWSI owns the Marks. The status of the registrations of the Marks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”) is as follows:

Mark	Reg. Date	Reg. No.	Class/Use
Creative World School®	08/21/01 (renewed 11/22/21)	2,479,407	Day care and childcare centers
Children and Globe Design®	12/18/01 (renewed 3/8/22)	2,519,346	Day care and childcare centers

All affidavits and/or renewals required to maintain registration of the Marks have been filed.

**License of the Marks**

We license the non-exclusive, worldwide right to use, and grant others the right to use, the Marks from CWSI under an agreement containing a perpetual term. CWSI has the right to terminate our and your use of the Marks if we engage in unauthorized use of the Mark or fail to police its use. There are no other agreements currently in effect which significantly limit our rights to use or license the use of our Marks in a manner material to the franchise. There are

no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, cancellation or opposition proceedings or material litigation, involving the Marks.

### **Use of the Marks.**

You must follow our rules when you use the Marks. You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols (except for those we license to you). You cannot use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing.

### **Infringements.**

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks. We are not obligated to participate in your defense and/or indemnify you from expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

### **Changes to the Mark.**

If we determine that it becomes advisable for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We will reimburse you for your reasonable direct expenses of changing the School's signs. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

### **Infringing Uses.**

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks in any state, other than 4 affiliated preschools apparently operating under the tradename "Creative World Learning Center." Two of them are located in Manor (Austin) and Hullo, Texas and the other 2 in Alexandria and Annandale, Fairfax County, Virginia. They are commonly owned and operated and have been operating under this tradename in Texas since 2011 and in Virginia sometime before that. We notified them that they are using a tradename that infringes on our rights and federally registered trademark. We sued the 2 Texas companies after failing to timely achieve an amicable resolution. We settled the matter with the Texas companies after they agreed to stop

using the word “World” in their trade name anywhere other than Fairfax County, Virginia over a transition period of 180 days.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents, pending patent applications, or registered copyrights that are material to the franchise.

We claim copyrights in the Manuals, the building design, the interior decor and the curricular lesson plans, “**Art**” (paintings, pictures, photographs, murals, drawings, sculptures and other forms of art we designate), learning systems, menus, advertising materials and related items used in operating the franchise. These copyrights have not been registered with the United States Registrar of Copyrights.

The Manuals and other materials we possess contain our confidential information. This information includes site selection criteria; curricular, lesson plans, educational programs and standards; methods, formats, specifications, standards, systems, procedures and sales and marketing techniques used, and knowledge of and experience, in developing and operating Schools; marketing and advertising programs for Schools; knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies; and knowledge of the operating results and financial performance of Schools other than your School.

All ideas, concepts, techniques, lesson plans, Art, curricular or materials relating to a School (including architectural layouts, designs, plans and decor), whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your owners, must be promptly disclosed to us, will be considered our property and part of our franchise system and will be considered to be works made-for-hire for us. You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such Art, ideas, concepts, techniques or materials.

You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others. We may require your employees to sign our then current form of nondisclosure and noncompetition agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect which significantly limit our right to use or authorize franchisees to use the copyrighted materials. Furthermore, there are no infringing uses actually known to us which could materially affect a franchisee’s use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when this action is in the best interests of the School system.

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

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement, continuously exert your best efforts to promote and enhance the School and not engage in any other business or activity that conflicts with your obligations to operate the School in compliance with the Franchise Agreement. Either you, or one of your principal owners (with ownership of at least 10% of your voting securities if you are a business organization (like a corporation, limited liability company or limited partnership)), must meet our qualifications for School managers and participate personally on a daily basis in the direct operation of the School. At all times, the School must be managed by a full time general manager and one other management level employee who both have satisfactorily completed our initial training. You or one of your principal owners may fill one of these two positions. Each of those individuals (one of which must be one of your principal owners with at least a 10% ownership interest) must meet our qualifications for School Managers. Our current qualifications for School Managers are: (i) have a sufficient amount of experience managing and operating full service Schools (in terms of duration, operational responsibilities, previous training, etc.) as a general manager or in a similar supervisory position to demonstrate to us that they are capable of managing a School; (ii) have management responsibility and authority over the School on a day-to-day basis; (iii) be actively employed on a full-time basis to manage the School's operations; and (iv) satisfactorily complete our initial training program and any other training programs we require during the term of your Franchise Agreement. Either you or a manager must be at the Site at all times when the School is open. The hours when the School must be open are designated by us in our Manuals.

If you are a corporation, limited liability company or limited partnership or limited liability partnership, your owners must not only personally guarantee your obligations under the Franchise Agreement but also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. The form of Principal Owner's Guaranty is attached as Exhibit "I." If your spouse or other family members are also owners of your business entity, they must sign the Principal Owner's Guaranty. Your owners and managers must also agree to be bound by our standard form of Confidentiality and Noncompetition Agreement, our current form of which is attached as Exhibit "H." We also require you to complete a Principal Owner's Statement in the form attached as Exhibit "J." The Principal Owner's Statement describes all of your owners and their interests in you.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale all products, and perform all services, that we require from time to time for Schools. You may not offer for sale any products or perform any services that we have not authorized. Our System Standards may regulate required or authorized products, product categories and supplies. We have the right to change the types of required and/or authorized goods and services from time to time. There are no limits on our right to do so, except that we will not require you to invest additional capital in the School if the investment cannot, in our reasonable judgment, be amortized during the remaining term of the Franchise

Agreement, unless we agree to extend its term so that the investment can be amortized or unless the investment is necessary to comply with applicable laws.

We will give you 90 days to comply with capital modifications we require, but, if the capital modification requires an expenditure of more than \$10,000, we will give you 180 days from the date such request is made to comply with such capital modification. You are obligated to comply with all modifications to System Standards, other than capital modifications, within the time period we specify. We will not require you to spend more than 25% of our high estimate of the cost of the sum of leasehold improvements and furniture, fixtures and equipment during the term of the Franchise Agreement in connection with capital modifications.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.3	20 years
b. Renewal or extension of the term	Section 3	If you are in good standing, you can acquire 3 successor franchises for additional 10-year terms on our then current terms and conditions
c. Requirements for franchisee to renew or extend	Section 3	Your renewal rights permit you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document.  Other conditions are: Maintain Site or secure substitute Site, bring School into compliance with our then current specifications and standards, sign new Franchise Agreement and ancillary agreements, general releases, satisfactory completion of training and refresher programs and pay renewal fee.
d. Termination by franchisee	Section 16.1	If we breach the agreement and do not cure the breach after 60 days notice from you, you may terminate 60 days after you provide us with written notice of termination

Provision	Section in Franchise or Other Agreement	Summary
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 16.2	We can terminate only if you commit one of several violations
g. <b>“Cause”</b> defined – curable defaults	Section 16.2	You have 5 days to cure health, safety or sanitation law violations and education, licensure or certification, ordinance or regulation violations; 10 days to cure monetary defaults to us or our affiliates or approved suppliers; 30 days to cure noncompliance with any provision of the Franchise Agreement or the System Standards
h. <b>“Cause”</b> defined – non-curable defaults	Section 16.2	Non-curable defaults include material misrepresentation or omission, failure to complete training to our satisfaction; failure to open within 12 months of construction approval; failure to commence construction of the School within 3 months; abandonment; unapproved transfers; conviction of, or a plea of guilty or no contest to, a felony or serious criminal misconduct or offense that we believe to indicate moral turpitude or is adverse to the Marks, indicates breach of trust, or which makes parents uneasy, uncertain or afraid to permit you to be alone with their children, is likely to adversely affect your reputation, our reputation or that of any other School; dishonest, criminal or unethical conduct; loss of the Site; unauthorized use or disclosure of the Manuals or confidential information; failure to pay taxes; failure to cure breach or default under any other agreement with us or our affiliates; repeated defaults (even if cured); an assignment for the benefit of creditors or written admission of insolvency or inability to pay debts as they become due
i. Franchisee’s obligations on termination/ non-renewal	Section 17 Lease Assignment Conditional Assignment	Obligations include payment of outstanding amounts, complete de-identification and return of confidential information (also see (r) below)
j. Assignment of contract by franchisor	Section 15.1	No restriction on our right to assign
k. <b>“Transfer”</b> by franchisee - definition	Section 15.2	Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of

Provision	Section in Franchise or Other Agreement	Summary
		any interest in the Franchise Agreement, you or the School
l. Franchisor's approval of transfer by franchisee	Section 15.2 and 15.4	We have the right to approve all transfers, even to a Business Entity controlled by you
m. Conditions for franchisor's approval of transfer	Section 15.3	New franchisee qualifies; you pay us all amounts due; transferee and its managerial employees agree to complete training; you or the transferee pays the transfer fee; transferee agrees to be bound by terms and conditions of Franchise Agreement; we approve material terms; you subordinate amounts due to you; de-identify yourself; and you sign other documents we require - including general releases and confidentiality agreements (also see r below)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15.9	We can match any offer for an ownership interest in you, your Franchise Agreement or your School provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 60 days to prepare for closing and we receive all customary representations and warranties, as we specify
o. Franchisor's option to purchase franchisee's business	Section 17.5	We have the option to buy the School, including leasehold rights to the Site, at fair market value after our termination, or your termination without cause, of the agreement (but not expiration)
p. Death or disability of franchisee	Sections 15.5 and 15.6	Franchise or an ownership interest in you must be assigned to an approved buyer within 6 months and must be run by a trained manager during the period prior to the assignment. Assignment is subject to our right of first refusal
q. Non-competition covenants during the term of the franchise	Section 10	No interest in a competitive business, no controlling ownership interest in, or performance of services for, a competitive business anywhere, no recruiting or hiring of any person who is our employee or an employee of any School
r. Non-competition covenants after the franchise is terminated or expires	Section 17.4	No interest in competing business for 2 years at, or within a 20-mile radius of the Site or within a 20-mile radius of any other School that is in operation or under construction

Provision	Section in Franchise or Other Agreement	Summary
		(same restrictions apply after assignment)
s. Modification of the agreement	Section 20.13	No modifications except by written agreement, but Manuals and System Standards are subject to change
t. Integration/merger clause	Section 20.13	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 21	Except for certain claims, all disputes will be submitted to non-binding mediation and if not resolved, will be submitted to binding arbitration at our headquarters, prior to instituting litigation
v. Choice of forum	Section 20.8	Litigation must be in the appropriate courts with jurisdiction over Lee County, Florida (subject to state law)
w. Choice of law	Section 20.7	Florida law applies (subject to state law)

See any state-specific riders or addenda attached to this disclosure document.

### ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

### ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing 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.

#### HISTORICAL PER-SCHOOL GROSS REVENUES FOR CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS ~~2020~~ ~~2021~~ 2022 – 2023 -- ~~2022~~ 2024

The following charts show historical Gross Revenues information regarding both franchised and affiliated Creative World Schools (“**Schools**”) that were open for a full 12-month period during our fiscal years ending December 31, ~~2020~~, ~~2021~~ ~~and~~, 2022 and 2023, except as otherwise noted.

We separate the reports for Schools in excess of 12,000 square feet and Schools below 12,000 square feet due to the substantial difference in Gross Revenues. We currently will not approve sites for Schools that will have less than 9,400 square feet. This historical sales information was compiled using the reports provided to us by these Schools.

There were a total of 2928 Schools open and operating at the end of 20222023, 5 Company-Owned and 2423 Franchised. -54 of the Company-Owned Schools and 14 of the Franchised Schools were 12,000 square feet or larger and opened for at least 12 months.

The Gross Revenues information was not audited by independent certified public accountants. The reports are provided to us on the accounting basis derived from the proprietary childcare software and are based on 'billings' for each period regardless of the cash funds put into the bank, and are used to form the basis of royalty payments to us.

The charts show the average full-time, part-time and total enrollment for each School, as well as the published weekly full-time tuition for each School. The Gross Revenues shown for each School is based on the same Gross Revenues for calculation of royalties as required under the Franchise Agreement.

**A. GROSS REVENUES JANUARY - DECEMBER 31, 20222023**

**Larger Schools - 12,000 SF and above**

**COMPANY OWNED**

<u>School</u>	<u>Gross Revenues</u>	<u>Average Full-Time</u>	<u>Average Part-Time</u>	<u>Total Enrollment</u>	<u>Weekly Tuition Preschool Age</u>
		<u>Enrollment</u>			
<u>School #88</u>	<u>\$2,493,344</u>	<u>174</u>	<u>43</u>	<u>217</u>	<u>\$240</u>
<u>School 101M*</u>	<u>\$1,193,283</u>	<u>95</u>	<u>36</u>	<u>131</u>	<u>\$235</u>
<u>School #110</u>	<u>\$1,377,231</u>	<u>92</u>	<u>16</u>	<u>108</u>	<u>\$210</u>
<u>School #111</u>	<u>\$1,269,077</u>	<u>96</u>	<u>11</u>	<u>107</u>	<u>\$220</u>
<u>School #112</u>	<u>\$1,699,917</u>	<u>126</u>	<u>14</u>	<u>140</u>	<u>\$230</u>

**FRANCHISED**

<u>School</u>	<u>Gross Revenues</u>	<u>Average Full-Time</u>	<u>Average Part-Time</u>	<u>Total Enrollment</u>	<u>Weekly Tuition Preschool Age</u>
		<u>Enrollment</u>			
<u>School #101F</u>	<u>\$1,427,271</u>	<u>90</u>	<u>32</u>	<u>122</u>	<u>\$250</u>
<u>Schools#103&amp;#103F**</u>	<u>\$2,941,638</u>	<u>145</u>	<u>137</u>	<u>282</u>	<u>\$260</u>
<u>School # 104</u>	<u>\$2,151,172</u>	<u>155</u>	<u>80</u>	<u>235</u>	<u>\$225</u>
<u>School # 105</u>	<u>\$2,756,200</u>	<u>194</u>	<u>40</u>	<u>234</u>	<u>\$247</u>
<u>School #109</u>	<u>\$2,154,841</u>	<u>140</u>	<u>86</u>	<u>226</u>	<u>\$250</u>
<u>School # 116</u>	<u>\$2,149,486</u>	<u>143</u>	<u>34</u>	<u>177</u>	<u>\$265</u>
<u>School # 118</u>	<u>\$2,193,588</u>	<u>112</u>	<u>82</u>	<u>194</u>	<u>\$270</u>
<u>School #119</u>	<u>\$3,020,309</u>	<u>207</u>	<u>74</u>	<u>281</u>	<u>\$250</u>
<u>School # 121</u>	<u>\$3,006,990</u>	<u>198</u>	<u>98</u>	<u>296</u>	<u>\$250</u>

<u>School</u>	<u>Gross Revenues</u>	<u>Average Full-Time</u>	<u>Average Part-Time</u>	<u>Total Enrollment</u>	<u>Weekly Tuition Preschool Age</u>
		<u>Enrollment</u>			
<u>School # 123</u>	<u>\$1,576,322</u>	<u>67</u>	<u>62</u>	<u>129</u>	<u>\$280</u>
<u>School # 124</u>	<u>\$2,642,150</u>	<u>183</u>	<u>44</u>	<u>227</u>	<u>\$275</u>
<u>School # 125</u>	<u>\$3,075,238</u>	<u>193</u>	<u>66</u>	<u>259</u>	<u>\$275</u>
<u>School # 129</u>	<u>\$2,110,932</u>	<u>150</u>	<u>10</u>	<u>160</u>	<u>\$280</u>
<u>School #132</u>	<u>\$1,674,767</u>	<u>104</u>	<u>12</u>	<u>116</u>	<u>\$280</u>

**Small Schools - Less than 12,000 SF**

There are no longer any Company-Owned Schools less than 12,000 square feet.

**FRANCHISED**

<u>School</u>	<u>Gross Revenues</u>	<u>Average Full-Time</u>	<u>Average Part-Time</u>	<u>Total Enrollment</u>	<u>Weekly Tuition Preschool Age</u>
		<u>Enrollment</u>			
<u>School # 102</u>	<u>\$1,791,580</u>	<u>133</u>	<u>71</u>	<u>204</u>	<u>\$235</u>
<u>School #107</u>	<u>\$1,196,680</u>	<u>45</u>	<u>11</u>	<u>56</u>	<u>\$365</u>
<u>School #117</u>	<u>\$1,477,490</u>	<u>73</u>	<u>59</u>	<u>132</u>	<u>\$295</u>
<u>School #122</u>	<u>\$1,557,724</u>	<u>89</u>	<u>6</u>	<u>95</u>	<u>\$280</u>
<u>School #126</u>	<u>\$2,270,636</u>	<u>110</u>	<u>14</u>	<u>124</u>	<u>\$370</u>
<u>School #127</u>	<u>\$2,813,222</u>	<u>186</u>	<u>20</u>	<u>206</u>	<u>\$335</u>
<u>School #128</u>	<u>\$1,623,869</u>	<u>134</u>	<u>25</u>	<u>159</u>	<u>\$260</u>
<u>School #130</u>	<u>\$939,517</u>	<u>70</u>	<u>13</u>	<u>83</u>	<u>\$235</u>

Total number of Schools reported for the period: 28

\*The School was closed from 1/1/2023-04/08/2023 due to a flood, resulting in decreased revenue.

\*\*The data for these 2 Schools is combined because they are owned by 1 entity with 1 Franchise Agreement.

**B. GROSS REVENUES JANUARY - DECEMBER 31, 2022**

**Larger Schools - 12,000 SF and above**

**COMPANY OWNED**

<u>School</u>	<u>Gross Revenues</u>	<u>Average Full-Time</u>	<u>Average Part-Time</u>	<u>Total Enrollment</u>	<u>Weekly Tuition Preschool Age</u>
		<u>Enrollment</u>			
<u>School #88</u>	<u>\$2,170,612</u>	<u>166</u>	<u>44</u>	<u>210</u>	<u>\$215</u>
<u>School #101M</u>	<u>\$1,712,960</u>	<u>126</u>	<u>23</u>	<u>149</u>	<u>\$228</u>
<u>School #110</u>	<u>\$1,161,872</u>	<u>100</u>	<u>20</u>	<u>120</u>	<u>\$200</u>
<u>School #111(1)</u>	<u>\$1,184,454</u>	<u>90</u>	<u>8</u>	<u>98</u>	<u>\$210</u>

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School #112	\$1,328,540	105	14	119	\$215

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School #101F	\$1,376,560	107	31	138	\$225_
Schools #103 &	\$2,775,072	226	102	328	\$217
School # 104	\$1,863,369	160	75	235	\$205
School # 105	\$2,519,631	206	38	244	\$215
School #109	\$1,933,091	151	52	203	\$225
School # 115(2)	\$ 699,287	70	6	76	\$260_
School # 116	\$2,017,636	141	41	182	\$260_
School # 118	\$2,173,513	133	60	193	\$265
<a href="#">School #119</a>	<a href="#">\$2,789,332</a>	<a href="#">210</a>	<a href="#">55</a>	<a href="#">265</a>	<a href="#">\$240</a>
<a href="#">School # 121</a>	<a href="#">\$2,950,444</a>	<a href="#">208</a>	<a href="#">100</a>	<a href="#">308</a>	<a href="#">\$235</a>
School # 121	\$2,789,332	210	55	265	\$225
School # 123	\$2,950,444	208	100	308	\$220_
School # 124	\$1561,701	125	46	171	\$270_
School # 125	\$2,210,525	163	39	202	\$255_
School # 129	\$1,558,789	120	8	128	\$280

**Small Schools - Less than 12,000 SF**

There are no longer any Company-Owned Schools less than 12,000 square feet.

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School # 102	\$1,822,369	118	94	212	\$225
School #107	\$1,062,079	57	13	70	\$265_
School #117	\$1,218,995	85	60	145	\$280_
School #122	\$1,459,080	84	43	127	\$230
School #126	\$1,823,938	97	8	105	\$340_
School #127	\$2,620,372	184	18	202	\$310
School #130	\$609,681	46	8	54	\$225

Total number of Schools reported for the period: ~~25~~27

\*The data for these 2 Schools is combined because they are owned by 1 entity with 1 Franchise Agreement.

**BC. GROSS REVENUES JANUARY - DECEMBER 31, 2021**

**Larger Schools - 12,000 SF and above**

**COMPANY OWNED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
<b>Enrollment</b>					
School #88	\$1,829,112	155	40	195	\$205
School #101M	\$1,664,148	129	43	172	\$218
School #110	\$1,183,751	88	28	116	\$195
School #111(1)	\$1,158,350	81	16	97	\$205
School #112	\$1,209,708	89	32	121	\$210

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
<b>Enrollment</b>					
School #101F	\$931,743	87	40	127	\$205
Schools #103 &	\$2,340,617	167	176	343	\$210
School # 104	\$1,375,277	127	73	200	\$195
School # 105	\$2,242,415	194	40	234	\$215
School #109	\$1,625,723	149	55	204	\$225
School # 115(2)	\$1,653,540	111	46	157	\$245
School # 116	\$1,793,267	108	106	214	\$250
School # 118	\$2,639,295	192	103	295	\$225
School # 121	\$1,114,908	95	35	130	\$255
School # 123	\$1,750,579	118	47	165	\$255
School # 124	\$2,246,436	173	56	229	\$235
School # 125	\$919,408	66	12	78	\$280

**Smaller Schools - Less than 12,000 SF**

**COMPANY OWNED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
<b>Enrollment</b>					
School #20	\$575,208	43	19	62	\$179
School #38	\$734,093	44	20	64	\$180

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
<b>Enrollment</b>					
School # 102 (1)	\$1,511,849	102	120	222	\$200
School #107	\$1,130,519	58	21	79	\$258

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School #117	\$1,082,212	84	56	130	\$255
School #122	\$1,091,898	87	55	142	\$215
School #126	\$1,595,036	83	21	104	\$340
School #127	\$2,222,750	159	45	204	\$295

Total number of Schools reported for the period: 2526

\*The data for these 2 Schools is combined because they are owned by 1 entity with 1 Franchise Agreement.

1 School was sold to new franchisee on 10/29/2021.

**C. GROSS REVENUES JANUARY – DECEMBER 31, 2020**

**Larger Schools – 12,000 SF and above**

**COMPANY OWNED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School #88	\$1,333,807	137	37	174	200
School #101M	\$1,179,610	84	45	129	213
School #110	\$925,792	84	35	119	185
School #111(1)	\$792,610	98	17	115	195
School #112	\$1,094,659	81	32	113	205

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition Preschool Age
		<b>Enrollment</b>			
School #101F	\$709,312	76	14	90	195
Schools #103 & #103F*	\$1,577,768	115	156	271	210
School # 104	\$1,312,764	100	41	141	190
School # 105	\$1,900,023	177	45	222	195
School #109	\$1,173,014	100	35	135	195
School # 115(2)	\$168,846	4	2	6	265
School # 116	\$1,524,841	102	33	135	245
School # 118	\$1,082,457	81	29	110	250
School # 121	\$1,901,008	171	57	228	220
School # 123	\$721,829	58	13	71	245
School # 124	\$1,346,858	93	26	119	235
School # 125	\$1,763,970	129	56	185	225

**Smaller Schools – Less than 12,000 SF**

**COMPANY OWNED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition- Preschool Age
		<b>Enrollment</b>			
School #20	\$542,440	58	17	75	178
School #38	\$523,969	54	19	73	178

**FRANCHISED**

School	Gross Revenues	Average Full-Time	Average Part-Time	Total Enrollment	Weekly Tuition- Preschool Age
		<b>Enrollment</b>			
School # 102	\$881,681	87	46	133	195
School #107	\$1,087,189	69	12	81	258
School #117	\$995,149	51	36	87	255
School #122	\$760,198	59	33	92	200

Total number of Schools reported for the period: 23

~~\*The data for these 2 Schools is combined because they are owned by 1 entity with 1 Franchise Agreement.~~

~~(1) School closed due to a flood from March 29-June 3, 2020.~~

~~(2) School closed due to COVID-19 from March 23-August 28, 2020.~~

**HISTORICAL AVERAGE INCOME AND EXPENSES  
FOR CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS  
YEAR ENDED DECEMBER 31, ~~2022~~2023**

The figures presented below represent the ~~2022~~2023 average and median actual income and expenses of ~~18~~17 Schools with 12,000 square feet or larger that operated for a full 12 months as of December 31, ~~2022~~2023. This includes ~~54~~ Company-Owned Schools (owned and operated by our affiliates) and 13 Franchised Schools. There are no material financial and operational characteristics of the Company-Owned Schools that are reasonably anticipated to differ materially from future operational franchise Schools. Some Schools provided information that did not conform to generally accepted accounting principles, so the information was not included in the income and expense figures presented below. We have only included those Schools that meet this criteria and provided expense information to us. The expense figures presented include royalties, payroll salaries, payroll taxes and other, benefits, food and kitchen supplies, educational expenses, building expenses, automobile expenses, advertising, insurance, utilities, and general and administrative expenses. There are other expenses you will incur in operating a Creative World School® Business, but we do not present them in this Financial Performance Representation. A combination of factors, including, but not limited to, tuition charged, whether an owner chooses benefits for employees, extras provided by owners specific to their school, etc., may affect these amounts and percentages.

**AVERAGE INCOME AND EXPENSES OF  
CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS IN CALENDAR YEAR  
~~2022~~2023**

**COMPANY OWNED**

	<b>Median (\$)</b>	<b>Average (\$)</b>	<b>% of Avg. Gross Revenues</b>
Gross Revenues	<del>\$1,328,540</del> <u>1,538,574</u>	<del>\$1,511,687</del> <u>1,688,737</u>	<del>100</del> <u>100</u> %
Royalties <sup>[1]</sup>	<del>\$94,685</del> <u>102,863</u>	<del>\$106,516</del> <u>111,576</u>	7.0%
Payroll - Salaries	<del>\$668,534</del> <u>79,129</u>	<del>\$748,465</del> <u>82,709</u>	<del>49.5</del> <u>49.1</u> %
Payroll Taxes and Other <sup>[2]</sup>	<del>\$89,928</del> <u>86,571</u>	<del>\$92,380</del> <u>90,642</u>	<del>6.1</del> <u>5.4</u> %
Benefits	<del>\$26,927</del> <u>27,482</u>	<del>\$28,504</del> <u>30,034</u>	<del>1.9</del> <u>1.8</u> %
Food & Kitchen Supplies <sup>[3]</sup>	<del>\$91,732</del> <u>101,686</u>	<del>\$95,430</del> <u>105,832</u>	<del>6.3</del> <u>6.3</u> %
Educational Expenses <sup>[4]</sup>	<del>\$45,318</del> <u>46,625</u>	<del>\$39,804</del> <u>37,514</u>	<del>2.6</del> <u>2.2</u> %
Building Expenses <sup>[5]</sup>	<del>\$44,353</del> <u>44,350</u>	<del>\$43,681</del> <u>43,198</u>	<del>2.9</del> <u>2.6</u> %
Automobile Expenses	<del>\$11,165</del> <u>13,948</u>	<del>\$13,808</del> <u>15,078</u>	<u>.9</u> %
Advertising	<del>\$29,045</del> <u>22,835</u>	<del>\$30,294</del> <u>21,958</u>	<del>2.0</del> <u>1.3</u> %
Insurance	<del>\$22,886</del> <u>32,001</u>	<del>\$27,923</del> <u>42,358</u>	<del>1.8</del> <u>2.5</u> %
Telephone & Utilities	<del>\$51,558</del> <u>46,812</u>	<del>49,409</del> <u>\$49,589</u>	<del>3.3</del> <u>2.9</u> %
General & Administrative <sup>[6]</sup>	<del>\$32,429</del> <u>39,965</u>	<del>\$38,325</del> <u>41,360</u>	<del>2.5</del> <u>2.4</u> %
<b>Total Expenses</b>	<del><b>\$1,192,745</b></del> <u><b>1,361,901</b></u>	<del><b>\$1,322,680</b></del> <u><b>1,431,426</b></u>	<del><b>87.5</b></del> <u><b>84.8</b></u> %
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	<del><b>\$168,514</b></del> <u><b>17,667</b></u>	<del><b>\$189,008</b></del> <u><b>25,731</b></u>	<del><b>12.5</b></del> <u><b>15.2</b></u> %
<b>Grant Income</b>	<u><b>\$335,064</b></u>	<u><b>\$393,591</b></u>	

- The high and low annual Gross Revenues for this category were ~~\$2,170,612~~\$2,493,344 and ~~\$1,161,872~~\$1,184,454, respectively. There were 2 or ~~40~~50% of ~~54~~ Company-Owned Schools attained or surpassed the average Gross Revenues in ~~2022~~2023.

- The high and low EBITDAR for these Schools in ~~2022~~2023 was \$~~469,509~~528,413 and \$~~30,873~~147,482, respectively. 2 or ~~40~~50% of ~~54~~ Company-Owned Schools, 12,000 SF or larger attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year ~~2022~~2023.

The Company-Owned Schools received significant grant income from their respective states and/or counties, including ARPA funds distributed based on capacity. Depending on the State and County guidelines, the funds were to be used for either eligible playground and classroom equipment, technology replacement or to supplement payroll, rent, and additional supplies. Missouri schools also received Grants based on the number of employees working for a specified time period as well as Retention grants to pay eligible employees based on time of service.

The high and low annual Grant income for this category was \$691,235 and \$223,000, respectively. There were 2, or 50%, of the 4 Company-Owned Schools that attained or surpassed the average grant income in 2023.

### **FRANCHISED 2023**

	<b>Median (\$)</b>	<b>Average (\$)</b>	<b>% of Avg. Gross Revenues</b>
Gross Revenues	<del>\$2,173,513</del> 2,193,588	<del>\$2,188,073</del> 2,408,566	100%
Royalties <sup>[1]</sup>	<del>\$140,330</del> 157,515	<del>\$147,110</del> 165,306	<del>6.7</del> 6.9%
Payroll - Salaries	<del>\$934,712</del> 1,066,410	<del>\$894,373</del> 1,044,079	<del>40.9</del> 43.3%
Payroll Taxes and Other <sup>[2]</sup>	<del>\$106,509</del> 130,145	<del>\$102,878</del> 115,975	<del>4.7</del> 4.8%
Benefits	<del>\$14,283</del> 19,293	<del>\$22,694</del> 26,934	<del>1.0</del> 1.1%
Food & Kitchen Supplies <sup>[3]</sup>	<del>\$85,155</del> 89,575	<del>\$81,627</del> 96,544	<del>3.7</del> 4.0%
Educational Expenses <sup>[4]</sup>	<del>\$52,520</del> 49,176	<del>\$67,283</del> 66,288	<del>3.1</del> 2.8%
Building Expenses <sup>[5]</sup>	<del>\$34,513</del> 50,507	<del>\$38,485</del> 46,921	<del>1.8</del> 1.9%
Automobile Expenses	<del>\$6,719</del> 6,497	<del>\$8,295</del> 7,453	<del>.43</del> %
Advertising	<del>\$16,221</del> 22,198	<del>\$25,797</del> 27,662	<del>1.2</del> 1.1%
Insurance	<del>\$38,112</del> 37,918	<del>\$39,263</del> 40,376	<del>1.8</del> 1.7%
Telephone & Utilities	<del>\$35,485</del> 40,662	<del>\$38,777</del> 43,575	<del>1.8</del> 1.8%
General & Administrative <sup>[6]</sup>	<del>\$35,266</del> 34,953	<del>\$51,037</del> 51,181	<del>2.3</del> 2.1%
<b>Total Expenses</b>	<del>\$1,575,437</del> 1,860,501	<del>\$1,514,128</del> 1,731,662	<del>69.2</del> 71.9%
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	<del>\$644,181</del> 629,263	<del>\$673,946</del> 676,934	<del>30.8</del> 28.1%
<b><u>Grant Income</u></b>	<u>\$319,153</u>	<u>\$334,668</u>	

The high and low annual Gross Revenues for this category were \$~~2950,444~~3,075,238 and \$~~1,376,550~~1,427,271, respectively. ~~6~~6 or 46% of 13 Franchised Schools attained or surpassed the average Gross Revenues in ~~2022~~2023.

The high and low EBITDAR for these Schools in ~~2021~~2023 was \$~~1,231,122~~1,166,308 and \$~~239,673~~44,478, respectively. 5 or 38% of 13 Franchised Schools 12,000 SF or larger attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year ~~2022~~2023.

The franchise owned Schools received significant grant income from their respective states and/or counties, including ARFA funds distributed based on capacity. Depending on the State and County guidelines, the funds were to be used to supplement payroll, rent, and additional supplies. Some counties also received an additional grant in 2023 for classroom equipment and supplies replacements. In addition, some schools received Employee Retention Tax Credits (ERTC) payments from the Federal Government for prior years' qualifying periods.

The high and low annual Grants and ERTC Income for this category were \$582,969 and \$189,505, respectively. There were 6, or 46%, of the 13 Franchised Schools that attained or surpassed the average grant income and ERTC in 2023.

**HISTORICAL AVERAGE INCOME AND EXPENSES  
FOR CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS  
YEAR ENDED DECEMBER 31, ~~2021~~2022**

The figures presented below represent the ~~2021~~2022 average and median actual income and expenses of ~~46~~18 Schools with 12,000 square feet or larger that operated for a full 12 months as of December 31, ~~2021~~2022. This includes 5 Company-Owned Schools (owned and operated by our affiliates) and ~~44~~13 Franchised Schools. There are no material financial and operational characteristics of the Company-Owned Schools that are reasonably anticipated to differ materially from future operational franchise Schools. Some Schools provided information that did not conform to generally accepted accounting principles, so the information was not included in the income and expense figures presented below. We have only included those Schools that meet this criteria and provided expense information to us. The expense figures presented include royalties, payroll salaries, payroll taxes and other, benefits, food and kitchen supplies, educational expenses, building expenses, automobile expenses, advertising, insurance, utilities, and general and administrative expenses. There are other expenses you will incur in operating a Creative World School® Business, but we do not present them in this Financial Performance Representation. A combination of factors, including, but not limited to, tuition charged, whether an owner chooses benefits for employees, extras provided by owners specific to their school, etc., may affect these amounts and percentages.

**AVERAGE INCOME AND EXPENSES OF  
CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS IN CALENDAR YEAR  
~~2021~~2022**

**COMPANY OWNED**

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
Gross Revenues	\$ <del>1,209,708</del> <u>1,328,540</u>	\$ <del>1,409,014</del> <u>1,511,687</u>	100%

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
Royalties <sup>[1]</sup>	\$83,86694, 685	98,692\$106, 516	7.0%
Payroll - Salaries	\$559,67266 8,531	\$624,98174 8,465	44.449.5%
Payroll Taxes and Other <sup>[2]</sup>	\$83,45289, 928	\$82,64292,3 80	5.96.1%
Benefits	\$30,00626, 927	\$28,51328,5 04	\$2.01.9%
Food & Kitchen Supplies <sup>[3]</sup>	\$84,36391, 732	\$89,92595,4 30	6.46.3%
Educational Expenses <sup>[4]</sup>	\$28,33245, 318	\$27,65039,8 04	2.02.6%
Building Expenses <sup>[5]</sup>	\$23,55444, 353	\$31,69843,6 81	2.22.9%
Automobile Expenses	\$11,82111, 165	\$11,73613,8 08	.89%
Advertising	\$10,28129, 045	\$10,63430,2 94	.82.0%
Insurance	\$14,82022, 886	\$18,01927,9 23	1.31.8%
Telephone & Utilities	\$44,86551, 558	\$46,10449,4 09	3.3%
General & Administrative <sup>[6]</sup>	\$30,25532, 429	\$32,48438,3 25	2.32.5%
<b>Total Expenses</b>	<b>\$965,1281, 192,745</b>	<b>\$1,099,6851 ,322,680</b>	<b>78.087.5%</b>
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	<b>\$303,50716 8,514</b>	<b>\$309,32918 9,008</b>	<b>22.012.5%</b>
<b>Grant Income</b>	<b>\$223,000</b>	<b>\$217,859</b>	

The high and low annual Gross Revenues for this category were \$1,829,1122,170,612 and \$1,158,350,1,161,872 respectively. ~~There were~~ 2 or 40% of 5 Company-Owned Schools attained or surpassed the average Gross Revenues in 20212022.

The high and low EBITDAR for these Schools in 20212022 was \$418,379469,509 and \$202,768-30,873, respectively. 2 or 40% of 5 Company-Owned Schools, 12,000 SF or larger attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year 20212022.

The Company-Owned Schools received significant grant income from their respective states and/or counties, including ARPA funds distributed based on capacity. Depending on the State and County guidelines, the funds were to be used for either eligible playground and classroom equipment, technology replacement or to supplement payroll, rent, and additional supplies. Missouri schools also received Grants based on the number of employees working for a specified time period.

The high and low annual Grant income for this category was \$223,235 and \$207,297, respectively. There were 4 or 80%, of the 5 Company-Owned Schools that attained or surpassed the average grant income in 2022.

### **FRANCHISED 2022**

	<b>Median (\$)</b>	<b>Average (\$)</b>	<b>% of Avg. Gross Revenues</b>
Gross Revenues	<del>\$1,750,579</del> 2,173,513	<del>\$1,774,391</del> 2,188,073	100%
Royalties <sup>[1]</sup>	<del>\$114,164</del> 140,330	<del>\$115,113</del> 147,110	<del>6.5</del> 6.7%
Payroll - Salaries	<del>\$761,450</del> 934,712	<del>\$735,757</del> 894,373	<del>41.5</del> 40.9%
Payroll Taxes and Other <sup>[2]</sup>	<del>\$103,309</del> 106,509	<del>\$100,194</del> 102,878	<del>5.6</del> 4.7%
Benefits	<del>\$20,189</del> 14,283	<del>\$18,197</del> 22,694	1.0%
Food & Kitchen Supplies <sup>[3]</sup>	<del>\$77,401</del> 85,155	<del>\$70,126</del> 81,627	<del>4.0</del> 3.7%
Educational Expenses <sup>[4]</sup>	<del>\$43,066</del> 52,520	<del>\$45,500</del> 67,283	<del>2.6</del> 3.1%
Building Expenses <sup>[5]</sup>	<del>\$35,513</del> 34,513	<del>\$32,599</del> 38,485	1.8%
Automobile Expenses	<del>\$6,610</del> 6,719	<del>\$8,993</del> 8,295	<del>0.5</del> .4%
Advertising	<del>\$11,430</del> 16,221	<del>\$13,085</del> 25,797	<del>0.7</del> 1.2%
Insurance	<del>\$34,870</del> 38,112	<del>\$34,139</del> 39,263	<del>1.9</del> 1.8%
Telephone & Utilities	<del>\$34,582</del> 35,485	<del>\$38,071</del> 38,777	<del>2.1</del> 1.8%
General Administrative <sup>[6]</sup> &	<del>\$43,559</del> 35,266	<del>\$46,835</del> 51,037	<del>2.6</del> 2.3%
<b>Total Expenses</b>	<del>\$1,294,555</del> 1,575,437	<del>\$1,254,035</del> 1,514,128	<del>70.7</del> 69.2%
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	<del>\$526,505</del> 644,181	<del>\$520,356</del> 673,946	<del>29.3</del> 30.8%
<b>Grant Income</b>	<b>\$361,242</b>	<b>\$361,507</b>	

The high and low annual Gross Revenues for this category were \$~~2,639,295~~ 2,950,444 and \$~~919,408~~ 1,376,550, respectively. ~~56~~ or ~~45~~46% of ~~41~~13 Franchised Schools attained or surpassed the average Gross Revenues in ~~2021~~2022.

The high and low EBITDAR for these Schools in 2021 was \$~~1,177,586~~ 1,231,122 and \$~~133,614~~ 239,673, respectively. ~~65~~ or ~~55~~38% of ~~41~~13 Franchised Schools 12,000 SF or larger attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year ~~2021~~2022.

The franchise owned Schools received significant grant income from their respective states and/or counties, including ARPA funds distributed based on capacity. Depending on the State and County guidelines, the funds were to be used to supplement payroll, rent, and additional supplies. Some counties also received an additional grant in 2022 for classroom equipment and supplies

replacements. In addition, some schools ERTC payments from the Federal Government for prior years' qualifying periods.

The high and low annual Grants and ERTC Income for this category were \$628,954 and \$132,644, respectively. There were 6, or 43%, of the 14 Franchised Schools that attained or surpassed the average grant income and ERTC in 2022.

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**HISTORICAL AVERAGE INCOME AND EXPENSES  
FOR CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS  
YEAR ENDED DECEMBER 31, ~~2020~~2021**

The figures presented below represent the ~~2020~~2021 average and median actual income and expenses of ~~45~~16 Schools with 12,000 square feet or larger that operated for a full 12 months as of December 31, ~~2020~~2021. This includes 45 Company-Owned Schools (owned and operated by our affiliates) and 11 Franchised Schools. There are no material financial and operational characteristics of the Company-Owned Schools that are reasonably anticipated to differ materially from future operational franchise Schools. Some Schools provided information that did not conform to generally accepted accounting principles, so the information was not included in the income and expense figures presented below. We have only included those Schools that meet this criteria and provided expense information to us. The expense figures presented include royalties, payroll salaries, payroll taxes and other, benefits, food and kitchen supplies, educational expenses, building expenses, automobile expenses, advertising, insurance, utilities, and general and administrative expenses. There are other expenses you will incur in operating a Creative World School® Business, but we do not present them in this Financial Performance Representation. A combination of factors, including, but not limited to, tuition charged, whether an owner chooses benefits for employees, extras provided by owners specific to their school, etc., may affect these amounts and percentages.

**AVERAGE INCOME AND EXPENSES OF  
CERTAIN COMPANY-OWNED AND FRANCHISED SCHOOLS IN CALENDAR YEAR  
~~2020~~2021**

**COMPANY OWNED**

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
Gross Revenues	<del>\$1,137,134</del> 1,209,708	<del>\$1,133,467</del> 1,409,014	100%
Royalties <sup>[1]</sup>	<del>\$81,285</del> 866	<del>\$80,691</del> 92	7.0%
Payroll - Salaries	<del>\$586,321</del> 9,672	<del>\$598,887</del> 4,981	<del>52.8</del> 44.4%
Payroll Taxes and Other <sup>[2]</sup>	<del>\$69,793</del> 452	<del>\$69,096</del> 42	<del>6.15</del> 5.9%
Benefits	<del>\$40,836</del> 006	<del>\$36,555</del> 13	<del>3.2</del> 2.0%
Food & Kitchen Supplies <sup>[3]</sup>	<del>\$74,740</del> 363	<del>\$76,573</del> 25	<del>6.8</del> 6.4%

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
Educational Expenses <sup>[4]</sup>	\$ <u>18,693,283</u> 332	\$ <u>18,735,276</u> 50	<u>1.72.0</u> %
Building Expenses <sup>[5]</sup>	\$ <u>19,130,235</u> 554	\$ <u>21,243,316</u> 98	<u>1.92.2</u> %
Automobile Expenses	\$ <u>9,443,118</u> 21	\$ <u>8,690,117</u> 6	<u>0.8.8</u> %
Advertising	\$ <u>10,134,102</u> 281	\$ <u>9,737,106</u> 4	<u>0.9.8</u> %
Insurance	\$ <u>16,074,148</u> 820	\$ <u>20,921,180</u> 19	<u>1.81.3</u> %
Telephone & Utilities	\$ <u>44,242,448</u> 865	\$ <u>43,652,461</u> 04	<u>3.93.3</u> %
General & Administrative <sup>[6]</sup>	\$ <u>29,005,302</u> 255	\$ <u>29,322,324</u> 84	<u>2.62.3</u> %
<b>Total Expenses</b>	\$ <u>975,597,965</u> 5,128	\$ <u>1,011,386,109</u> 99,685	<u>89.278.0</u> %
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	\$ <u>127,223,303</u> 3,507	\$ <u>122,084,309</u> 9,329	<u>10.822.0</u> %

The high and low annual Gross Revenues for this category were \$1,333,807,182, 925,792,115, respectively. There were 2, or 50.40%, of 4 the 5 Company-Owned Schools that attained or surpassed the average Gross Revenues in 20202021.

The high and low EBITDAR for these Schools in 20202021 was \$181,018,418, 52,860,202, respectively. 2, or 50.40%, of 4 the 5 Company-Owned Schools 12,000 SF or larger that attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year 20202021.

#### FRANCHISED 2021

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
Gross Revenues	\$ <u>1,346,858,175</u> 579	\$ <u>1,364,895,177</u> 391	<u>100.0100</u> %
Royalties <sup>[1]</sup>	\$ <u>89,183,114,164</u>	\$ <u>95,013,115,113</u>	<u>7.06.5</u> %
Payroll - Salaries	\$ <u>715,346,761,450</u>	\$ <u>654,210,735,757</u>	<u>47.941.5</u> %
Payroll Taxes and Other <sup>[2]</sup>	\$ <u>76,325,103,309</u>	\$ <u>78,856,100,194</u>	<u>5.85.6</u> %
Benefits	\$ <u>27,986,20,189</u>	\$ <u>24,809,18,197</u>	<u>1.81.0</u> %
Food & Kitchen Supplies <sup>[3]</sup>	\$ <u>67,107,77,401</u>	\$ <u>59,372,70,126</u>	<u>4.34.0</u> %
Educational Expenses <sup>[4]</sup>	\$ <u>29,985,43,066</u>	\$ <u>32,444,45,500</u>	<u>2.42.6</u> %
Building Expenses <sup>[5]</sup>	\$ <u>27,094,35,513</u>	\$ <u>31,184,32,599</u>	<u>2.31.8</u> %
Automobile Expenses	\$ <u>5,941,6,610</u>	\$ <u>8,185,8,993</u>	<u>0.60.5</u> %
Advertising	\$ <u>6,292,11,430</u>	\$ <u>8,252,13,085</u>	<u>0.60.7</u> %
Insurance	\$ <u>32,352,34,870</u>	\$ <u>30,894,34,139</u>	<u>2.31.9</u> %
Telephone & Utilities	\$ <u>32,684,34,582</u>	\$ <u>33,118,38,071</u>	<u>2.42.1</u> %

	Median (\$)	Average (\$)	% of Avg. Gross Revenues
General & Administrative <sup>[6]</sup>	\$ <u>36,551,435</u> <u>559</u>	\$ <u>41,992,468</u> <u>835</u>	<u>3.12</u> <u>.6</u> %
<b>Total Expenses</b>	\$ <u>1,243,521</u> <u>1,294,555</u>	\$ <u>1,080,284</u> <u>1,254,035</u>	<u>79.17</u> <u>0.7</u> %
<b>Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent (EBITDAR)</b>	\$ <u>225,444</u> <u>526,505</u>	\$ <u>284,611</u> <u>520,356</u>	<u>20.92</u> <u>9.3</u> %

The high and low annual Gross Revenues for this category were \$1,901,0082,639,295 and \$709,312919,408 respectively. There were 5, or 4645%, of the 11 Franchised Schools that attained or surpassed the average Gross Revenues in 20202021.

The high and low EBITDAR for these Schools in 20202021 was \$856,7811,177,586 and \$35,055133,611, respectively. -46 or 3755% of 11 Franchised Schools 12,000 SF or larger attained or surpassed the average EBITDAR (Net Income Before Interest, Taxes, Depreciation, Amortization, and Rent) in calendar year 20202021.

- [1] Schools operated by our affiliates pay royalties on the same basis as franchisees.
- [2] These expenses include, but are not limited to, the following components and types of costs: FICA/Medicare, workman's compensation insurance, health insurance, staff incentives, pension benefits, and payroll processing fees.
- [3] These expenses include the following components and types of costs: food purchases, food service and paper products for the kitchen.
- [4] These expenses include the following components and types of costs: classroom supplies and consumables, outside programs and field trips, classroom toys and games, classroom equipment, teacher training and resources.
- [5] These expenses include the following components and types of costs: rent, pest control, floor cleaning and mats, window cleaning, lawn care and snow removal, and building maintenance and repair.
- [6] These expenses include the following components and types of costs: bank and merchant fees, office supplies, postage and delivery, dues and subscriptions, contributions, travel and meals, utilities, insurance, and professional fees.

**GENERAL**

Each School sets its own weekly tuition. The tuition rate may vary depending on numerous factors including: demographics; supply and demand in the market; income levels of the local population; competition and pricing from other schools; public and low cost alternatives; and general and local economic conditions.

The data may not reflect Employee Retention Credits for 20202021 received from some Schools applied for retroactively in 20212022. It also does not account for PPP loans received

and/or forgiven that assisted Schools in covering payroll and qualified expenses. The data also excludes state grants, including subsidiary grants and COVID-19 expenses reimbursements received from both Company-Owned and franchised Schools which helped mitigate loss of revenue due to mandatory School distance requirements.

We have written substantiation in our possession to support the information appearing in this financial performance representation. Written substantiation will be made available to you upon reasonable request.

All Creative World School® Businesses offer substantially the same services to the public. None of the franchised Creative World School® Businesses received any services not generally available to other franchisees, and substantially the same services will be offered to new franchisees. Likewise, the Schools operated by our affiliates receive substantially the same services as those offered our franchisees, except for centralized accounting, financial and management services.

Seasonality is a substantial factor in the operation of any Creative World School®. Revenue is greater during the public school years in the various state and local areas than during the summer months. Revenue also drops during Christmas, Winter and Spring breaks. The financial information presented covers solely the most recent 3 years and no other period.

We obtained these historical financial results from the information submitted by our franchisees and our affiliates. Neither we nor an independent certified public accountant has independently audited or verified the information.

**Some Schools have sold or earned these amounts. Your individual results may differ. There is no assurance that you'll sell or earn as much.**

The preschool education industry is intensely competitive based on numerous factors, including price, type and quality of services offered, location and other factors. The performance of your Creative World School® Business will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.

You should consult other sources for financial information, including your financial advisors and our franchisees in order to compare sales experience and to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings and profits of Creative World School® Businesses.

Other than the preceding financial performance representation, Creative World Schools Franchising Company, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Marianne Whitehouse, Creative World Schools Franchising Company, Inc., 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, (239) 947-6177, e-mail: marianne@creativeworldschool.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years Ending December 31, ~~2020, 2021 and~~, 2022 and 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<del>Franchised</del>	<del>2020</del>	<del>17</del>	<del>20</del>	<del>+3</del>
<u>Franchised</u>	2021	20	22	+2
	2022	22	24	+2
<del>Company-Owned<sup>(1)</sup></del>	<del>2020</del> <u>2023</u>	<del>7</del> <u>24</u>	<del>7</del> <u>23</u>	<del>0</del> <u>-1</u>
<u>Company-Owned<sup>(1)</sup></u>	2021	7	7	0
	2022	7	5	-2
<b>Total Outlets</b>	<del>2020</del> <u>2023</u>	<del>24</del> <u>25</u>	<del>27</del> <u>24</u>	<del>+3</del> <u>+0</u>
<u>Total Outlets</u>	2021	27	29	+2
	2022	29	29	0
	2023	29	23	-1

(1) All “~~company-owned~~Company-Owned” Schools are owned by some or all of our shareholders, officers and directors. We do not operate any of the Schools.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
For Years Ending December 31, ~~2020, 2021 and~~, 2022 and 2023**

State	Year	Number of Transfers
Florida	<del>2020</del> <u>2021</u>	0
	<u>2022</u>	0
	<u>2023</u>	0
<u>Georgia</u>	2021	0
	2022	0
<del>Georgia</del>	<del>2020</del> <u>2023</u>	0
<u>Illinois</u>	2021	0
	2022	0
<del>Illinois</del>	<del>2020</del> <u>2023</u>	0
<u>Texas</u>	2021	0
	2022	0
<del>Texas</del>	<del>2020</del> <u>2023</u>	<del>1</del> <u>0</u>
<u>Virginia</u>	2021	0
	2022	0
<del>Virginia</del>	<del>2020</del> <u>2023</u>	0
<u>Total</u>	2021	0
	2022	0
<b>Total</b>	<del>2020</del>	<del>1</del>
	<del>2021</del> <u>2023</u>	0
	<del>2022</del>	0

**Table No. 3**  
**Status of Franchised Outlets**  
**Years Ending December 31, ~~201~~**  
**2012021, 2022 and 2023**  
**~~2020, 2021 and 2022~~**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Florida	<del>2020</del> <u>2021</u>	<del>45</del> <u>16</u>	1	0	0	0	0	<del>46</del> <u>17</u>
	<del>2021</del> <u>2022</u>	<del>46</del> <u>17</u>	1	0	0	0	0	<del>47</del> <u>18</u>
	<del>2022</del> <u>2023</u>	<del>47</del> <u>18</u>	<del>4</del> <u>0</u>	0	0	0	0	18
Georgia	<del>2020</del> <u>2021</u>	<del>0</del> <u>1</u>	<del>4</del> <u>0</u>	0	0	0	0	1
	<del>2021</del> <u>2022</u>	1	0	0	0	0	0	1
	<del>2022</del> <u>2023</u>	1	0	0	0	0	0	1
<del>Illinois</del> <u>Indiana</u>	<del>2020</del> <u>2021</u>	0	0	0	0	0	0	0
	<del>2022</del> <u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<del>2023</del> <u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Michigan</u>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<del>Texas</del>	<del>2020</del> <u>2023</u>	<del>4</del> <u>0</u>	<del>4</del> <u>0</u>	0	0	0	0	<del>2</del> <u>0</u>
<u>Pennsylvania</u>	2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2023	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Texas</u>	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
<del>Virginia</del>	<del>2020</del> <u>2023</u>	<del>14</del> <u>4</u>	0	0	0	0	<del>0</del> <u>1</u>	<del>13</del> <u>4</u>
<u>Virginia</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Totals</b>	<del>2020</del> <u>2023</u>	<del>171</del> <u>171</u>	<del>30</del> <u>30</u>	0	0	0	0	<del>201</del> <u>201</u>
<u>Totals</u>	2021	20	2	0	0	0	0	22
	2022	22	2	0	0	0	0	24
	2023	24	0	0	0	0	1	23

**Table No. 4**  
**Status of Company-Owned Outlets<sup>(1)</sup>**  
**Years Ending December 31, ~~2020, 2021 and, 2022 and 2023~~**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	<del>2020</del> <u>2021</u>	1	0	0	0	0	1
	<del>2021</del> <u>2022</u>	1	0	0	0	0	1
	<del>2022</del> <u>2023</u>	1	0	0	0	0	<del>1</del> <u>1</u>

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Missouri	2020	6	0	0	0	0	6
Missouri	2021	6	0	0	0	0	6
	2022	6	0	0	2	0	4
Total <sup>(1)</sup>	2020-2023	76	0	0	0	0	74
Total <sup>(1)</sup>	2021	7	0	0	0	0	7
	2022	7	0	0	2	0	5
	2023	7	0	0	0	0	5

(1) All “~~company-owned~~ Company-Owned” Schools are owned by some or all of our shareholders, officers and directors. We do not operate any of the Schools.

**Table No. 5**  
**Projected Openings as of December 31, 2022-2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	02	40	0
Georgia	0	0	0
Indiana	1	40	0
Michigan	0	0	0
Pennsylvania	0	0	0
Texas	0	0	0
Total/Virginia	1	20	0
Total	4	0	0

The name, business address, and business telephone number of each current franchisee on December 31, 2022-2023, are listed as follows:

State	Name of Franchisee	School Street Address	School City	School Zip Code	School Telephone No.
Florida	CW Apollo Beach Inc. Creative World School Apollo Beach	5931 Frond Way	Apollo Beach	33572	(813) 679-0383
Florida	Oviedo CWS LLC	840 Balmy Beach Drive	Apopka	32703	N/A Not yet Open
Florida	CWS at Three Oaks, Inc. and (d/b/a Preschool at the Lamb)	19671 Cypress View Drive and 19691 Cypress View Drive	Fort Myers	33967	(239) 415-7845
Florida	CWS at Three Oaks, Inc. and (d/b/a Preschool at the Lamb)	19671 Cypress View Drive	Fort Myers	33967	(239) 415-7845

State	Name of Franchisee	School Street Address	School City	School Zip Code	School Telephone No.
Florida	CWS at Gateway, Inc.	11961 Fairway Lakes Drive	Fort Myers	33913	(239) 208-8842
Florida	Rising Stars Learning Center LLC Creative World School Land O' Lakes	9511 Land O Lakes Blvd.	Land O Lakes	34638	(813) 996-3100
Florida	SMC Oakstead LLC	3490 Oakstead Blvd.	Land O Lakes	34638	(813) 803-7500
Florida	CWFishHawk Inc. Creative World School FishHawk	5525 Osprey Ridge Drive	Lithia	33547	(813) 679-0383
<a href="#">Florida</a>	<a href="#">CWS at North Naples, Inc.</a>	<a href="#">Immokalee Road</a>	<a href="#">Naples</a>	<a href="#">34120</a>	<a href="#">N/A Not Yet Open</a>
Florida	CWS at Naples, Inc.	2260 Olympia Park Boulevard	Naples	34109	(239) 734-5100
Florida	SMC Starkey Ranch LLC	12215 Lake Blanche Drive	Odessa	33556	(813) 497-1100
Florida	Creative Noggins Inc. Creative World School Avalon Park	3625 Avalon Park West Boulevard	Orlando	32828	(407) 275-0000
Florida	Innovating Minds LLC Creative World School Cypress Springs	1725 S. Dean Road	Orlando	32825	(407) 204-0024
Florida	CW Barnabei Creative World School UCF- Orlando	5016 N. Dean Road	Orlando	32817	(407) 377-7767
Florida	Oviedo CWS LLC	975 Chapel Street	Oviedo	32765	(407) 802-4803
Florida	CWRiverCrest Inc. Creative World School RiverCrest	11361 Symmes Road	Riverview	33569	(813) 679-0383
Florida	BCM Early Education LLC Creative World School St. Cloud	4500 Lexington Blvd.	St. Cloud	34769	(407) 988-1477
Florida	EKOM Care, Inc. Creative World School Cross Creek	10693 Cross Creek Blvd.	Tampa	33647	(813) 991-5151
Florida	Inuja LLC Creative World School Tampa Palms	5365 Primrose Lake Circle	Tampa	33647	(813) 558-0234
Florida	Welcome Home Elite Kids, LLC Creative World School Wesley Chapel	5214 Windingbrook Trail	Wesley Chapel	33543	(813) 929-4466
Georgia	CW Smyrna LLC Creative World School Vinings	1975 Cumberland Parkway	Atlanta	30339	(678) 293-5131

State	Name of Franchisee	School Street Address	School City	School Zip Code	School Telephone No.
Indiana	Kids Cave Preschool LLC <del>(opens in 2023)</del>	7125 S. Franklin Road	Franklin Township	46259	<del>Not yet open</del> <a href="#">Opened in January 2024</a>
<del>Pennsylvania</del>	<del>CW Cranberry LLC</del>	<del>9112 Marshall Road</del>	<del>Cranberry Township</del>	<del>16066</del>	<del>Not yet open-canceled Agreement-2/2023</del>
Texas	Under The Sun Learning Center, LLC Creative World School Cypress Tx	6800 Fry Road	Cypress	77449	(713) 482-1547
<del>Texas</del>	<del>KIDS EDUANDCARE LLC Creative World School Frisco Tx</del>	<del>4915 Coit Road</del>	<del>Frisco</del>	<del>75035</del>	<del>(972)-335-3565</del>
Texas	CW Georgetown School LLC	2970 FM 1460	Georgetown	78626	(512) 980-4442
Texas	CW Leander School LLC	10836 E. Crystal Falls Road	Leander	78646	(512) 337-6080
Virginia	C.A.S. Ventures, LLC Creative World School Riverwalk	201 Riverwalk Parkway	Chesapeake	23320	(757) 410-5671

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of each franchisee who had a Creative World Schools® Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement and who has left the system during our most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document: **!**

State	Name of Franchisee	City	State / Zip Code	Telephone Number
Pennsylvania*	CW Cranberry LLC	Cranberry Township	Pennsylvania 46259	412.973.9891
<a href="#">Texas</a>	<a href="#">Kids Eduandcare LLC Creative World School Frisco Tx</a>	<a href="#">Frisco</a>	<a href="#">Texas 7503 5</a>	<a href="#">(972) 335-3565</a>

\* Franchise Agreement cancelled in February 2023, School never opened.

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

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no trademark-specific franchisee organizations associated with the Creative World Schools® franchise system.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit “A” are our audited fiscal year-end financial statements for 2023, 2022, and ~~2021 and 2020~~. Our unaudited balance sheet and statement of income as of March 31, ~~2023, 2024~~ are also attached as Exhibit “A.” Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this disclosure document:

1. Deposit Agreement for Site Assessment – Exhibit B
2. Franchise Agreement – Exhibit C-1
3. SBA Addendum to Franchise Agreement – Exhibit C-2
4. Conditional Assignment of Telephone Numbers and Listings and Internet Addresses – Exhibit D
5. Conditional Assignment and Assumption of Lease – Exhibit E
6. Agreement to Lease – Exhibit F
7. Form of Release - Exhibit G
8. Confidentiality and Noncompetition Agreement – Exhibit H
9. Principal Owner’s Guaranty – Exhibit I
10. Principal Owner’s Statement – Exhibit J
11. Form of Note and Security Agreement and UCC-1 Financing Statement – Exhibit
12. Franchise Compliance Certification – Exhibit N

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## **ITEM 23 RECEIPTS**

Attached as the last 2 pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**

**OF**

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

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**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

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March 13, 2024

To the Stockholders of  
Creative World Schools  
Franchising Company, Inc.  
Bonita Springs, Florida

### **Independent Auditor's Report**

#### **Opinion**

We have audited the financial statements of Creative World Schools Franchising Company, Inc. (the Company), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative World Schools Franchising Company, Inc. as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Creative World Schools Franchising Co., Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Creative World Schools Franchising Co., Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

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

*Hill, Barth & King LLC*

Certified Public Accountants

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

BALANCE SHEETS

December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 914,189	\$ 1,142,297	\$ 1,273,520
Royalties receivable:			
Unaffiliated franchisees	258,733	223,966	213,198
Affiliated franchisees	45,482	52,965	91,714
Due from related parties	222,208	266,154	311,136
Other current assets	71,709	74,378	38,652
TOTAL CURRENT ASSETS	<u>1,512,321</u>	<u>1,759,760</u>	<u>1,928,220</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	34,951	44,474	30,273
<u>OPERATING LEASE RIGHT-OF-USE ASSETS</u>	200,047	281,060	0
<u>INTANGIBLE ASSETS, NET</u>	0	0	39,638
	<u>\$ 1,747,319</u>	<u>\$ 2,085,294</u>	<u>\$ 1,998,131</u>

See accompanying notes to financial statements

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

BALANCE SHEETS (CONTINUED)

December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable	\$ 58,554	\$ 41,126	\$ 86,844
Accrued expenses	175,918	241,862	395,476
Due to related parties	341	6,809	0
Deferred franchise fees and deposits	338,986	135,000	103,986
Current portion of operating lease liabilities	82,040	81,014	0
Current portion of finance lease liabilities	2,054	2,029	0
TOTAL CURRENT LIABILITIES	<u>657,893</u>	<u>507,840</u>	<u>586,306</u>
<b><u>LONG-TERM LIABILITIES</u></b>			
Operating lease liabilities less current portion	111,007	193,046	0
Finance lease liabilities less current portion	1,732	3,786	0
TOTAL LONG-TERM LIABILITIES	<u>112,739</u>	<u>196,832</u>	<u>0</u>
<b><u>STOCKHOLDERS' EQUITY</u></b>			
Common stock:			
Voting - \$0.0075 par value per share: 10,000			
shares authorized, issued and outstanding	75	75	75
Nonvoting - \$0.0075 par value per share:			
990,000 shares authorized, issued and			
outstanding	7,425	7,425	7,425
Additional paid-in capital	60,456	60,456	60,456
Retained earnings	908,731	1,312,666	1,343,869
TOTAL STOCKHOLDERS' EQUITY	<u>976,687</u>	<u>1,380,622</u>	<u>1,411,825</u>
	<u>\$ 1,747,319</u>	<u>\$ 2,085,294</u>	<u>\$ 1,998,131</u>

See accompanying notes to financial statements

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

STATEMENTS OF OPERATIONS

Years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>			
Royalties:			
Unaffiliated franchisees	\$ 3,230,175	\$ 2,712,839	\$ 1,970,770
Affiliated franchisees	569,495	590,033	584,510
Franchise fees	11,014	38,986	137,972
TOTAL OPERATING REVENUES	<u>3,810,684</u>	<u>3,341,858</u>	<u>2,693,252</u>
<u>OPERATING EXPENSES</u>			
Advertising and promotional	26,867	29,584	29,656
Automobile	30,278	33,601	24,797
Contributions	1,326	2,212	6,931
Depreciation and amortization	9,525	48,026	58,564
Franchisee relations	183,044	161,961	48,076
General and administrative	167,809	128,518	92,432
Insurance	18,372	18,475	17,506
Occupancy	100,238	98,756	104,870
Office supplies	9,855	14,949	15,932
Professional fees	176,121	183,711	163,953
Salaries, wages and related	2,123,630	1,874,120	1,917,744
Telephone and utilities	30,995	30,408	29,209
Travel	181,447	130,835	87,670
TOTAL OPERATING EXPENSES	<u>3,059,507</u>	<u>2,755,156</u>	<u>2,597,340</u>
INCOME FROM OPERATIONS	<u>751,177</u>	<u>586,702</u>	<u>95,912</u>
<u>OTHER INCOME AND EXPENSES</u>			
PPP loan forgiveness	0	0	308,712
Interest income	15,968	27	8,218
Interest expense	(62)	(87)	0
Other income	5,090	1,046	4,483
TOTAL OTHER INCOME AND EXPENSES	<u>20,996</u>	<u>986</u>	<u>321,413</u>
NET INCOME	<u>\$ 772,173</u>	<u>\$ 587,688</u>	<u>\$ 417,325</u>

See accompanying notes to financial statements

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2023, 2022, and 2021

	<u>Common Stock Voting</u>	<u>Common Stock Nonvoting</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at					
December 31, 2020	\$ 75	\$ 7,425	\$ 60,456	\$ 1,024,707	\$ 1,092,663
Distributions	0	0	0	(98,163)	(98,163)
Net income	<u>0</u>	<u>0</u>	<u>0</u>	<u>417,325</u>	<u>417,325</u>
Balance at					
December 31, 2021	75	7,425	60,456	1,343,869	1,411,825
Adoption of ASC 842	0	0	0	7,108	7,108
Distributions	0	0	0	(625,999)	(625,999)
Net income	<u>0</u>	<u>0</u>	<u>0</u>	<u>587,688</u>	<u>587,688</u>
Balance at					
December 31, 2022	75	7,425	60,456	1,312,666	1,380,622
<b>Distributions</b>	0	0	0	(1,176,108)	(1,176,108)
<b>Net income</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>772,173</u>	<u>772,173</u>
<b>Balance at</b>					
<b>December 31, 2023</b>	<u><u>\$ 75</u></u>	<u><u>\$ 7,425</u></u>	<u><u>\$ 60,456</u></u>	<u><u>\$ 908,731</u></u>	<u><u>\$ 976,687</u></u>

See accompanying notes to financial statements

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

STATEMENTS OF CASH FLOWS

Years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income	\$ 772,173	\$ 587,688	\$ 417,325
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,525	48,026	58,564
Amortization of operating lease right-of-use assets	81,013	80,000	0
PPP loan forgiveness	0	0	(308,712)
Increase in royalties receivable - unaffiliated	(34,767)	(10,768)	(77,171)
(Increase) decrease in royalties receivable - affiliated	7,483	38,749	(5,854)
Net (increase) decrease in due from/to related parties	37,478	51,791	(54,767)
(Increase) decrease in other current assets	2,669	(35,726)	(9,086)
Increase (decrease) in accounts payable	17,428	(45,718)	52,565
Increase (decrease) in accrued expenses	(65,944)	(153,614)	241,069
Increase (decrease) in deferred franchise fees and deposits	203,986	31,014	(72,972)
Decrease in operating lease liabilities	<u>(81,013)</u>	<u>(80,000)</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>950,031</u>	<u>511,442</u>	<u>240,961</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of property and equipment	0	(14,664)	(19,639)
Purchase of software	0	0	(52,850)
Principal payments on note receivable	0	0	194,155
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>0</u>	<u>(14,664)</u>	<u>121,666</u>

See accompanying notes to financial statements

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Principal payments on finance lease liabilities	(2,031)	(2,002)	0
Distributions paid to stockholders	(1,176,108)	(625,999)	(98,163)
Borrowing from PPP loan program	<u>0</u>	<u>0</u>	<u>308,712</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(1,178,139)</u>	<u>(628,001)</u>	<u>210,549</u>
NET INCREASE (DECREASE) IN CASH	(228,108)	(131,223)	573,176
 <u>CASH</u>			
Beginning of year	<u>1,142,297</u>	<u>1,273,520</u>	<u>700,344</u>
End of year	<u>\$ 914,189</u>	<u>\$ 1,142,297</u>	<u>\$ 1,273,520</u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>			
Cash paid during the year for interest	<u>\$ 62</u>	<u>\$ 87</u>	<u>\$ 0</u>
 <u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>			
Property, equipment, and intangible assets disposed of during the year	<u>\$ 0</u>	<u>\$ 52,850</u>	<u>\$ 59,216</u>

See accompanying notes to financial statements

# CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

### **NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Business:**

Creative World Schools Franchising Company, Inc. (the Company) was incorporated in the State of Florida on August 13, 1999 for the purpose of granting franchises for the operation of combined early childhood learning and childcare facilities and creative development schools. The Company has locations in Florida, Georgia, Missouri, Texas and Virginia.

#### **Recently Adopted Accounting Pronouncements:**

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

#### **Cash and Concentration:**

The Company maintains cash balances with one bank, First Foundation Bank. The bank balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was no amount of uninsured cash as of December 31, 2023.

#### **Royalties Receivable:**

Royalties receivable are uncollateralized franchisee obligations for franchise royalties and are due on the first day of the month following the sale in accordance with the franchise agreement.

Royalties receivable are stated at the amount management expects to collect from balances outstanding at year end. The carrying amount of royalties receivable is reduced by an allowance for credit losses based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographic and industry-specific economic factors. The Company also considers any specific customer collection issues. At origination, the Company evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit rating, probabilities of default, industry trends and other internal metrics. On a continuing basis, data for each major customer is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses.

Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for credit losses based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to royalties receivable. There was no allowance for credits losses for the years ended December 31, 2023, 2022, and 2021.

CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023, 2022 and 2021

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising:**

The Company expenses the costs of advertising as incurred. Advertising expenses for the years ended December 31, 2023, 2022 and 2021 were \$26,867, \$29,584 and \$29,656, respectively.

**Property and Equipment:**

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset. Expenditures in excess of \$2,500 with an estimated useful life greater than one year are capitalized. The estimated useful lives are as below:

Computer equipment	1 to 3 years
Furniture and fixtures	3 to 7 years

**Intangible Assets:**

The Company capitalizes the cost associated with developing applications and infrastructure of their website, logo and other enhancements if it is probable it will result in added functionality. All other costs are expensed as incurred.

**Revenue Recognition:**

Royalties are based on sales reported to the Company by its franchisees and are recognized in the month in which sales are reported by the franchisee. Management fees are based on sales reported to the Company by the franchises under contract and are recognized in the month in which sales are reported by the franchisee. Franchise fees from individual franchise sales are recognized using an allocation schedule determined by management as completion of three different objectives are completed: 1) ground breaking of the school, 2) issuance of the certificate of occupancy of the school and 3) opening of the school. Management believes this allocation method closely correlates to the Company's satisfaction of the performance obligations defined in the franchise agreement. Unearned franchise fees and deposits are accounted for as deferred franchise fees.

**Leases:**

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023, 2022 and 2021

**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (continued):**

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Use of Estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Compensated Absences:**

The Company has not accrued a liability for compensated absences because the amount cannot be reasonably estimated. Employees of the Company are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. At December 31, 2023, the Company had 22 employees. Of this total, 2 employees are hourly and 20 are salaried. Paid time off is accrued based on each employee's work anniversary, years of service, and other factors. It is not practicable for the Company to estimate the amount of compensation for future absences at year end; accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

**Income Taxes:**

The Company, with the consent of its stockholders, has elected to have its income taxed as an S corporation under Section 1362 of the Internal Revenue Code. As such, the Company does not pay federal corporate income taxes and is not allowed net operating tax loss carrybacks or carryovers as deductions. Instead, the stockholders include their proportionate share of the Company's taxable income or loss in their individual income tax returns.

**Subsequent Events:**

Management evaluated all activity of the Company through March 13, 2024 the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements or notes.

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023, 2022 and 2021

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<b>2023</b>	2022	2021
Computer equipment	\$ <b>3,315</b>	\$ 3,315	\$ 0
Furniture and fixtures	<b>62,789</b>	62,789	51,441
Finance lease right-of-use asset	<b>3,879</b>	5,902	0
	<b>69,983</b>	72,006	51,441
Less accumulated depreciation	<b>35,032</b>	27,532	21,168
	<b>\$ 34,951</b>	\$ 44,474	\$ 30,273

Depreciation expense for the years ended December 31, 2023, 2022 and 2021 was \$7,500, \$6,364 and \$5,714, respectively.

**NOTE C - INTANGIBLE ASSETS**

The Company amortizes costs related to the software and website redesign and enhancements over the useful life of the asset. Following is a summary of intangible assets as of December 31:

	<b>2023</b>	2022	2021
Software and website enhancements	\$ <b>55,750</b>	\$ 55,750	\$ 108,600
Less accumulated amortization	<b>55,750</b>	55,750	68,962
	<b>\$ 0</b>	\$ 0	\$ 39,638

Amortization expense for the years ended December 31, 2023, 2022 and 2021 was \$0, \$39,638, and \$52,850, respectively.

**NOTE D - DEFERRED FRANCHISE DEPOSITS**

The Company receives refundable deposits on prospective franchise sales contracts. Terms of the sales contracts call for approval of school sites before the deposits become nonrefundable. In addition, the Company also receives deposits in the amount of \$5,000 from prospects that make commitments to researching potential school locations. This deposit can be returned if and when the prospect chooses to not go forward with a potential school location.

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2023, 2022 and 2021

**NOTE E - RELATED PARTY TRANSACTIONS**

Several of the Company's franchisees are owned and operated by stockholders of the Company. Franchise fees have not been charged to these franchisees.

Royalties from these related franchisees for the years ended December 31, 2023, 2022 and 2021 are disclosed on the statements of operations as Royalties: Affiliated Franchisees. Related accounts receivable as of December 31, 2023, 2022 and 2021 are disclosed on the balance sheets as Royalties receivable: Affiliated Franchisees. Management considers these receivables to be fully collectible so there was no allowance for credit losses established at December 31, 2023, 2022 and 2021.

The Company has an agreement with a related party to lease office space (see Note J). The lease has been renewed through April 30, 2024. Rental expense for the years ended December 31, 2023, 2022, and 2021 was \$88,970, \$89,040, and \$97,520, respectively. The Company intends to renew the lease through April 30, 2025 at the current rate.

Amounts receivable from and payable to related parties as of December 31, 2023, 2022 and 2021 are disclosed on the balance sheets as Due from or Due to related parties and consist of various operating expenses paid on behalf of or by affiliated schools.

**NOTE F - VARIABLE INTEREST ENTITIES**

Variable interest entities ("VIEs") are primarily entities that lack sufficient equity to finance their activities without additional subordinated financial support from other parties or whose equity as a group lack certain power, obligations, or rights. The Company has related parties under common ownership that are not required to be evaluated as VIEs under the Private Company Accounting Alternative subsection of ASU 2018-17 Consolidation (Topic 810) Targeted Improvements to Related Party Guidance for VIEs. Under this subsection of ASU 2018-17, a private company may elect not to apply VIE consolidation guidance to legal entities under common control if both the parent and the related party are not public business entities. The Company has elected the accounting alternative and has not evaluated its related parties as VIEs. Revenues from related parties under common ownership are included as Royalties: Affiliated Franchisees on the statements of operations. Receivable and payable balances between the Company and related parties under common ownership are included as Royalties receivable: Affiliated Franchisees, and due to/due from related parties on the balance sheets.

**NOTE G - DEFINED CONTRIBUTION PLAN**

The Company provides a 401(k) profit sharing plan covering all employees who have one year of service. Each year, participants may make voluntary salary deferral contributions up to 80% of pretax annual compensation, subject to specific dollar limits determined by the Internal Revenue Service. Participants may also contribute amounts representing rollover distributions from other qualified plans. Participants direct the investment of their contributions into various investment options offered by the plan. The Company matches 100% of an employee's contribution up to the first 4% of the employee's compensation for the plan year. The Company may make discretionary employer contributions, which would be allocated in the same ratio as each participant's compensation bears to the total compensation to all participants. The employer match was \$58,713, \$56,331 and \$66,204 for the years ended December 31, 2023, 2022 and 2021, respectively.

# CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023, 2022 and 2021

### **NOTE H - PAYCHECK PROTECTION PROGRAM LOAN**

Under the Paycheck Protection Program (“PPP”), the Company received loan proceeds of \$308,712 in each year of 2021 and 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks at the borrower’s choice as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The Company received forgiveness of the first loan on May 24, 2021. The Company received forgiveness of the second loan on December 8, 2021. The forgiveness has been reported as other income on the statement of operations for the year ended December 31, 2021.

### **NOTE I - EMPLOYEE RETENTION CREDIT**

Under the provisions of the CARES Act, the Company is eligible for a refundable employee retention credit subject to certain criteria. During 2021, the Company recognized a credit of \$131,471 in the statements of operations as an offset to the salaries, wages and related expense for the Employee Retention Credit (ERC) and recorded a related receivable of \$7,000 on the balance sheet as of December 31, 2021. Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Company’s claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Company.

### **NOTE J - LEASES**

The Company leases office space from a related party under an operating lease that is expected to be renewed through at least April 2026. The Company has the option to renew the lease annually and is expected to do so in the normal course of business. Additionally, the Company has a finance lease for office equipment expiring October 2025. The Company will have the option to lease the office equipment on a month-to-month basis after the initial lease term.

#### **Leases under ASC 840:**

Prior to the adoption of ASC 842, lease payments were classified as operating rent expense in the statement of operations. Rent expense totaled \$97,520 for the year ended December 31, 2021.

#### **Leases under ASC 842:**

As of December 31, 2023, the operating and finance lease ROU assets related to these agreements were \$200,047 and \$3,879, respectively. As of December 31, 2023, the operating and finance lease liabilities related to these agreements were \$193,047 and \$3,786, respectively.

CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023, 2022 and 2021

**NOTE J – LEASES (CONTINUED)**

Other information related to leases for the year ended December 31, 2023 is as follows:

Weighted average remaining lease terms:

Operating leases	2.33 years
Finance leases	1.88 years

Weighted average discount rate:

Operating leases	1.26%
Finance leases	1.26%

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

	<u>Operating</u>	<u>Finance</u>
2024	\$ 84,000	\$ 2,090
2025	84,000	1,742
2026	28,000	0
Total future minimum payments	196,000	3,832
Less remaining imputed interest	2,953	46
Total	<u>\$ 193,047</u>	<u>\$ 3,786</u>



**THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM.**

**Creative World Schools Franchising Company, Inc.**  
**Balance Sheet**  
**March 31, 2024**

**ASSETS**

**Current Assets**

Cash	\$	1,014,906
Accounts Receivable		350,685
Due from Related Parties		99,861
Prepaid Expenses		83,470
Security Deposit		286
Total Current Assets		1,549,208

**Property and Equipment, net** 43,353

**Other Assets-Website Design** 4,500

**Operating Lease-Right of Use Assets** 200,047

**TOTAL ASSETS** **\$ 1,797,108**

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

Accounts Payable	\$	28,687
Accrued Expenses		204,930
Due to Related Party		19,766
Current Portion of Operating Lease Liabilities		82,040
Current Portion of Finance Lease Liabilities		2,054
Deferred Franchise fees and deposits		280,000
Total Current Liabilities		617,477

**Long-Term Liabilities**

Operating Lease Liabilities less Current Portion		111,007
Finance Lease Liabilities less Current Portion		1,732
Total Long-Term Liabilities		112,739

**Equity**

Capital Stock		7,500
Additional Paid in Capital		60,456
Retained Earnings		998,936
Total Equity		1,066,892

**TOTAL LIABILITIES & EQUITY** **\$ 1,797,108**

The Unaudited Financial Statements have been prepared for Internal Use.

**Creative World Schools Franchising Company, Inc.**  
**Statement of Operations**  
**For the Three Months Ended**  
**March 31, 2024**

**Operating Revenues**

Royalties	\$ 1,024,124
Franchise Fees	53,986
<b>Total Operating Revenues</b>	<b>\$ 1,078,110</b>

**Operating Expenses**

Advertising & Promotion	19,287
Automobile	5,696
Depreciation & Amortization	1,998
Franchisee Relations	30,883
General & Administration	37,317
Insurance	4,847
Occupancy	23,724
Professional Fees	32,491
Salaries, Wages & Related	534,117
Telephone & Utilities	7,409
Travel	43,370
<b>Total Operating Expenses</b>	<b>\$ 741,139</b>
<b>Income from Operations</b>	<b>\$ 336,971</b>

**Other Income**

Interest Income	2,466
<b>Total Other Income</b>	<b>2,466</b>
<b>Net Income</b>	<b>\$ 339,437</b>

The Unaudited Financial Statements have been prepared for Internal Use.

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
DEPOSIT AGREEMENT FOR SITE ASSESSMENT**

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## DEPOSIT AGREEMENT FOR SITE ASSESSMENT

**THIS DEPOSIT AGREEMENT FOR SITE ASSESSMENT** (this “**Agreement**”) is effective as of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), regardless of when it is signed, by and between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation with its principal place of business at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (“**we**,” “**us**” and “**our**”) and \_\_\_\_\_

\_\_\_\_\_ (“**you**” or “**your**”). You and we are sometimes referred to collectively as the “**parties**” or separately as a “**party**.”

### BACKGROUND INFORMATION

We grant franchises for the operation of Schools using the certain trademarks and service marks including, CREATIVE WORLD SCHOOL® (“**CREATIVE WORLD SCHOOL® (s)**” or “**School(s)**”). The Schools offer childcare and daily care products and services for children ages 6 weeks to 12 years in a distinctive and innovative environment. Schools operate according to our distinctive business formats, methods, procedures, designs, layouts, signs, equipment, curricular, lesson plans, educational and developmental methods, trade dress, standards and specifications (“**System Standards**”).

We grant to persons who meet our qualifications and who are willing to undertake the investment and effort the right to operate a School at a single location (a “**Franchise**”).

You have applied to us to acquire a franchise to operate a School in a defined geographic area designated by us (the “**Territory**”). To determine whether to grant you a Franchise, we must evaluate your credentials and determine the feasibility of adding School(s) in the Territory. We incur various expenses in making those evaluations and determinations.

Accordingly, the parties agree as follows:

### OPERATIVE TERMS

1. **Deposit:** Contemporaneously with signing this Agreement, you have deposited \$5,000 (the “**Deposit**”) with us. If we grant a Franchise to you, this Deposit will be credited toward the initial franchise fee payable in accordance with the Franchise Agreement. The Deposit will not bear interest. We will not establish a separate account for the Deposit. You recognize that we incur significant expenses in evaluating your qualifications and evaluating sites for a School. Once you and we have approved a site for a School that we have determined can be acquired on reasonably acceptable terms by lease or purchase, then the Deposit is not refundable under any circumstances. We will only refund a portion of the Deposit to you if: (a) you and we both do not sign a Franchise Agreement; and (b) we have not approved a proposed site for a School within 180 days of signing this Agreement. Solely in that event, we will refund you the Deposit less the greater of (i) \$3,500; or (ii) our out-of-pocket expenses for time and effort expended in reliance upon your application. Such out of pocket expenses can include charges by our architect for preliminary site plans for prospective sites.

2. **Governing Law and Jurisdiction:** Florida law governs this Agreement. Jurisdiction and venue for any claims involving this Agreement is exclusively in the courts

serving Lee County, Florida. The parties irrevocably submit to the venue and jurisdiction of such courts.

3. **Litigation Expenses:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to the terms of this Agreement, the prevailing party will be entitled to full reimbursement of its litigation expenses from the other party. Litigation expenses include attorneys' fees, defense costs, witness fees and other related expenses including paralegal fees, travel and lodging expenses and court costs. Reimbursement is due within 30 days of written notice after prevailing.

4. **Assignment:** This Agreement, and all rights and obligations of the parties, may not be assigned, subcontracted, or transferred by any party without the prior written consent of the other party.

5. **Background Information:** Both parties agree that the background information at the beginning of this Agreement is accurate.

6. **Effect:** This Agreement neither evidences, nor commits us to, an award of a Franchise to you. Any grant of a Franchise to you will be subject to a definitive Franchise Agreement mutually acceptable and signed by both you and us. However, in the meantime, you and we will naturally be expected to investigate each other's qualifications, background and respective businesses. Thus, each of us will cooperate with each other to obtain further information in order to proceed on a mutually beneficial business basis. Neither party has any obligation to the other party other than as described in this Agreement.

7. **Effective Date:** The effective date of this Agreement is \_\_\_\_\_, 20\_\_\_\_, regardless of the actual date of signature.

Intending to be bound, the parties sign below:

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

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

**EXHIBIT C-1 TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
FRANCHISE AGREEMENT**

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**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**

**FRANCHISE AGREEMENT**

---

---

AGREEMENT DATE

---

FRANCHISEE

---

SCHOOL NUMBER

---

ADDRESS OF SCHOOL

**THIS AGREEMENT REQUIRES CERTAIN DISPUTES TO BE SUBMITTED TO BINDING ARBITRATION.**

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**EXHIBITS:**

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B	-	Site and Market Area
C	-	Opening Package

**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is effective as of \_\_\_\_\_, 20\_\_\_\_ (the “**Agreement Date**”). The parties to this Agreement are **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (referred to in this Agreement as “**we**,” “**us**,” “**our**” or “**Franchisor**”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (referred to in this Agreement as “**you**,” “**your**” or “**Franchisee**”).

**I. INTRODUCTION**

**1.01 The CREATIVE WORLD SCHOOL® System.** We and our affiliates have expended considerable time and effort in developing businesses which are combined early childhood learning centers, child care facilities, and creative development schools which offer child care and daily care services and products for children ages 6 weeks to 12 years using our System and Marks (“**CREATIVE WORLD SCHOOL®**” or a “**School**”). The System consists of a distinctive and innovative environment, service marks, trade names, distinctive business formats, methods, procedures, designs, layouts, signs, equipment, curricula, lesson plans, educational programs, trade dress, standards and specifications, all of which we have developed and which we (or our affiliates) may improve, further develop or otherwise modify from time to time (the “**System**”).

We use, promote and license certain trademarks, service marks, logos, and other commercial symbols in the operation of Schools, including the trade and service marks “**CREATIVE WORLD SCHOOL®**,” the design only mark described as “**CHILDREN AND GLOBE**” and other associated logos, designs, artwork and trade dress, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, copyrighted works, Art, service marks and commercial symbols in conjunction with the operation of Schools (collectively, the “**Marks**”). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate a School offering the products and services we authorize and approve and utilizing the System. You have applied for a franchise to own and operate a School. You and we acknowledge and agree as follows:

**1.02 Acknowledgments.** You acknowledge and agree that:

- (a) you have read this Agreement and our Franchise Disclosure Document;
- (b) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each School and to protect and preserve the goodwill of the Marks;
- (c) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a School may evolve and change over time;

(d) an investment in a School involves business risks and that your business abilities and efforts are vital to the success of the venture;

(e) any information you acquire from other School franchisees relating to their sales, profits or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information;

(f) in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us;

(g) we have advised you to have this Agreement reviewed and explained to you by an attorney.

**1.03 Representations.** You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved your request to purchase a franchise partially in reliance on all of your representations.

**1.04 No Warranties.** We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the System or network of Schools. You acknowledge and understand the following:

(a) any statement regarding the potential or probable revenues, sales or profits of the business venture are made solely in the Franchise Disclosure Document delivered to you prior to signing this Agreement;

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing School owned by us or our affiliates or that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

(c) you have not received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. If there are any exceptions to any of the foregoing, you agree to: (i) immediately notify our chief executive officer; and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it.

**1.05 Business Organization.** If you are at any time a business organization (“**Business Entity**”) (like a corporation, limited liability company or partnership) you agree and represent that:

(a) you 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;

(b) your organizational or governing documents 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;

(c) the Principal Owners Statement will completely and accurately describe all of your owners and their interests in you. A copy of our current form of Principal Owners Statement is attached to the Franchise Disclosure Document;

(d) you and your owners agree to revise the Principal Owners Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes that reduce your ownership below 51% may be made without our approval);

(e) a Principal Owner of the Business Entity (with ownership of at least 10% of its voting securities) must: (i) have management responsibility and authority over the School on a day-to-day basis; (ii) be actively employed on a full-time basis to manage the School's operations; (iii) be bound by our then-current form of Confidentiality and Noncompetition Agreement (the "**Confidentiality Agreement**"); and (iv) satisfactorily complete our initial training program and any other training programs we request during the term. A copy of our standard form of Confidentiality Agreement is attached to our Franchise Disclosure Document;

(f) each of your owners during the Term will sign and deliver to us our standard form of Principal Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us and our Confidentiality Agreement. A copy of our current form of Principal Owners Guaranty is attached to the Franchise Disclosure Document; and

(g) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

## II. GRANT AND TERM.

**2.01 Site / Market Area.** You have applied for a franchise to own and operate a School only at a location we have approved (the "**Site**"). The Site will be located in a protected marketing area (the "**Market Area**") we designate. The Site and Market Area for your School are designated in Exhibit "B" attached. If the Site has not been determined as of the Effective Date, the Site and Market Area will be inserted into Exhibit "B" upon our acceptance of the proposed location for the School.

**2.02 Grant.** Subject to the terms of and upon the conditions contained in this Agreement, we grant you a franchise (the "**Franchise**") to: (a) operate a School at the Site, and at no other location (temporary or permanent); (b) use the Marks solely in connection with

operating the School; and (c) use the System in its operation. As long as you are in compliance with this Agreement, we will not grant a franchise to anyone else to operate, or ourselves operate, a School within the Market Area.

**2.03 Term.** The term (the “**Term**”) of the Franchise and this Agreement begins on the Agreement Date and expires 20 years from the Agreement Date. This Agreement may be terminated before it expires.

**2.04 Performance.** You agree that you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance the School and not engage in any other business or activity that conflicts with your obligations to operate the School in compliance with this Agreement. You may not operate the School from any location other than the Site without our prior written consent.

**2.05 Rights We Reserve.** We (and our affiliates), without any compensation to you for doing so and in such amounts and in such manner as we determine, retain the right to:

(a) establish, and grant to other franchisees the right to establish, Schools anywhere outside the Market Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Market Area or through any Website, e-mail site, Internet, Intranet or other form of e-commerce);

(b) operate, and grant franchises to others to operate businesses, whether inside or outside the Market Area, specializing in the sale of products or provision of services, other than a Competitive Business or a School, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate; and

(c) operate, and grant franchises to others to operate businesses other than schools or other services, whether inside or outside the Market Area, that do not use any of the Marks.

### III. SUCCESSOR TERMS.

**3.01 Your Right to Acquire a Successor Franchise.** This Agreement expires 20 years from the Agreement Date. Upon expiration, if you (and each of your owners) have substantially complied with this Agreement during its term, and provided that:

(a) you maintain possession of and agree to remodel and/or expand the School, add or replace improvements, equipment and signs and otherwise modify the School as we require to bring it into compliance with specifications and standards then applicable for Schools, or

(b) if you are unable to maintain possession of the Site, or if in our judgment the School should be relocated, you secure substitute premises we approve, develop such premises in compliance with specifications and standards then applicable for Schools and continue to operate the School at the Site until operations are transferred to the substitute premises,

then, subject to the terms and conditions set forth in this Section, you will have the right to acquire 3 successor franchises to operate the School as a School, for additional 10-year periods on the

terms and conditions of the franchise agreement we are then using in granting successor franchises for Schools.

**3.02 Grant of a Successor Franchise.** You agree to give us written notice of your election to acquire a successor franchise during the first 90 days of the last year of the Term or the last year of the term of any successor franchise. We agree to give you written notice (“**Response Notice**”), not more than 90 days after we receive your notice, of our decision:

- (a) to grant you a successor franchise;
- (b) to grant you a successor franchise on the condition that deficiencies of the School, or in your operation of the School, are corrected; or
- (c) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term.

If applicable, our Response Notice will:

- (i) describe the remodeling and/or expansion of the School and other improvements or modifications required to bring the School into compliance with then applicable specifications and standards for Schools; and
- (ii) state the actions you have to take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

If we elect not to grant a successor franchise, the Response Notice will describe the reasons for our decision. Your right to acquire a successor franchise is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice.

If our Response Notice states that you must cure certain deficiencies of the School or its operation as a condition to the grant of a successor franchise, we will give you written notice of a decision not to grant a successor franchise unless you cure such deficiencies, not less than 90 days prior to the expiration of this Agreement. However, we will not be required to give you such notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the 90 day period prior to its expiration. If we fail to give you:

- (i) notice of deficiencies in the School, or in your operation of the School, within 90 days after we receive your timely election to acquire a successor franchise; or
- (ii) notice of our decision not to grant a successor franchise at least 90 days prior to the expiration of this Agreement, if such notice is required;

we may extend the Term for such period of time as is necessary in order to provide you with either reasonable time to correct deficiencies or 90 days notice of our refusal to grant a successor franchise.

**3.03 Agreements/Releases.** If you satisfy all of the other conditions to the grant of a successor 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 successor

franchises for Schools; except that the Royalties and Advertising Contributions we charge will not change from this Agreement. 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 such agreements and releases and deliver them to us for acceptance and execution within 60 days after their delivery to you will be deemed an election not to acquire a successor franchise.

**3.04 Training and Refresher Programs.** Our grant of a successor franchise is also conditioned on the satisfactory completion by you (or a manager of yours approved by us) of any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees.

**3.05 Fees and Expenses.** Our grant of a successor franchise is contingent on your payment to us of a successor franchise fee equal to the greater of: (a) \$20,000 or (b) 25% of our then-current initial franchise fee. We must receive the fee from you when you sign the Successor Agreement.

**3.06 Subsequent Successor Franchises.** The fees and other conditions for any later granting of subsequent successor franchises will be governed by the successor franchise agreement (as described above).

#### **IV. SITE SELECTION AND DEVELOPMENT.**

**4.01 Site Selection.** If you have not done so prior to signing this Agreement, you must, within 120 days of signing this Agreement, locate a Site for your School that we have approved. The Site must meet our criteria, which we will provide you, for demographic characteristics, traffic patterns, parking, character and safety of neighborhood, competition from and proximity to other businesses, schools and other Schools, the nature of other businesses in proximity to the Site and other commercial or residential characteristics and the size, appearance, other physical characteristics of the proposed Site and the proposed Site's suitability for children and construction and development of a School. Proposed Sites must be a minimum of 1.5 useable acres or such space as we deem appropriate for the development and operation of a School in that location. We will approve or disapprove a Site you propose for a School within 60 days after we receive from you a complete Site report and any other materials we request. Our notice to you of approval, if any, will include our requirements for the particular Site's usable acre requirements. But, we may, prior to your acquisition or lease of the Site, change, modify or amend them if we deem circumstances or Construction needs warrant such changes. You must comply with all changes we may designate to such usable acreage. You acknowledge and agree that:

(a) our recommendation or approval of the Site, does not imply, guaranty, assure, warrant or predict profitability or success, express or implied;

(b) our recommendation or approval of the Site indicates only that we believe that the Site falls within the acceptable demographic and other criteria for sites and premises that we have established as of the time of our recommendation or approval of the Site;

(c) application of criteria that have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our approval of a site, demographic and/or other factors included in or excluded from our criteria could change to alter the potential of a site and premises; and

(d) the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a site and premises we have recommended or approved to meet expectations as to potential revenue or operational criteria.

#### 4.02 Lease of Site.

(a) **Sublease From Us:** We may, but are not obligated to, lease or sublease the Site to you. If we do so, you agree to sign our then-current form of lease or sublease. If we sublease the Site to you, we may charge a rent that exceeds the cost of rent we pay under our master lease agreement for the Site.

(b) **Other Lease of Site:** If you want to lease the Site from someone other than us, you agree to deliver copies of the proposed lease agreement and related documents to us prior to signing them. You agree not to sign any lease agreement or related documents unless we have previously approved them. Additionally, before entering into such a lease, you and the lessor must sign our then-current form of Conditional Assignment of Lease Agreement (the "**Lease Assignment**"). You will give the lessor our forms of the Lease Assignment when you begin discussions with the prospective lessor.

(c) **Lease Approval:** You agree to obtain our approval of the lease of the Site before you sign it, or any renewal of it. You agree to deliver a copy of the signed lease to us within 15 days after its execution along with the Lease Assignment. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Assignment signed by the lessor.

(d) **Mandatory Lease Terms:** We may require that the lease or any renewal contain certain provisions, including the following:

(i) a provision which expressly permits the lessor of the Site to provide us with all revenue and other information it may have related to the operation of your School as we may request;

(ii) a provision which requires the lessor to contemporaneously provide us with copies of any written notice of default under the lease sent to you and which grants to us, at our option, the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default;

(iii) a provision which evidences your right to display the Marks in accordance with the specifications required by the Manuals, subject only to the provisions of applicable law;

(iv) a provision which requires that any lender or other person will not disturb your possession of the Site so long as the lease term continues and you are not in default (along with such documents as are necessary to ensure that such lenders and other persons are bound);

(v) a provision which expressly states that any default under the lease which is not cured within any applicable cure period also constitutes grounds for termination of this Agreement;

(vi) a lease term which is at least equal to the Term, either through an initial term of that length or rights, at your option, to renew the lease for the full Term; and

(vii) the premises must be operated as a School.

(e) **No Warranty:** You acknowledge that our approval of the lease for the Site does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a School operated at the Site. Such approval indicates only that we believe that the Site and the terms of the lease fall within the acceptable criteria we have established as of the time of our approval. You further acknowledge that we have advised you to have an attorney review and evaluate the lease.

**4.03 Ownership and Financing.** Instead of leasing a Site, you may propose to purchase, construct, own and operate a School on real property owned by you or through affiliates. You will meet certain conditions if you or your affiliates own a Site or at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Site or for your School or for any Operating Assets in which any of such items are pledged as collateral securing your performance. The form of any purchase contract with the seller of a Site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

(a) a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser;

(b) a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency; and

(c) a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured within the applicable time period, also constitutes a default under the loan or mortgage.

If, at any time during the Term, you or your affiliates own the Site, you must sign and deliver to us our standard form of Agreement to Lease, which requires you, at our option, to lease the Site to us or our designee pursuant to our standard form of Lease Agreement if this Agreement is terminated by us for cause, or by you without cause, prior to its expiration. Our standard form of Agreement to Lease is attached to the Franchise Disclosure Document.

## V. SCHOOL DEVELOPMENT, DECOR AND OPERATING ASSETS.

**5.01 School Development.** You are responsible for developing the School. You must commence development of the School within 9 months after the date of this Franchise Agreement. You are responsible for leasing or purchasing all land, building materials and services to develop and operate the School in accordance with our System Standards. You must complete the construction of the School in accordance with our System Standards. You must open the School for business within 12 months of the Construction Approval Date (the “**Opening Date**”). If you have timely and diligently made full and complete applications for all building permits, licenses, and all other permits required to open and operate a School, we may grant to you up to six 30-day extensions to obtain all necessary permits, provided that the delays are due to causes beyond your reasonable control. You must submit documentation of the status of all applications necessary to develop and operate the School, as applicable, at least 10 days prior to the date of each 30-day extension you request. Prior to your submission of your Construction Plans to us, we will furnish you with prototype design plans, specifications, decor and layout for a School, including requirements for design, color scheme, image, interior and exterior layout, playground and parking layout, and Operating Assets which include fixtures, equipment, signs, and furnishings. However, you are obligated to have prepared, at your expense, all required Construction Plans and specifications to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You agree to submit Construction Plans and specifications to us for approval before construction of the School is commenced, and within 120 days of the date we approved your Site and, at our request, submit all revised or “as built” plans and specifications during the course of such construction. We will approve or disapprove your Construction Plans within 60 days of the date you provide complete Construction Plans to us. The date of our approval of the Construction Plans is referred to as the “**Construction Approval Date**.” Once approved by us, the Construction Plans may not be modified or altered without our prior approval. Your Construction Plans must include an estimated schedule of Construction Activities, architectural plans, land use plans and the like. If we deem it necessary or appropriate, we may grant you up to 3 additional 30-day extensions to permit you to meet the schedule for Construction we approve in your Construction Plans. We may, but are not obligated, to assist you in developing the School by recommending contractors and architects and otherwise furnishing information to assist you in developing the School in accordance with our specifications. We may require you to utilize, at your expense, an approved or designated architect, engineer and/or contractor for the preparation of your Construction Plans and the development of your School. The date we notify you on which you may begin operations of the School is referred to as the “**Opening Date**.”

You agree, at your own expense, to do the following with respect to developing the School at the Site:

- (a) have complete and detailed construction drawings prepared by your architect and approved by us or our authorized architect;
- (b) secure all financing required to develop and operate the School;
- (c) construct (the “**Construction**”) all required improvements to the Site and decorate the School in compliance with the plans and specifications we have approved;

(d) you must give us notice of commencement of the Construction within 10 days of the date it began, with progress reports including digital photographs of the Construction supporting the findings at least every 2 weeks. We will, at your expense, require that additional digital photographs be provided to us. We may require you to utilize, at your expense, an approved or designated construction monitoring service to oversee and report to us on all aspects of the development and construction of your School;

(e) The Construction must be completed within the time period we designate in our notice of approval of the Construction Plans (including all extensions we may grant under this Agreement, unless we later agree otherwise);

(f) Purchase from us (or our designee) the paintings, pictures, photographs, murals, drawings, sculptures and other forms of art that we designate, for display at your Site (“**Art**”) and install it at the School in accordance with our specifications at your expense;

(g) obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the School;

(h) construct all required improvements to the Site and decorate the School in compliance with plans and specifications we have approved;

(i) purchase or lease and install all Operating Assets required for the School; and

(j) purchase an opening inventory of authorized and approved products, materials and supplies.

At your request, we may provide you, assistance with securing building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the School, except that we do not provide you legal advice or counsel. If we provide you non-legal assistance or advice in obtaining such licenses or permits, you must pay to us our then-current fees for providing such advice, not to exceed \$5,000 plus any expenses we incur assisting you. However, any assistance we or our affiliates provide to you relating to the Construction or development of the School (including our approval of Construction Plans) will not contain the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (“**ADA**”) or similar rules governing public accommodations or commercial facilities for persons with disabilities, nor will such plans or assistance contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific School. You must adapt, at your expense, the prototype plans and specifications to the School’s location and Construction requirements, subject to our approval; except that we will not unreasonably withhold approval of special plans and specifications, prepared at your expense, when the Site will not accommodate our standard plans and specifications, provided that such plans and specifications conform to our general design criteria. Our approval of your Construction Plans means only that they meet our minimum standards and specifications for the School’s Construction and timing of Construction. It does not indicate in any way that we believe the plans meet, or fail to meet, any standards or requirements imposed by the ADA or any other laws, rules, regulations or ordinances. You are responsible for all such determinations.

**5.02 Decor.** You agree that all decor of your School must be previously approved by us and must comply with our standards as described in the Manuals, which may be periodically revised. We own all copyrights in and to all forms of Art displayed at the School, as well as all intellectual property rights in and to the Art. You will not allow any of the Art to become a fixture to the School unless we provide you written permission to do so, and you will not display or use any of the Art in any Competitive Business of any kind. Your failure to maintain the School's decor and to display and protect the Art in compliance with our System and the standards described in the Manuals constitutes a material breach of this Agreement. We may require you to purchase items for décor from us or Approved Suppliers. Prior to the opening date of your School, you must purchase from us (or our affiliates) and install the interior decorating package for use in decorating the interior of your School (the "**Opening Package**"). A description of the Opening Package will be inserted in Exhibit "C" following our acceptance of the Site for your School.

**5.03 Approved Decorator.** We may require you to utilize the services of a decorator that we designate, who will assist you in ensuring that your interior and exterior decor meet our specifications and standards. At our option, we may require you to purchase such decorator's services and items through us or another Approved Supplier.

**5.04 Approved Artist.** We require you to use an artist approved, and designated by us to paint murals and pictorials on the walls and other surfaces of your School, in the number and manner in which we designate. We may determine number and type of murals painted by the approved artist. We may require you to contract directly with us for such artist's services and pay our then-current fees for them.

**5.05 Opening Package and Operating Assets.** For quality assurance, you must acquire all of the supplies, materials, products and services for use in connection with your School and certain fixtures, furnishings, equipment, signs, cash registers, telecopiers and computer hardware and software (collectively, the "**Operating Assets**") from us (or our affiliates). The Opening Package of such items for your School will be determined by us and described in Exhibit "C" following our acceptance of the Site for your School. We will deliver Operating Assets to you on the terms and conditions as we develop from time to time. You will pay for the Operating Assets and the delivery of services based on the pricing and payment terms that we develop from time to time. You must not purchase any of the Operating Assets from anyone else. We may delegate the provision of the Operating Assets to any of our affiliates, or to a third party with whom we are satisfied can produce as good a quality and provide the delivery services. If we do so, you must pay them in accordance with their standard pricing and payment terms. You agree to only place or display at the Site (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve.

**5.06 School Opening.** You agree not to open the School for business until:

- (a) we approve the School as developed in accordance with our specifications and standards;
- (b) pre-opening training of you, and your personnel, on operations, curriculum and our standards (but not on employment terms and conditions), has been completed to our satisfaction;

(c) the Initial Franchise Fee, the Opening Package Fee, and all other amounts then due to us have been paid;

(d) we have approved the Manager of your School and you have demonstrated to us that the conditions of this Agreement have been fulfilled;

(e) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept; and

(f) we have received signed counterparts of all required documents pertaining to your acquisition of the Site.

**5.07 Grand Opening Program.** You agree to conduct a grand opening advertising and promotional program for the School after its opening and to expend between \$7,000 and \$15,000 for such purposes. The grand opening must be conducted within 20 days of the opening of the School. Such advertising and promotion will utilize the marketing and public relations programs and media and advertising materials we have developed or approved.

## **VI. FEES.**

**6.01 Initial Franchise Fee.** You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount set forth on Exhibit "B" (the "**Initial Franchise Fee**"), on the Agreement Date. Our current Initial Franchise Fee for your first franchise is \$80,000. If you are purchasing your second or subsequent franchise, the Initial Franchise Fee will be reduced to \$75,000. The Initial Franchise Fee is nonrefundable and is fully earned by us when paid.

**6.02 Royalty.** Within 3 days of monthly billing during the Term, you agree to pay us a recurring periodic royalty ("**Royalty**") calculated based on a certain percentage of your School's weekly Adjusted Gross Revenues determined as follows:

(a) 5% of your School's weekly Adjusted Gross Revenues during the period beginning on the Royalty Commencement Date and ending on the last day of the 12th month following the Royalty Commencement Date;

(b) 6% of your School's weekly Adjusted Gross Revenues during the period beginning on the first day of the 13th month following the Royalty Commencement Date and ending on the last day of the 24th month following the Royalty Commencement Date; and

(c) 7% of your School's weekly Adjusted Gross Revenues each week, thereafter. We must receive the Royalty on or before the first Friday of each month for the immediately preceding calendar month ending Sunday. The "**Royalty Commencement Date**" means the earlier of: (a) the date of your enrollment of 75 children in the School; or (b) the first day of the 7th month immediately and consecutively following the Opening Date. You must send to us written notice of your enrollment of the 75th child in the School immediately upon such enrollment.

**6.03 Opening Package.** You must pay to us, or our designee, a nonrefundable fee for the Opening Package (the "**Opening Package Fee**"). The Opening Package and Opening Package Fee will be described in Exhibit "C" following our acceptance of the Site for your School.

The Opening Package Fee is due and payable within 30 days from the date of our invoice, unless we otherwise agree in writing.

**6.04 System Standards Fee.** You must pay to us, or our designee, a monthly fee (currently \$250 per month) (the “**System Standards Fee**”). The Systems Standards Fee currently includes website maintenance, SEO support, iDashboard, Listen 360 and ProCare cloud maintenance. The System Standards Fee is due and payable within 30 days from the date of our invoice, unless we otherwise agree in writing.

**6.05 Accreditation Fee.** You must participate in the accreditation program we designate. You must pay to us, or our designee, the fees charged for obtaining and maintaining such accreditation. Currently, we have achieved Corporate Accreditation status with Advanced Ed. The current fees we charge for the system-wide accreditation with Advanced Ed are: (a) an initial application fee (currently \$1,250); and (b) a monthly fee (currently \$125 per month) for the 5-year period commencing in July of the year your School becomes accredited (the “**Accreditation Fee**”). We may from time to time adjust, change or otherwise modify the amount and payment of the monthly Accreditation Fee upon 30 days written notice to you.

**6.06 Electronic Funds Transfer/ACH.** You must pay us all Royalties and other amounts due and owing to us by electronic funds transfer/ACH. We will designate the date each month (the “**Payment Day**”) for the Royalty payment. You agree to comply with the procedures we specify in our Manuals and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. On the Payment Day, you will report to us by telephone or electronic means or on written form, as we direct, the School’s true and correct Gross Revenues and Adjusted Gross Revenues for the immediately preceding week. You will give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to the School’s bank operating account (the “**Account**”) for payments of Royalties and other amounts due under this Agreement, including any applicable interest charges. For new Schools, you must provide this authorization at least 30 days prior to opening your School. You will make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day. The amount actually transferred from the Account to pay Royalties will be based on the School’s Adjusted Gross Revenues reported to us. If you have not reported the School’s Adjusted Gross Revenues to us for any reporting period, we will transfer from the Account an amount calculated in accordance with our reasonable estimate of the School’s Adjusted Gross Revenues during any such reporting period. If we determine at any time that you have under-reported Gross Revenues or Adjusted Gross Revenues or underpaid Royalties or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first reporting date after you and we determine that such credit is due.

**6.07 Definition of “Gross Revenues”.** As used in this Agreement, the term “**Gross Revenue**” means all revenues and/or income generated from the provision of any and all services, the sales of any and all products, and performance of any and all other activities connected to or arising from the Franchised Business School at or away from the site, including, but not limited to, all enrollment fees, tuition fees, charges or all amounts you receive at or away from the Site from any activities or services whatsoever including any that are in any way associated with the Marks, and whether from cash, check, barter, credit or debit card or credit transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and actually paid to the appropriate taxing authority. Gross Revenues also

includes (a) condemnation awards received directly or indirectly for loss of revenue or business, whether generated by, or paid to, you or your affiliates, and (b) the fair market value of any goods or services received, directly or indirectly, by you if consideration other than cash is received. You will notify us of any noncash consideration Franchisee receives.

**6.08 Definition of “Adjusted Gross Revenues”.** As used in this Agreement, “Adjusted Gross Revenue” means Gross Revenue less the amount of certain discounts and deductions we have authorized as described in the manuals or otherwise (“Authorized Deductions”). For purposes of determining Adjusted Gross Revenue, we may limit any discounts, offsets, credits, or deductions of any nature for child care and day care service. If you offer any discounts to customers (employees or otherwise) which exceed the amount of the Authorized Deductions, then the computation of amounts due us (including Royalty and Marketing Contributions) you must add back in the amount of any discounts or deductions in excess. We are entitled to collect all amounts due based upon your then current published rates, tuition, or other fees that would have been charged if you had offered only the amount of the Authorized Deductions regardless of the amounts actually received by the Franchisee from such customer.

**6.09 Interest on Late Payments.** All amounts which you owe us will bear interest after their due date at the annual rate of 18% or the highest contract rate of interest permitted by law, whichever is less. You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, the School. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement.

**6.10 Late Payment Penalties.** All Royalties, Advertising Contributions, Painting Fee, Decorator Fee, amounts due for purchases by you from us, and any interest accrued thereon, and any other amounts which you owe us, or our affiliates, are subject to a late payment fee of 5% of the amount due. The late payment fee is due immediately on any delinquent payments. The provision in this Agreement concerning late payment fees does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance the operation of, your School.

**6.11 Application of Payments.** Notwithstanding any designation you might make, we may 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 or your owners owe us against any amounts we might owe you or your owners.

**6.12 Payment Offsets.** We may setoff from any amounts that we may owe you any amount that you owe to us, or our affiliates, for any reason whatsoever, including without limitation, Royalties, Advertising Contributions, Painting Fee, Decorator Fee, late payment penalties and late payment interest, amounts owed to us or our affiliates for purchases or services or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us or our affiliates from time to time. In particular, we may retain (or direct to our affiliates) any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us, or our affiliates, at any time. We will notify you monthly if we do so.

**6.13 Discontinuance of Service.** If you do not timely pay amounts due us under this Agreement, we may discontinue any services to you, without limiting any of our other rights in this Agreement.

## **VII. TRAINING AND ASSISTANCE.**

**7.01 Training.** Before the School opens, we will furnish initial training on the operation of a School to you (or, if you are a Business Entity, a person having management rights and powers (e.g. officers, managers, partners, etc.) ("**Manager(s)**")), and 1 managerial employee you elect to enroll in the training program. You or the Manager and at least 1 other management level employee must satisfactorily complete our initial training. Accordingly, at least 2 persons must complete the training and we may require that a 3rd person complete such training as well. Otherwise, attendance by your employees is optional. The timing of the training currently ranges from: (a) 2 to 3 consecutive weeks of school operations and management training for you (or your Manager) and your managerial employees which will take place at our headquarters or a School or other training facility designated by us. When training is at your School, you must provide an alternative training facility if we feel that construction or other distractions prevent us from satisfactorily performing the training on premises. You (or your Manager) and your managerial employees are required to complete the initial training to our satisfaction. Successful completion of the initial training program by you (and your Manager and managerial employees) is a condition to the opening of the School to the public. You (or your Manager and managerial employees) also are required to participate in all other activities required to operate the School. Although we will furnish initial training to you (or your Manager) and a maximum of 1 other managerial employee at no additional fee or other charge, you will be responsible for all travel and living expenses which you (or your Manager) and your managerial employees incur in connection with training. We will provide on-premises meals to you and your personnel during initial training at our School.

We may require you (or your Manager) and/or previously trained and experienced managerial employees to attend at your expense, periodic refresher training courses at such times and locations that we designate. You must pay our then current per day training fee for each manager that attends such periodic refresher training courses.

**7.02 Employee Training Program.** At your request, we will furnish guidance and assistance to your employees to complete their initial and weekly employee training program consisting of classroom and on-the-job training. If you request us to assist with your employees' training, all costs or expenses incurred in connection with such training, including our then-current training fees, travel, lodging, meals and other expenses incurred by us or your employees in connection with such training, will be your responsibility. You are solely responsible for training all of your employees and ensuring they are fully trained to perform their duties. We do not require your employees to attend our training programs. Any training we provide to you, your Managers and your employees will be limited to educating them about our operational and educational programs, processes and standards so they have the knowledge and skills to help your School operate in accordance with System Standards, and will not govern their terms or conditions of employment.

**7.03 Additional Training.** If, at any time after the School opens, you hire additional management personnel or replace one or more of your Managers, the new Managers or management personnel must satisfactorily attend (at times and locations designated by us) and complete our training program at your expense. You are responsible for all costs of your management personnel and Managers that attend additional training, including all then-current training fees, and travel, lodging, meals and other expenses incurred by us or your Managers or management personnel in connection with such training.

**7.04 General Guidance.** We will advise you from time to time regarding the operation of the School based on reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

- (a) standards, specifications and operating procedures and methods utilized by Schools;
- (b) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;
- (c) childcare, learning and advancement methods, and procedures;
- (d) use of suppliers, approved products, volume buying;
- (e) advertising and marketing programs;
- (f) methods and techniques for you to use when you train your employees; and
- (g) administrative, bookkeeping and accounting procedures.

Such guidance will, at our discretion, be furnished in our Manual, bulletins or other written materials and/or during telephone consultations and/or consultations at our office or the School.

At your request, we will furnish additional guidance and assistance. If your requests for additional or special training and guidance are, in our opinion, excessive we may charge you a fee to cover expenses that we incur in connection with such training or guidance, including per diem charges and travel and living expenses for our personnel. However, you are solely responsible for training all of your employees and ensuring they are fully trained to perform their duties. We do not require your employees to attend our training programs.

## **VIII. MARKS.**

**8.01 Ownership and Goodwill of Marks.** Your right to use the Marks is derived solely from this Agreement and limited to your operation of the School at the Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during its term. If you commission any of the Art for your School or for any use in connection with the development, marketing or operation of your School, you will be responsible for requiring the artist, and any other person who may claim copyrights, moral rights, privacy rights, publicity rights or any other intellectual property rights in or to that Art (including any aspect of the content or composition of it), to assign to us all rights, title and interest in and to the Art. To the extent such assignment is not possible or obtainable, you must require that such persons failing to grant to us such assignment, grant to us an unconditional, royalty free, worldwide, multi-Site, multi-user, irrevocable, freely assignable license to use, license, modify, reproduce, make commercial use of and make derivative use from or of, the Art and all attributes of and to it. You agree to, prior to commissioning, utilizing, purchasing or licensing any Art, require all persons who claim intellectual property, privacy, publicity or moral rights in and to the Art (other than us) sign such assignments or licenses as we may designate from time to time. Between you and us, you agree that we will be deemed to own all aspects of the physical embodiment of the Art. We may also hire artists to commission the Art and you will be required to pay to us our then-current fees for commissioning, shipment or installation of the Art, which will be due, at our option, prior to commencement of the

work by the artist, or prior to shipment, upon delivery or otherwise in accordance with applicable policies and procedures we may establish from time to time. Your payment to us of fees for commissioning the Art will not be deemed your purchase of the Art and only constitutes payment to us to help, in whole or in part, offset our costs to commission, install or ship the Art. You acknowledge and agree that title to all of the Art is and will be at all times remain with and be held solely by us, and that you neither have nor will make any claim with respect to the ownership of the Art. You will not: (i) make any express or implied representations to any person that you own the Art or have any rights in and to it that are superior to our rights in and to it; (ii) grant or purport to grant any security interest or lien in or on any of the Art to any other person; or (iii) permit or suffer to exist any lien on any of the Art in favor of any other person. You must discharge, at your expense, any liens asserted against the Art (other than liens imposed thereon by our acts or omissions) and to take such steps as may be necessary, from time to time, to preserve all of our rights in and to the Art against third parties. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the School in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use.

**8.02 Limitations on Your Use of Marks.** You agree to use the Marks as the sole identification of the School, except that you agree to identify yourself as the independent owner in the manner we prescribe in the Manual or otherwise. You must place a conspicuous notice at a place we designate in your School identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not do so, we may accomplish the notice or identification as we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of the School or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at the School, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

**8.03 Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and 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 may take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

**8.04 Discontinuance of Use of Marks.** If it becomes advisable at any time for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will reimburse you for your reasonable direct expenses of changing the School's signs. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

## **IX. CONFIDENTIAL INFORMATION.**

**9.01 Types of Confidential Information.** We possess (and will continue to develop and acquire) certain confidential information (the "**Confidential Information**") relating to the development and operation of Schools, which includes (without limitation):

- (a) the System and the know-how related to its use;
- (b) plans, specifications, size and physical characteristics of Schools;
- (c) Construction Plans, approval criteria, site selection criteria, land use and zoning techniques and criteria;
- (d) methods in obtaining licensing and meeting regulatory requirements;
- (e) sources and design of Art, equipment, furniture, forms, materials and supplies;
- (f) marketing, advertising and promotional programs for Schools;
- (g) the selection, testing and training of managers and other management personnel for Schools;
- (h) any computer software we make available or recommend for Schools;
- (i) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of Schools;
- (j) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment; and
- (k) knowledge of operating results and financial performance of Schools other than those operated by you (or your affiliates).

**9.02 Disclosure and Limitations on Use.** We will disclose much of the Confidential Information to you and personnel of the School by furnishing the Manuals to you and by providing training, guidance and assistance to you. In addition, in the course of the operation of your School, you or your employees may develop ideas, new or improved Art, concepts, methods, techniques or improvements (collectively, "**Improvements**") relating to your School or other schools, which you agree to disclose to us. We will be deemed to own the Improvements and may use them and authorize you and others to use them in the operation of Schools. Improvements will then also constitute Confidential Information.

**9.03 Confidentiality Obligations.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your School, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute confidentiality of the Confidential Information during and after the Term;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals; and
- (d) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for Managers or others who have access to the Confidential Information.

**9.04 Exceptions to Confidentiality.** The restrictions on your disclosure and use of the Confidential Information will not apply to the following:

- (a) disclosure or use of information, processes, or techniques which are generally known and used in the School business (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use; and
- (b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

## **X. EXCLUSIVE RELATIONSHIP.**

You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among Schools if franchised owners of Schools were permitted to hold interests in or perform services for a Competitive Business (defined below). You also acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. You agree that, during the Term, neither you nor any of your owners, your affiliates or your owner's affiliates (nor any of your or your owners' or affiliates' spouses, family members or children) will:

- (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, other than the School;
- (b) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, wherever located;
- (c) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located; or
- (d) recruit or hire any person who is our employee or the employee of any School without obtaining the prior written permission of that person's employer.

The term "**Competitive Business**" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any school, home or facility that features or provides daily care or childcare services for children ages 6 weeks to 12 years or similar services as are customarily offered by a School (other than a School operated under a franchise agreement with us).

## **XI. OPERATION AND SYSTEM STANDARDS.**

**11.01 Operations Manual.** We will loan you (or make accessible to you), during the Term, one copy of our manuals (collectively, the "**Manuals**"), consisting of such materials (including, as applicable, audiotapes, videotapes, magnetic media, compact disc, computer software and written materials) that we generally furnish to franchisees from time to time for use in operating a School. The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time for the operation of a School and information relating to your other obligations under this Agreement and related agreements. To the extent any of the System Standards, or other resources in the Manuals, address personnel or employment matters, those are not mandatory but are merely recommendations, suggestions or guidelines. System Standards do not include any mandatory requirements on your employees' wages, working conditions, hours, staffing levels, shift timing or other terms of employment; but may specify uniforms and appearance to meet brand standards. You agree to follow the standards, specifications and operating procedures we establish periodically for the System that are described in the Manuals. You also must comply with all updates and amendments to the System as described in newsletters or notices we distribute, including via computer systems. We also reserve the right to make the Manuals accessible to you on-line via computer systems or by any other electronic format (like Internet, intranet, Websites, e-mail, CD-ROM, etc.). However, any form of the Manuals accessible to you on-line or by other electronic format is our proprietary information and will be deemed Confidential Information for purposes of this Agreement. You agree to maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards. You agree to keep your printed copy of the Manuals (if any) current and in a secure location at the School. In the event of a dispute relating to the contents of any printed copy of the Manual, the master copy of the Manuals we maintain at our principal office will be controlling. However, in the event we utilize on-line or electronic format Manuals, the most recent on-line (or electronic format) Manuals will control any disputes between the on-line (or electronic format) version and printed copies of the Manuals. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals. If your copy of the Manuals is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then applicable charge which currently is \$1,000

(unless we have made on-line Manuals accessible to you. If so, you may utilize the on-line Manuals instead of purchasing other printed or electronic format Manuals).

**11.02 Compliance with System Standards.** You acknowledge and agree that your operation and maintenance of the School in accordance with System Standards are essential to preserve the goodwill of the Marks and all Schools. Therefore, at all times during the Term, you agree to operate and maintain the School in accordance with each and every System Standard, as we periodically modify and supplement them during the Term. System Standards may regulate any one or more of the following with respect to the School:

- (a) Construction, design, layout, decor, appearance, playground surface and playground equipment 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 illumination;
- (b) types, models and brands of required fixtures, furnishings, equipment, signs, software, materials and supplies;
- (c) required or authorized products and product categories including for all educational items and materials;
- (d) designated or approved suppliers of fixtures, furnishings, equipment, signs, software, products, materials and supplies including for all educational, learning or developmental products and services;
- (e) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services that you obtain from us, unaffiliated suppliers or others;
- (f) sales, marketing, advertising and promotional programs and materials and media used in such programs;
- (g) use and display of the Marks;
- (h) matters relating to managing the School, and dress and appearance of employees, including uniforms (all other matters pertaining to employment are suggestions or recommendations only);
- (i) hours of operation of the School;
- (j) participation in market research and testing and product and service development programs and customer satisfaction programs;
- (k) acceptance of credit cards, gift certificates, coupons, and payment systems and check verification services;
- (l) bookkeeping, accounting, data processing and record keeping systems, including software, 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;

(m) types, amounts, terms and conditions of insurance coverage required to be carried for the School 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 School at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

(n) complying 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 School; and

(o) regulation of such other aspects of the operation and maintenance of the School that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Schools.

You agree that System Standards prescribed from time to time in the Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth. All references to this Agreement include all System Standards as periodically modified.

**11.03 Modification of System Standards.** We may periodically modify System Standards, which may accommodate regional or local variations as we determine. Such modifications may obligate you to invest additional capital in the School ("**Capital Modifications**") and/or incur higher operating costs. However, such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot in our reasonable judgment be amortized during the remainder of the Term, plus all eligible successor periods, unless we agree to extend the term of your franchise so that such additional investment, in our reasonable judgment, may be amortized; unless such investment is necessary in order to comply with applicable laws. We agree to give you 90 days to comply with Capital Modifications we require. However, if a Capital Modification requires an expenditure of more than \$10,000 we agree to give you 180 days from the date such request is made to comply with such Capital Modification. You are obligated to comply with all modifications to System Standards, including Capital Modifications, within the time period we specify. The time periods and limits on Capital Modifications described in this Section will not apply to our requirements that, during Construction, you meet all of our System Standards for Construction, which may be modified by us during such Construction, upon our notice to you. In no event will we require you to spend in excess of 25% of our high estimate of the cost of the sum of leasehold improvements and furniture, fixtures and equipment from our Franchise Disclosure Document during the Term in connection with Capital Modifications.

**11.04 Interior and Exterior Upkeep.** You agree at all times to maintain the School's interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness,

safety and sanitation and comply with the requirements regarding the upkeep of the School established in the Manuals and by federal, state and local laws.

**11.05 Hours of Operation.** You agree to operate the School during the hours and on the days prescribed by us in the Manuals or otherwise approved in advance in writing by us.

**11.06 Accounting, Computers and Records.** It is your responsibility to obtain accounting services and any required hardware or software related to them. You will at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information. To the extent we require support for accounting software used by you, such support will only be provided with respect to the accounting software then used by us in the operation of our own (or our affiliates' own) Schools. You agree as follows:

(a) You agree to use in developing and operating the School the operating software (the "**Software**") and the computer and hardware components and accessories (the "**Computer System**") that we may periodically specify. We may determine that the Computer System may include purchase accounting and reporting equipment including point of sale equipment, with features including:

- (i) a highly sensitive keyboard for fast input;
- (ii) controlled access to management functions such as child/teacher ratios;
- (iii) educational software and hardware;
- (iv) internal communications among computer terminals;
- (v) check printer to document and detail all sales transactions;
- (vi) capability to provide telecommunications to us in the manner we designate;
- (vii) security key and password identification for each employee allowing the point-of-sale system to provide detailed sales information for each employee;
- (viii) detailed sales tracking ability including, check-in and out, hours, attended department sales, customer accounts, sales for the individual employee and accounting period to date sales information; and
- (ix) communication and polling ability for all sales information to be retrieved by you or us.

(b) We may require you to obtain specified computer hardware or software and may modify specifications for and components of the Computer System from time to time. Our modifications and specifications for components of the Computer System may require you to incur costs to purchase, lease or license new or modified computer hardware or software and to obtain service and support for the Computer System during the Term.

(c) If required by us, you must obtain and maintain a contract with a vendor that we have approved in writing for software maintenance, support, and upgrade services for

your Computer System and to provide you with such assistance as you may require. You acknowledge that we may be one of, or the only, approved vendor for such services, and if you obtain these services from us, then you agree that you will pay to us the maintenance fee and help desk fee specified by us for such services. Notwithstanding these rights of ours, we will not at any time be obligated to provide any such services or support for the hardware or software used in the Computer System.

(d) You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications), as long as the Computer System we specify for use is the same Computer System that we or our affiliates then currently use in Schools that we or they own and operate. Within 60 days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. We have the right to charge you fees for any computer usage costs that we incur as a result of your use of the Computer System or for any software that we license to you. The Computer System must be capable of connecting with our Computer System so that we can daily review the results of your School's operations. We also have the right to charge you a reasonable systems fee for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we or our affiliates furnish to you related to the Computer System.

(e) You must have the sole and complete responsibility for the manner in which your Computer System interfaces with other systems, including ours and other third parties, as well as any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

(f) You must: (a) promptly enter, into your Computer System, and maintain all information required to be entered and maintained by us; (b) provide to us such reports as we may reasonably request from the data so collected and maintained; and (c) permit us to access your Computer System at all times via modem or other means specified by us from time to time. You must cooperate with us, and must execute all documents required by us to permit access to your Computer System and data contained therein. The reporting requirements set forth in this Section are in addition to and not in lieu of any other reporting requirements set forth under this Agreement.

(g) Any and all data collected or provided by you, downloaded from your Computer System, and otherwise collected from your system by us and/or provided to us is and shall be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you; however, you are, under this Agreement, licensed (without any additional fee) to use such data solely for the purpose of operating the School, and such license will automatically and irrevocably expire when this Agreement terminates or expires, without additional notice.

(h) We will have the right, but not the obligation, to establish a Website or other electronic system providing private and secure communications (e.g., an extranet) between us, you, other franchisees, and other persons and entities as determined by us. If required by us, you will establish and maintain access to the extranet in the manner specified by us, and shall from time to time execute such agreements and/or

acknowledge and agree to comply with, such policies concerning the use of the extranet as we may prepare.

**11.07 Trade Accounts and Taxes.** You agree to maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly. You agree to timely pay all taxes incurred in connection with your School's operations. If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf. If we elect to do so, then you agree to reimburse us for such amounts. You agree to repay us immediately upon receipt of our invoice. We may also set-off the amount of any such reimbursement obligations against all amounts which we may owe you.

**11.08 School Materials.** You agree to purchase from us or approved manufacturers or suppliers all articles used in the Construction and operation of the School, some of which bear the Marks. These items include, without limitation, developmental or educational books, printed materials and other course work, brand apparel (such as ties, hats and uniforms) and Computer Software, any Computer System we designate (collectively, the "**School Materials**"), at then prevailing prices, plus freight, taxes and delivery costs. The items may also include products like books, art supplies, food products, lesson kits, learning assignments, clothing, ties, hats, tee shirts, etc. for retail sale to customers.

**11.09 Approved Products.** You agree not to sell any child care or daily care products or services or other items at the School that we have not previously approved for sale. You agree to only use and display Operating Assets and Approved Products and Services, and School Materials that have been prescribed or approved (except for prices) in advance by us. You agree to sell all the School Materials and products and services designated by us as Approved Products in our Manual, and no others. You agree to strictly follow all of our lesson plans and curricula that are specified from time to time in the Manuals or otherwise. You agree not to, without our prior written consent, sell, dispense, give away or otherwise provide child care or daily care products, services or other items except by means of retail sales or complimentary child care or daily care to employees or customers at the School, a program of charitable giving or under an approved delivery service in accordance with this Agreement. You will immediately implement changes to the School Materials or Approved Products and Services (including aprons bearing the Marks, food and art supplies, service or other items) requested by us, including curriculum changes. You agree to maintain an inventory of School Materials and Approved Products and Services (including aprons bearing the Marks, food and art supplies), sufficient to meet the daily demands of the School for all items specified in the Manuals. Any and all lesson plan or curricula changes submitted by you for inclusion in the Manuals will become our property and you agree to sign all documents necessary to convey all rights and title, including all rights in such lesson plans or curricula to us.

**11.10 Changes to Approved Suppliers.** We may designate approved suppliers other than us for certain items. If you want to propose a new supplier of Operating Assets (other than us or our affiliates), you agree to submit to us sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular items. We will have at least 90 days from receipt of the information to approve or reject the proposed new supplier or items. We may change, alter or amend such approval or review periods from time to time. We may consider in providing such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise

system as a whole. We may terminate or withhold approval of any Operating Assets, or any supplier of such items, that does not meet our quality standards by giving you written notice. If we do so, you agree to immediately stop purchasing from such supplier or using such Operating Assets in your School until we notify you that such supplier or such Operating Assets meet our quality standards. At our request, you agree to submit to us sufficient information about a proposed supplier and samples of the proposed Operating Assets for our examination so that we can determine whether they meet our quality standards. We also must have the right to require our representatives to be permitted to inspect the proposed supplier's facilities at your expense. Notwithstanding the foregoing, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service or if we believe that doing so is in the best interests of the CREATIVE WORLD SCHOOL® system.

**11.11 Management.** You (or your Manager) and one of your managerial employees that has satisfactorily completed our training program must assume responsibility for the School's day-to-day management and operation and supervision of the School's personnel. During all hours of operations, the School must be under the direct supervision of you (or your Manager) and one other management-level employee who both have satisfactorily completed our initial training program. Each of those individuals must meet our qualifications for a School Manager. You (or your Manager) and each of your managerial employees must sign and deliver our then-current form of Confidentiality Agreement, or other form satisfactory to us.

**11.12 Personnel.** You are solely responsible for hiring, training and supervising School personnel and must hire sufficient personnel to fully staff the School to operate in accordance with System Standards. All personnel must meet and maintain every requirement imposed by applicable federal, state and local law. You must carefully screen prospective employees before employing them to ascertain their fitness for employment in the child care industry. Specifically, you must use your best efforts to ensure that no person is employed who has a record of child molestation or abuse, immoral conduct, criminal behavior, or a pattern of conduct which might jeopardize the welfare of attended children in your School or reflect adversely on the safety or concern of your staff for these children. You agree to expressly address these issues with each prospective employee in accordance with applicable law before approval for employment and to take all reasonable measures necessary to confirm suitability of each employee based on inquiries with references and past employers. If you learn any of your employees does not meet the foregoing standards or those imposed by applicable laws or regulations, you agree to promptly investigate the situation and take such action as is necessary to remedy the situation. Nevertheless, you are solely responsible for the selection, training and conditions of employment and compensation of all employees at your School.

**11.13 First Aid and Safety.** You must constantly be alert for unsafe conditions within your School. You must require all employees to assist in observing and reporting these conditions. You must insure that all personnel utilized within your School and who are involved in supervising children are properly licensed and adequately trained and competent in first aid measures. You agree to conduct and require all such personnel to participate in safety and first aid refresher training on at least a quarterly basis.

## **XII. MARKETING AND PROMOTION.**

**12.01 Establishment of Marketing Fund.** Recognizing the value of advertising and marketing to the goodwill and public image of Schools, we may establish a system-wide marketing fund (the “**Marketing Fund**”) for such advertising, marketing and public relations programs and materials we deem necessary or appropriate. You agree to contribute to the Marketing Fund such amounts that we prescribe from time to time (the “**Marketing Contributions**”), not more than 1% of your Gross Revenues per week (except as described below), payable in the same manner as the Royalty. We reserve the right to defer or reduce contributions of a School franchisee and, upon 30 days’ prior written notice to you, to reduce or suspend contributions to and operations of the Marketing Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Marketing Fund. If the Marketing 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 Marketing Fund during the preceding 12-month period. We or our affiliates may contribute to the Marketing Fund on a different basis than other franchise owners until circumstances warrant otherwise because our affiliates’ operations are currently more or less substantial than franchise operations. We will not assess Marketing Contributions until at least 50 Schools are open and operating.

**12.02 Use of the Marketing Fund.** If we establish the Marketing Fund, we will direct all programs financed by the Marketing Fund, may determine the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; and supporting public relations, market research and other advertising, promotion and marketing activities. The Marketing Fund periodically will furnish you with samples of advertising, marketing and promotional formats and materials at no cost. 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.

**12.03 Accounting for the Marketing Fund.** The Marketing Fund, if any, 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 Marketing Fund and its programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund. We may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Schools to the Marketing Fund in that year, and the Marketing 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 Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended. We will prepare a periodic statement of monies collected and costs incurred by the Marketing Fund and furnish the statement to you upon written request. We have the right to cause the Marketing 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 in this Agreement.

**12.04 Marketing Fund Limitations.** You acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Schools. Although we will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and

programs and to place advertising that will benefit all Schools, we undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by Schools operating in that geographic area or that any School will benefit directly or in proportion to its contribution to the Marketing 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 the Marketing Fund.

**12.05 Advertising and Promotion.** You agree that any advertising, promotion and marketing you conduct 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 from time to time. 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. If you do not receive written disapproval within 30 days after our receipt of such materials, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have disapproved.

In addition to your required Marketing Contributions and the required grand opening advertising expenditures of \$7,000 to \$15,000, you are obligated to allocate 0.5% of your Gross Revenues quarterly for advertising and promotion of the School. We may review your books and records relating to your expenditures for such advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay the unexpended amounts into the Marketing Fund.

If a local advertising cooperative is established, you will be required to contribute to it an amount determined by the local advertising cooperative not more than 1% of your weekly Gross Revenues. There currently are no franchisee advertising councils or local advertising cooperatives that advise us on advertising policies. In our discretion, we reserve the right to establish an advisory council of franchisees that does advise us on advertising policies and other matters.

**12.06 Websites.** You acknowledge and agree that any Website constitutes “advertising” under this Agreement. Any Website you develop or utilize must meet all other terms and conditions for advertising described in this Agreement. For this purpose, a “**Website**” means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate that refers to your School, the Marks, us, and/or the System. The term “Website” also includes Internet, intranet and World Wide Web home pages, social media sites, or e-mail address sites. You must not establish any Website without our prior written approval of its form, content and information presented due to our substantial interest in protecting the Marks, the System and the Confidential Information. We may require you to participate in a centralized Website operated by us, without any compensation to you. We may refuse to permit you to operate or establish any Website. Furthermore, in connection with any Website, you agree to the following:

- (a) Before establishing any Website, you must submit to us a sample of the Website format and information in the form and manner that we may reasonably require.
- (b) You must comply with our standards and specification for any Website as prescribed by us from time to time in the Manuals or otherwise.

(c) We may require that you establish electronic links to our Website and to other franchise associates' Websites as part of your Website. We also may require your Website to be part of our Website.

(d) You agree that we may establish electronic links from our Website to your Website, and that other franchise associates may establish electronic links to your Website from their Websites; without any compensation to you. We may prohibit you from linking any Website to your Website for any reason without compensation to you.

(e) If you want to change any material aspect of your Website at any time, or any of the information contained in your Website, you must submit revisions to us in advance. You must not make any such revisions or modifications until you have obtained our approval.

(f) You must not use any Mark as part of any domain name, Internet or "E-mail" address, or any other identification of you in any electronic medium or with any prefix, suffix or other modifying words, terms, designs, or symbols, or in any modified form, without our written consent.

(g) If this Agreement expires or terminates for any reason, you must immediately stop using any Website that utilizes any of the Marks or the System, or that are linked to any of our Websites or the Website of any of our franchise associates. You must also then remove and change any Website, domain names, Internet or intranet addresses, e-mail addresses or other identification that utilize any of the Marks.

We may maintain one or more social media sites (e.g., [www.twitter.com](http://www.twitter.com), [www.facebook.com](http://www.facebook.com), or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks or referencing the School or System, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles that you must maintain. You agree to adhere to the social media policies that we establish from time to time.

### **XIII. RECORDS, REPORTS AND FINANCIAL STATEMENTS.**

**13.01 Accounting System.** You agree to establish and maintain at your own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats we prescribe from time to time. We may require you to use approved computer hardware and software in order to maintain certain sales data and other information including updating of Manuals and for communication purposes. You agree that we may have access to such sales data and other information through the computer system at all times.

**13.02 Reports.** You agree to furnish to us on such forms that we prescribe from time to time:

(a) at our request, within 5 days after their filing, copies of all sales tax returns for the School and copies of the canceled checks for the required sales taxes;

(b) on Friday of each calendar week, a report on the School's Gross Revenues and Adjusted Gross Revenues during the immediately preceding calendar week (Monday through Sunday) with the royalty payment;

(c) within 15 days after the end of each calendar quarter, a profit and loss statement for the School for the immediately preceding calendar month and year-to-date and a balance sheet as of the end of such month;

(d) within 30 days after the end of the School's fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the School as of the end of such fiscal year; and

(e) within 10 days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require.

**13.03 Access to Information.** 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 School. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis if we reasonably believe that the reports are incorrect. Moreover, we have the right as often as we deem appropriate (including on a daily basis) to access all computer registers and other computer systems that you are required to maintain in connection with the operation of the School and to retrieve all information relating to the School's operations.

**13.04 Copies of Reports.** You agree to furnish us with a copy of all sales, income and other tax returns relating to your School, at our request. You will also send us copies of any sales or other reports sent to any landlord or governmental agency, at our request.

#### **XIV. INSPECTIONS AND AUDITS.**

**14.01 Our Right to Inspect the School.** To determine whether you and the School are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during Construction and thereafter during your regular business hours, and with 5 days prior notice to you (but without prior notice if we have reason to believe the School is not operating in compliance), to:

(a) inspect the Construction or the operations of the School;

(b) observe, photograph and videotape the Construction or operations of the School for such consecutive or intermittent periods as we deem necessary;

(c) remove samples of any products, materials or supplies for testing and analysis;

(d) interview personnel and customers of the School; and

(e) inspect and copy any books, records, Websites and documents relating to the Construction or your operation of the School.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf. You agree to correct or repair any unsatisfactory conditions we specify within 5 days.

**14.02 Our Right to Audit.** We have the right at any time during your business hours, and with 3 days prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a Business Entity) and the School's Construction, business, bookkeeping and accounting records, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i.e., your Gross Revenues or Adjusted Gross Revenues are understated by 1% or more), you agree to reimburse us for the 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. You also must pay us any shortfall in the amounts you owe us, including late fees and interest, within 10 days of our notice. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

## **XV. TRANSFER.**

**15.01 By Us.** This Agreement is fully transferable by us, and inures to the benefit of any transferee or other legal successor to our interests, as long as such transferee or successor agrees to be bound by, and assumes all of our continuing obligations under, this Agreement.

**15.02 By You.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (or any interest in it) nor any ownership or other interest that would reduce your voting or equity interest to less than 51% in you or the School may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "**transfer**" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) the School.

An assignment, sale, gift or other disposition includes the following events:

- (i) transfer of ownership of capital stock or a partnership interest;
- (ii) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you;
- (iii) any issuance or sale of your stock or any security convertible to your stock;
- (iv) transfer of an interest in you, this Agreement or the School in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;
- (v) transfer of an interest in you, this Agreement or the School, 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

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

**15.03 Conditions for Approval of Transfer.** If you (and your owners) are in full compliance with this Agreement then we will approve a transfer that meets all the applicable requirements of this Section. The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for School franchisees. A transfer of ownership, possession or control of the School 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:

- (a) the transferee has sufficient business experience, aptitude and financial resources to Construct (if necessary) and operate the School;
- (b) you have paid all Royalties, Marketing Fund contributions, 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;
- (c) the transferee (or its Manager) and its managerial employee (if different from your manager) have agreed to complete our standard training program;
- (d) the transferee has agreed to be bound by all of the terms and conditions of this Agreement;
- (e) you or the transferee pay us a transfer fee equal to the greater of: (a) \$20,000 or (b) 25% of our then-current initial franchise fee. Cost of training the transferee (or its Manager) and its managerial personnel is included in the fee;
- (f) 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;
- (g) 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 School;
- (h) 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 School are subordinate to the transferee's obligation to pay Royalties, Marketing Fund contributions and other amounts due to us and otherwise to comply with this Agreement;
- (i) you and your transferring owners have executed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer; and

(j) 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 Schools you own and operate) identify yourself or themselves or any business as a current or former School, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a School in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us.

If the proposed transfer is among your owners no transfer fee will apply, although the transferee is required to reimburse us for any administrative costs we incur in connection with the transfer.

**15.04 Transfer to a Business Entity.** If you are in full compliance with this Agreement, you may transfer this Agreement to a Business Entity that conducts no business other than the School and, if applicable, other School so long as you own, control and have the right to vote 51% or more of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. All other owners are subject to our approval. The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the Business Entity must bear a legend referring to the restrictions of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of your obligations under this Agreement.

**15.05 Transfer Upon Death or Disability.** Upon your death or disability or, if you are a Business Entity, the death or disability of the owner of a controlling interest in you, your or such owner's executor, administrator, conservator, guardian or other personal representative must transfer your interest in this Agreement or such owner's interest in you to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating the School.

**15.06 Operation Upon Death or Disability.** If, upon your death or disability or the death or disability of the owner of a controlling interest in you, the School is not being managed by a trained manager, your or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager to operate the School. Such manager will be required to complete training at your expense. Pending the appointment of a manager as provided above or if, in our judgment, the School is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for the School. All funds from the operation of the School during the management by our appointed manager will be kept in a separate account, and all expenses of the School, including compensation, other costs and travel and living expenses of

our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the Royalty, Marketing Fund and System Standards Fee contributions payable under this Agreement) during the period that our appointed manager manages the School. Operation of the School during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the School or to any of your creditors for any products, materials, supplies or services the School purchases during any period it is managed by our appointed manager.

**15.07 Offer of Securities of Franchisee.** Neither you nor any Principal Owner shall grant any security interest in, or otherwise encumber, any of your assets or securities unless you satisfy our requirements, which may include, without limitation, execution of an inter-creditor agreement by us, you and/or such Principal Owner, and any secured creditor of yours, in a form satisfactory to us, acknowledging such creditor's obligations to be bound by the terms of this Section. All of your materials required for any offer or sale of securities by federal or state law, whether by your or any of your owners, shall be submitted to us for review, approval, and consent, prior to their being filed with any government agency; and any materials to be used in any exempt offering shall be submitted to us for review, approval, and consent prior to their use. No such offering may imply (by use of the Marks or otherwise) that we are participating as an underwriter, issuer, or offeror of yours or our securities, or that we have undertaken due diligence to verify accuracy of the statements in the materials, except solely with respect to your relationship with us. Any review of the offering materials and approval by us to conduct the offering, will be for our sole benefit, and not intended for the benefit of any other party, the offeror or any prospective investor. At our option, we may require the offering materials to contain written statements or disclaimers prescribed by us including any limitations stated above in this paragraph. You and the other participants in the offering must fully indemnify us and our affiliates in connection with the offering. For each proposed offering, you will pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) in order to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including legal and accounting fees. You will give us written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

**15.08 Effect of Consent to Transfer.** Our consent to a transfer of this Agreement and the School or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the School 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.

**15.09 Our Right of First Refusal.** 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 School or an ownership interest in you, you (or such owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. 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 School 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 School must reflect the bona fide price offered and not reflect any value for any other property or rights.

We have the right, exercisable by written notice delivered to you or your selling owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:

- (a) we may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments);
- (b) our credit will be deemed equal to the credit of any proposed purchaser;
- (c) we will have not less than 60 days after giving notice of our election to purchase to prepare for closing; and
- (d) 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:
  - (i) ownership and condition of and title to stock or other forms of ownership interest and/or assets;
  - (ii) liens and encumbrances relating to the stock or other ownership interest and/or assets; and
  - (iii) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in this Agreement. You and your selling owner(s) further agree that you and they will, during this same time period, abide by the restrictions of this Agreement.

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 offer, subject to our approval of the transfer, provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 120 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

## **XVI. TERMINATION OF AGREEMENT.**

**16.01 By You.** If you and your owners are in compliance with this Agreement and we materially fail to comply with this Agreement and do not correct or commence correction of such failure within 60 days after written notice of such material failure is delivered to us, you may terminate this Agreement effective 60 days after delivery to us of written notice of termination. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

**16.02 By Us.** We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

- (a) you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise;
- (b) you or the required number of your management personnel fail to successfully complete initial training to our satisfaction or you have not fulfilled all of the conditions for management of the School;
- (c) you fail to commence and complete Construction of the School within such time periods as we may designate;
- (d) you abandon or fail to actively operate the School for 2 or more consecutive business days, unless the School has been closed for a purpose we have approved or because of casualty or government order;
- (e) you surrender or transfer control of the operation of the School without our prior written consent;
- (f) you (or any of your owners, managers or employees) have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious criminal misconduct or offense that we believe to indicate moral turpitude or is adverse to the Marks, indicates breach of trust, or which makes parents uneasy, uncertain or afraid to permit you to be alone with their children, is likely to adversely affect your reputation, our reputation or the reputation of any other School;
- (g) you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of the School or another School or the goodwill associated with the Marks;
- (h) you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the School;
- (i) in the event of your death or disability or the death or disability of the owner of a controlling interest in you, this Agreement or such owner's interest in you is not assigned as required under this Agreement;
- (j) you lose the right to possession of the Site;

(k) you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manual in violation of this Agreement;

(l) you violate any health, safety, sanitation law, education, licensure or certification, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 5 days, after written notice is delivered to you;

(m) you or any of your affiliates fail, refuse or neglect promptly to pay when due any amounts owed to us or any of our affiliates under this Agreement or any other agreement, and do not correct such failure within 10 days after written notice of such failure is delivered to you;

(n) you fail to make payments of any amounts due to approved suppliers of products or services and do not correct such failure within 10 days after written notice of such failure is delivered to you by such supplier;

(o) you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of the School, unless you are in good faith contesting your liability for such taxes;

(p) you commit a breach of or default under any franchise agreement or other agreement between you (or your affiliates) and us or our affiliates and do not cure the breach or default during the applicable cure period (if any) specified in such franchise agreement or other agreement, regardless of whether we in fact terminate such franchise agreement or other agreement;

(q) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you;

(r) you (or any of your owners) fail on 2 or more separate occasions within any period of 12 consecutive months or on 3 occasions during the Term to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you;

(s) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the School is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or the School is not vacated within 30 days following the entry of such order; or

(t) you or your Principals breach any of your obligations under the "Anti-Terrorism Protections" provisions of this Agreement.

## **XVII. RIGHTS AND OBLIGATIONS UPON TERMINATION.**

**17.01 Payment of Amounts Owed To Us.** You agree to pay us within 15 days after the effective date of termination or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Royalties, Marketing Fund contributions, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

**17.02 Marks.** Upon the termination or expiration of this Agreement:

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

(b) you agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) if we do not have or do not exercise an option to purchase the School and acquire the leasehold interest, you agree to deliver to us within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a School and allow us, without liability to you or third parties, to remove all such items from the School;

(d) if we do not have or do not exercise an option to purchase the School, you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will promptly and at your own expense make such alterations we specify to distinguish the School clearly from its former appearance and from other Schools so as to prevent confusion by the public;

(e) if we do not have or do not exercise an option to purchase the School you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will notify the telephone company, all telephone directory publishers, and all Internet service providers of the termination or expiration of your right to use any telephone, telecopy or other numbers and any regular, classified or other telephone directory listings, and any Internet website addresses associated with any Mark, authorize the transfer of such numbers and directory listings and website addresses 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. You agree to sign and deliver to us our standard Conditional Assignment of Telephone Numbers and Listings and Internet Addresses (in the form attached as an exhibit to our Franchise Disclosure Document); and

(f) you agree to furnish us, within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

**17.03 Confidential Information.** You agree that, upon termination 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 Manual and any other confidential materials that we have loaned to you.

**17.04 Competitive Restrictions.** Upon termination or expiration of this Agreement for any reason whatsoever (and you have not acquired a successor franchise), you and your owners agree that, for a period of 2 years commencing on the effective date of termination or expiration none of you, your affiliates or any of your owners will have any direct or indirect interest (e.g., through a spouse, child or other immediate family member) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any Competitive Business operating:

- (x) at the Site;
- (y) within a 20-mile radius of the Site; or
- (z) within a 20-mile radius of any other School that is in operation or under construction on the later of the effective date of the termination or expiration.

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2 year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. 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.

**17.05 Our Option to Purchase.Our Right to Purchase.** Upon our termination of this Agreement in accordance with Section 16.02 or your termination of this Agreement without cause, we have the option, exercisable by giving written notice to you within 60 days from the date of such termination, to purchase the School from you, including the leasehold rights to the Site. (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 School. 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.

(b) **Leasehold Rights.** You agree at our election:

- (i) to assign your leasehold interest in the Site to us or our designee;
- (ii) to enter into a sublease with us or our designee for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or
- (iii) if you or your affiliate own the Site, to lease the Site to us or our designee at fair market rental value (but in no event less than your or your affiliate's monthly mortgage obligation (if any) for the Site to any third party lender, determined as of the Notification Date), in accordance with the terms of our standard Agreement to

Lease and related Lease Agreement attached as exhibits to our Franchise Disclosure Document.

(c) **Purchase Price.** The purchase price for the School will be its fair market value, determined in a manner consistent with reasonable depreciation of the School's equipment, signs, inventory, materials and supplies, provided that the School will be valued as an independent business and its value will not include any value for:

- (i) the Franchise or any rights granted by this Agreement;
- (ii) the Marks; or
- (iii) participation in the network of Schools.

The School's fair market value will include the goodwill you developed in the market of the School that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Site will also be considered in determining the School's fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the School's operation or that we have not approved as meeting standards for Schools, and the purchase price will reflect such exclusions.

(d) **Appraisal.** If we and you are unable to agree on the School's fair market value, its fair market value will be determined by 3 independent appraisers who collectively will conduct 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 15 days after we notify you that we are exercising our option to purchase the School, and the two appraisers so chosen are obligated to appoint the third appraiser within 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 fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisal within 30 days after the third appraiser's appointment.

The purchase price will be paid at the closing of the purchase, which will take place not later than 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. At the closing, you agree to deliver instruments transferring to us:

- (i) 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;
- (ii) all licenses and permits of the School which may be assigned or transferred; and
- (iii) the leasehold interest and improvements in the Site.

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 be accomplished through an escrow. 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.

**17.06 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. Examples include indemnification, payment, identification and dispute resolution provisions.

## **XVIII. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

**18.01 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, School personnel and others as the owner of the School under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time. If you do not do so, we may place the notices and accomplish the foregoing as we see fit, and you must reimburse us for doing so.

**18.02 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 to any person or property directly or indirectly arising out of the School's operation or the business you conduct pursuant to this Agreement.

**18.03 Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or the School, 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 are your responsibility.

**18.04 Indemnification.** You agree to indemnify, defend and hold harmless us, our affiliates and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the School's operation (even if our negligence is alleged, but not proven) or your breach of this Agreement. For purposes of this indemnification, "**claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, 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. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

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.

## **XIX. INSURANCE.**

**19.01 Types Required.** During the Term, you must maintain in force, at your expense and under policies of insurance issued by carriers approved by us, the following types of insurance coverage:

- (a) comprehensive, public and product liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your School;
- (b) general casualty and property insurance including fire, flood, hurricane, vandalism and malicious mischief, and extended coverage insurance with a full replacement value of your inventory and contents of your School, covering such risks as are covered in the Standard Extended Coverage Endorsement;
- (c) comprehensive motor vehicle insurance (including personal injury protection, uninsured motorist protection, and "umbrella" coverage) for any motor vehicles operated by your School;
- (d) workers' compensation in the amounts required by applicable law for your School;
- (e) "umbrella" liability insurance;
- (f) liability insurance against liability for personal services care and negligence;
- (g) business interruption insurance;
- (h) comprehensive crime and blanket employee dishonesty insurance; and
- (i) such other insurance as is required under any lease or other financing document (if any) for the School.

**19.02 Coverage Requirements.** You must maintain the insurance coverages in amounts equal to or greater than the minimum amounts we prescribe from time to time in the Manuals. We may periodically increase or decrease the minimum amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes and circumstances.

**19.03 Policy Terms.** All insurance policies must:

- (a) contain no provision which in any way limits or reduces coverage for us in the event of any claim by us or any of our affiliates, directors, officers or agents;
- (b) extend to provide indemnity for all obligations assumed by you under this Agreement and all items for which you are required to indemnify us under the provisions of this Agreement or otherwise;
- (c) name us as an additional insured;
- (d) contain a waiver of the insurance company's right of subrogation against us;
- (e) provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured;
- (f) provide that the insurance company will provide us with at least 30 days' prior written notice of termination, expiration, cancellation or material modification of any policy; and
- (g) provide that you cannot reduce the policy limits, restrict coverage, cancel or otherwise alter or amend the policies without our prior written consent.

**19.04 Evidence of Coverage.** Before the expiration of the term of each insurance policy, you must furnish us with a copy of each new, renewal or replacement policy you have obtained to extend your coverage, along with evidence of the premium payment. If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain the insurance policies and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your School required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf, will reduce or absolve you of any obligations of indemnification described in this Agreement. Our recommendation or requirement of any insurance coverage is not an endorsement by us of the appropriateness of insurance coverage for your business and you should investigate with your insurance agent whether additional or increased coverage is appropriate for your business.

**XX.ENFORCEMENT.**

**20.01 Severability; Substitution of Valid Provisions.** Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any System Standard

is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

**20.02 Waivers.** We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; or (c) if there develops a custom or practice which is at variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else.

**20.03 Limitation of Liability.** Neither of the parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

- (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;
- (b) acts of God;
- (c) acts or omissions of a similar event or cause.

However, such delays or events do not excuse payments of amounts owed at any time.

**20.04 Approval and Consents.** Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

**20.05 Waiver of Punitive Damages.** EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO THIS AGREEMENT AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU AND WE EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**20.06 Limitations of Claims.** ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN 1 YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) UNDER-REPORTING OF GROSS REVENUES; (B) UNDER-PAYMENT OF AMOUNTS OWED TO US OR OUR AFFILIATES; (C) CLAIMS FOR

**INDEMNIFICATION; AND/OR (D) UNAUTHORIZED USE OF THE MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.**

**20.07 Governing Law.** EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY FLORIDA LAW, EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A FRANCHISOR AND FRANCHISEE, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. ALL MATTERS RELATING TO ARBITRATION ARE GOVERNED BY THE FEDERAL ARBITRATION ACT. References to any law or regulation also refer to any successor laws or regulations and any impending regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

**20.08 Jurisdiction.** YOU AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN LEE COUNTY, FLORIDA, AND WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS. THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION BY THE PARTIES OR THE ENFORCEMENT BY THE PARTIES IN ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION OR THE RIGHT OF THE PARTIES TO CONFIRM OR ENFORCE ANY ARBITRATION AWARD IN ANY APPROPRIATE JURISDICTION.

**20.09 Waiver of Jury Trial.** YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

**20.10 Cumulative Remedies.** The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

**20.11 Costs and Attorneys' Fees.** If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or arbitration proceeding or if either you or we are required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

**20.12 Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

**20.13 Entire Agreement.** This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us and supersedes any and all prior negotiations, understandings, representatives and agreement; **provided, however, that**

**nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.** There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

**20.14 No Liability to Others; No Other Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

**20.15 Construction.** The headings of the sections are for convenience only. If two or more persons are at any time franchise owners hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original. **“A or B”** means **“A”** or **“B”** or both.

**20.16 Certain Definitions.** The term **“family member”** refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term **“affiliate”** means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms **“franchisee, franchise owner, you and your”** are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term **“person”** includes individuals and Business Entities. You and we are sometimes referred to individually as a **“party”** and collectively as **“parties.”** The term **“section”** refers to a section or subsection of this Agreement. The word **“control”** means the power to direct or cause the direction of management and policies. The word **“owner”** means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement 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.

**20.17 Timing is of the Essence.** It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words **“from”** and **“commencing on”** (and the like) mean **“from and including”**; and the words **“to,” “until”** and **“ending on”** (and the like) mean **“to but excluding.”** Indications of time of day mean Florida time.

## **XXI. DISPUTE RESOLUTION.**

**21.01 Mediation.** During the Term, certain disputes may arise between you and us that may be resolvable through mediation. To facilitate such resolution, you and we agree that each party must, before commencing any arbitration proceeding, submit the dispute for non-binding mediation at a mutually agreeable location (if you and we cannot agree on a location, the mediation will be conducted at our headquarters) to 1 mediator, appointed under the American Arbitration Association’s Commercial Mediation Rules. The mediator will conduct a mediation in accordance with such rules. You and we agree that any statements made by either you or us in any such mediation proceeding will not be admissible in any subsequent arbitration or other legal proceeding. Each party will bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate. Nevertheless, both

you and we have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. However, the parties must immediately and contemporaneously submit the dispute for non-binding mediation. If any dispute between the parties cannot be resolved through mediation within 60 days following the appointment of a mediator, the parties must submit the dispute to arbitration subject to the following terms and conditions.

**21.02 Agreement to Arbitrate.** Except as otherwise expressly provided by this Agreement, any litigation, claim, dispute, suit, action, controversy, proceeding or otherwise (a “dispute”) between or involving you and us (or our and your affiliates’ shareholders, directors, partners, officers, employees, agents, attorneys, accountants, affiliates, guarantors or otherwise), which are not resolved by mediation as described above, will be submitted for arbitration to the office of the AAA closest to our Bonita Springs headquarters. Arbitration proceedings will be conducted at our Bonita Springs headquarters. Except as otherwise described below, the arbitration will be conducted and governed by the AAA under its commercial arbitration rules and the federal arbitration act (9 U.S.C. §§1 et. seq.) and not by any state arbitration law. All parties to any arbitration will execute an appropriate confidentiality agreement, excepting only such disclosures and filings as are required by law.

**21.03 Place and Procedure.** The arbitration proceedings will be conducted at our headquarters in Bonita Springs, Florida. Any dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such arbitration proceeding will not be consolidated with any other arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such arbitration. The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the dispute to which it relates. Any such dispute which is not submitted or filed in such proceeding will be barred.

**21.04 Awards and Decisions.** The proceedings will be heard by one arbitrator who must be a retired federal court judge. The arbitrator must be selected in accordance with aaa procedures. The arbitrator will have the right to award any relief which they deem proper in the circumstances, including, for example, money damages (with interest on unpaid amounts from their due date(s)), specific performance, temporary and/or permanent injunctive relief, and reimbursement of attorneys’ fees and related costs to the prevailing party. The arbitrator will not have the authority to award exemplary or punitive damages except as otherwise permitted by this Agreement, nor the right to declare any mark generic or otherwise invalid. You and we agree to be bound by the provisions of any limitations or the time on which claims must be brought under applicable law or under this Agreement, whichever expires earlier. The award and decision of the arbitrator will be conclusive and binding and judgment on the award may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award. Without limiting the foregoing, the parties will be entitled in any such arbitration proceeding to the entry of an order by a court of competent jurisdiction pursuant to an opinion of the arbitrator for specific performance of any of the requirements of this Agreement. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and non-appealable.

**21.05 Other Arbitration Requirements.** The parties shall be entitled to conduct discovery (*i.e.*, investigation of facts through depositions or other means), which shall be governed

by the Federal Rules of Civil Procedure (the “**Rule**” or “**Rules**”) then in effect. However, the parties need not comply with obviously inapplicable Rules (e.g., Rule 16). The response time set forth in the Rules for all written discovery or motions shall be reduced by one-half and the parties shall complete all discovery within one hundred (100) days from the date the claimant filed her, his, or its initial arbitration demand; provided, however, that the arbitrator shall have the authority, in its discretion, to extend or otherwise modify the applicable time periods. The arbitrator shall have all power and authority to order discovery, to modify the specific requirements and limitations of the Rules for good cause, to make and enter orders with regard to motions, and to enter a final and binding judgment. Rules 12 and 56 of the Rules shall apply to all motion practice conducted in the arbitration. The parties further acknowledge and agree that the following terms, conditions and limitations shall apply to motions practices and discovery conducted as part of arbitration under this Agreement:

(a) Any demand for arbitration, answer, counterclaims, and reply to counterclaims shall be prepared in accordance with the Rules.

(b) The arbitrator shall have the authority, in its discretion, to increase the number of depositions allowed by the parties beyond the limits set forth in the Rules.

(c) Depositions of any person, including an expert witness, who is not a party to the arbitration shall be limited to seven (7) hours in duration. There shall not be a time limit on depositions of parties to the arbitration.

(d) Each party shall be limited to issuing not more than forty-five (45) interrogatories, meaning counting for purpose of this litigation discrete subparts, except with the prior approval of the arbitrator.

(e) The arbitrator shall have the right to award or include in an award relief in the form of compensatory damages, injunctive relief, specific performance, attorneys' fees and costs. The parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other in any arbitration proceeding, except for punitive or exemplary damages authorized by applicable federal law, in which case, the arbitrator shall have the right to award punitive or exemplary damages.

(f) The arbitrator shall produce a written, reasoned opinion.

(g) Judgment upon the award may be entered in any court of competent jurisdiction. The arbitrator shall be required to follow and apply the applicable law in reaching his/her decision, including applying the provisions of any applicable limitation on the period of time in which claims must be brought.

(h) In connection with any arbitration proceeding required under this Agreement, each party shall submit or file any claim that would constitute a compulsory counterclaim (as defined by Rule 13 of the Rules) within the same proceeding as the claim to which it relates. Any compulsory counterclaim which is not submitted or filed in such proceeding shall be barred.

(i) Arbitration shall be conducted on an individual, not a class-wide, basis. No party hereto shall be entitled to consolidation of arbitration proceedings involving such

parties with those of any third party, nor shall the arbitrator or any court be empowered to order such consolidation.

(j) Except as otherwise required by law, neither party nor the arbitrator may disclose (to anyone not party to the arbitration) the existence, content, or results of any arbitration hereunder, including the record of the arbitration hearing, without the prior written consent of all the parties to the arbitration.

(k) Except as may be provided for to the contrary in the aaa procedures with respect to the costs of transcriptions of the arbitration hearing, all fees and expenses of the arbitration shall be borne by the parties equally. Each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of proofs; provided, however, that the arbitrator shall have the authority, in its discretion, at the conclusion of the proceeding, to award costs and attorneys' fees to the prevailing party.

(l) Any offer of settlement or compromise by either party, whether made before or during the proceeding, is not admissible in the arbitration.

**21.06 Specific Performance.** Nothing in this Agreement will prevent either you or we from obtaining temporary restraining orders and temporary or preliminary injunctive relief in a court of competent jurisdiction. However, you and we must contemporaneously submit the dispute for arbitration on the merits.

**21.07 Third Parties.** The arbitration provisions of this Agreement are intended to benefit and bind certain third party non-signatories, and all of yours and our principal owners and affiliates.

**21.08 Survival.** This provision continues in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement for any reason.

## **XXII. NOTICES AND PAYMENTS.**

**22.01 Notices.** All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

(a) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

(b) 3 business days after placement in the United States mail by certified mail, return receipt requested, postage prepaid.

All such notices must be addressed to the parties as follows:

If to Us:	CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC. 25110 Bernwood Drive, Suite #104 Bonita Springs, Florida 34135 Attention: Franchise Department
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If to You:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent.

**22.02 Anti-Terrorism Representations.** You and your disclosed or beneficial owners, managers and employees (“**Principals**”) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and your Principals certify, represent, and warrant that none of the property or interests of you or your Principals is subject to being “blocked” under any of the Anti-Terrorism Laws and that you and your Principals are not otherwise in violation of any of the Anti-Terrorism Laws.

(a) For the purposes of this Section 22.2, “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) You and your Principals certify that none of your employees, or anyone associated with you or your Principals are listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire any individual listed in the Annex.

(c) You certify that you have no knowledge or information that, if generally known, would result in you, your Principals, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

(d) You will be solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in this Agreement pertain to your obligations under this Section 22.2.

(e) Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you or your Principals shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with us or an affiliate of ours, in accordance with the terms of Section 16.2 of this Agreement.

(f) You acknowledge that your violation of the terms of this Section 22.2 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 22.2.

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**“US”:**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

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

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

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

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

**“YOU”:**

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

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

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

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

\_\_\_\_\_  
*Business Entity Name]*

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

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

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

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

**EXHIBIT "A" TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT**

**INDEX**

This Index is intended as a general guideline to assist you in reading the Franchise Agreement. You must review the Franchise Agreement to get an exact definition of a term.

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**EXHIBIT "B"**  
**TO**  
**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**  
**FRANCHISE AGREEMENT**

**INITIAL FRANCHISE FEE,**  
**SIZE OF SCHOOL,**  
**SITE AND MARKET AREA**

**Agreement Date:** \_\_\_\_\_

**Initial Franchise Fee.** Your Initial Franchise Fee is \$ \_\_\_\_\_.

**Size of School.** The size of your School is: \_\_\_\_\_ square feet.

**Site.** The Site for your School is as follows:

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2. **Market Area.** The Market Area for your School is as follows:

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**"YOU":**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**"WE":**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT "C"**  
**TO**  
**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**  
**FRANCHISE AGREEMENT**

**OPENING PACKAGE**

The Opening Package Fee is \$ \_\_\_\_\_ (F,F,& E).

The Toys & Books Fee is \$ \_\_\_\_\_.

The Opening Package is as follows:

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**"YOU":**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**"WE":**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT C-2 TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
SBA ADDENDUM TO  
FRANCHISE AGREEMENT**

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**ADDENDUM TO  
CREATIVE WORLD SCHOOL®  
FRANCHISE AGREEMENT**

This **ADDENDUM TO CREATIVE WORLD SCHOOL® FRANCHISE AGREEMENT** (the “**Addendum**”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between **Creative World Schools Franchising Company, Inc.**, 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”), located at \_\_\_\_\_.

**RECITALS**

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_ (such Agreement, together with any amendments, the “**Franchise Agreement**”). Franchisee agreed among other things to operate and maintain a Creative World School® franchise located at \_\_\_\_\_ designated by Franchisor as Unit #\_\_\_\_\_. Franchisee is applying for a loan (“**Loan**”) 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 the 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:

**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 franchise 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 Franchisee owns the real estate where the franchise 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 Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

IN WITNESS WHEREOF, the parties have duly signed and executed this Addendum to Creative World Schools® Franchise Agreement as of the day and year first above written.

**FRANCHISOR:**

**FRANCHISEE:**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

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**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS  
AND LISTINGS AND INTERNET ADDRESSES**

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**CONDITIONAL ASSIGNMENT OF  
TELEPHONE NUMBERS AND LISTINGS AND INTERNET ADDRESSES**

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS AND INTERNET ADDRESSES (this “**Assignment**”) is effective as of \_\_\_\_\_, 20\_\_\_\_, between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, with its principal place of business at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (“**we**,” “**us**” or “**our**”) and \_\_\_\_\_ whose current place of business is \_\_\_\_\_ (“**you**” or “**your**”). You and we are sometimes referred to collectively as the “**parties**” or individually as a “**party**.”

**BACKGROUND INFORMATION:**

We have simultaneously entered into that certain Franchise Agreement dated as of \_\_\_\_\_, 20\_\_\_\_ (the “**Franchise Agreement**”) with you, pursuant to which you plan to own and operate a CREATIVE WORLD SCHOOL® (the “**School**”). The Schools use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the “**System**”). We identify Schools and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols including “CREATIVE WORLD SCHOOL®” (collectively the “**Marks**”). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings and internet addresses of the School if the Franchise Agreement is terminated or expires.

**OPERATIVE TERMS:**

You and we agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment:** FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor: (a) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”); and (b) those certain Internet website addresses (“**URLs**”) associated with Franchisor's trade and service marks and used from time to time in connection with the operation of the School. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “**Telephone Company**”) and/or Franchisee's Internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension) for any reason, Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the URLs, and

shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

3. **Power of Attorney:** Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the 1SP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings and the URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP' s receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. **Indemnification:** You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company and/or ISP.

5. **Binding Effect:** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. **Assignment to Control:** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company and/or ISP.

7. **Attorney's Fees, Etc.:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and

legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability:** If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law and Forum:** This Assignment is governed by Florida law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Lee County, Florida, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

**ASSIGNOR:**

**ASSIGNEE:**

\_\_\_\_\_  
**FRANCHISEE**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_. He/She is personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

**STATE OF FLORIDA  
COUNTY OF LEE**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ as \_\_\_\_\_ of **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, on behalf of said corporation. He/She is personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

\_\_\_\_\_  
Printed Name:  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE**

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## CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “**Assignment**”) is made, entered into and effective as of the effective date of the Lease (as defined hereinbelow), by, between and among **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, with its principal business address located at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (the “**Franchisor**”), and \_\_\_\_\_ whose current principal place of business is \_\_\_\_\_ (the “**Franchisee**”).

### BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of \_\_\_\_\_, \_\_\_\_\_ with the Franchisee, pursuant to which the Franchisee plans to own and operate a CREATIVE WORLD SCHOOL® (the “**School**”) located at \_\_\_\_\_ (the “**Site**”). In addition, pursuant to that certain Lease Agreement (the “**Lease**”), the Franchisee has leased or will lease certain space containing the School described therein from \_\_\_\_\_ (the “**Lessor**”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

### OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Lease.
3. **Indemnification of Franchisor:** The Franchisee agrees to indemnify and hold the Franchisor and its affiliates, stockholders, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, the Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Assignment:** The Franchisee grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the School, and all of the Franchisee’s rights, title and interest in and to the Lease as collateral for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by the Franchisee under the terms of the Lease, or, in the event the Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other Agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all

Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** The Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, the Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

(a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

(b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;

(c) to exclude the Franchisee, its agents or employees from the Site;

(d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the School and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

(g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

(h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of the Franchisee's default under the Lease.

7. **Power of Attorney:** The Franchisee does hereby appoint irrevocably the Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the

Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorney's Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing Party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

**THE "FRANCHISEE":**

**THE "FRANCHISOR":**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_  
of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said  
\_\_\_\_\_. He/She is personally known to me or has produced \_\_\_\_\_ as  
identification.

(Notarial Seal)

Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

STATE OF FLORIDA  
COUNTY OF LEE

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_ as \_\_\_\_\_ of **CREATIVE WORLD  
SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, on behalf of said corporation.  
He/She is personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
AGREEMENT TO LEASE**

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## AGREEMENT TO LEASE

THIS AGREEMENT TO LEASE (this "Agreement") is made, entered into and effective on \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") by

\_\_\_\_\_, a \_\_\_\_\_, whose current business address is \_\_\_\_\_ (the "Franchisee"), for the benefit of **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, whose current business address is 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (the "Franchisor").

### BACKGROUND INFORMATION:

The Franchisee entered into that certain Franchise Agreement (the "Franchise Agreement") dated as of \_\_\_\_\_, 20\_\_\_\_, with the Franchisor, pursuant to which the Franchisee will own and operate a CREATIVE WORLD SCHOOL® (the "School"). The School is, or will be, located at \_\_\_\_\_ the ("Premises"). The Franchisee, or \_\_\_\_\_, its affiliate \_\_\_\_\_ (the "Affiliate"), owns the Premises.

### OPERATIVE TERMS:

The Franchisee and the Franchisor agree as follows:

1. **Background Information.** The background information is true and correct, and is incorporated in this Agreement by reference.

2. **Lease.** If the Franchise Agreement is terminated prior to its expiration by the Franchisor in accordance with Section 16.01 of the Franchise Agreement, or by the Franchisee without cause (or deemed to have been so terminated under terms of the Franchise Agreement) (a "Triggering Event"), then, at the Franchisor's option, the Franchisee or the Affiliate, as applicable, will enter into a written lease, in substantially the form attached as Exhibit "A" (the "Lease"), with the Franchisor or its designee. Any changes to the form of the Lease or any addendum or modification to it will not be effective unless it has been previously approved in writing by the Franchisor.

3. **Binding Agreements.** This Agreement and all its provisions are binding upon the Franchisor, the Affiliate and the Franchisee; and their successors, assigns and legal representatives. The words "Affiliate," "Franchisor" and "Franchisee" when used in this Agreement include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals signing on behalf of corporate entities represent and warrant that such signatures are duly authorized by all necessary corporate and shareholder authorizations and approvals.

4. **Severability.** If any part(s) of this Agreement are held invalid for any reason, the remainder of this Agreement will not be affected and will remain in full force and effect in accordance with its terms.

5. **Governing Law.** This Agreement is governed by Florida law.

6. **Dispute Resolution.** All parties agree that all unresolved disputes concerning this Agreement must be submitted to mediation and/or arbitration as required by the Franchise Agreement. All terms concerning the resolution of disputes contained in the Franchise Agreement are incorporated into this Agreement (including reimbursement of attorneys' fees, jurisdiction and venue, etc.).

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

**THE "FRANCHISEE":**

**THE "FRANCHISOR":**

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_**

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_. He/She is personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

**STATE OF FLORIDA  
COUNTY OF LEE**

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ as \_\_\_\_\_ of **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, on behalf of said corporation. He/She is personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large

My Commission Expires: \_\_\_\_\_

## EXHIBIT A TO AGREEMENT TO LEASE

### FORM OF LEASE

**THIS LEASE** (this "**Lease**"), dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is entered into between \_\_\_\_\_, a \_\_\_\_\_ ("**Landlord**") and \_\_\_\_\_, a \_\_\_\_\_ ("**Tenant**").

### BACKGROUND

Tenant, as Franchisor, and Landlord, as Franchisee, entered into that certain Franchise Agreement dated as of \_\_\_\_\_, \_\_\_\_\_ (the "**Franchise Agreement**"), pursuant to the terms of which Landlord has operated a Creative World School® Business (the "**School**") within the leased premises described below. The leased premises are owned by Landlord. Pursuant to an Agreement to Lease dated \_\_\_\_\_, 20\_\_\_\_, the Landlord agreed to lease the School to the Tenant on the occurrence of certain conditions. This Lease is being executed and delivered by the parties pursuant to the terms of that certain Agreement to Lease dated as of \_\_\_\_\_, 20\_\_\_\_, by and between Tenant, as Franchisor, and Landlord, as Franchisee. Capitalized terms used but not defined herein shall have the meaning given to such terms in the Franchise Agreement.

### SECTION 1 GRANT AND TERM

1.1 **Leased Premises.** In consideration of the Franchise Agreement and the rents and covenants set forth in this Lease, Landlord demises and leases to Tenant, and Tenant leases from Landlord, the parcel of land, more particularly described in **Exhibit "A"** attached hereto, together with the building and other improvements thereon and appurtenances thereto and all furniture, trade fixtures, equipment, and other personal property located therein as of the Commencement Date, as defined in Section 1.5 (collectively the "**leased premises**"). A site plan of the leased premises is shown on **Exhibit "B"** attached hereto.

1.2 **Length of Term.** The term of this Lease shall begin on the Commencement Date and end on the date the Franchise Agreement would have expired on its own terms (excluding any successor periods). Should the Commencement Date occur on a day other than the first day of a month, then the term of this Lease shall extend to the last day of the last calendar month of the term.

1.3 **Options to Extend Term.** Upon the expiration of the term of this Lease as provided in Section 1.2, Landlord and Tenant may extend or renew this Lease upon mutually agreeable terms.

1.4 **Commencement of Rent and Term.** The term of this Lease shall commence at 12:01 a.m. EST on \_\_\_\_\_, 20\_\_\_\_ (the "**Commencement Date**"). Tenant's obligation to pay Base Rent in accordance with Section 2 of this Lease shall commence of the thirtieth (30th) day following the Commencement Date. Should the Commencement Date occur on a day other than the first day of a month, then the amounts due hereunder for such partial calendar month shall be prorated based on the number of days of such month that are within the term of this Lease and shall be payable on the Commencement Date. Notwithstanding the foregoing, Tenant's obligation to pay rent (Base Rent and Additional Rent) in accordance with

Section 2 shall not commence until the thirtieth (30th) day following the day full possession of the leased premises is delivered to Tenant free from any claims of third parties.

1.5 **Lease Optional for Tenant.** Tenant shall not be obligated to take possession of the leased premises following a termination of the Franchise Agreement. It shall be Tenant's option to elect whether or not to take possession of the leased premises following a termination of the Franchise Agreement. In the event that Tenant does not elect to take possession of the leased premises within thirty (30) days following the termination of the Franchise Agreement, this Lease shall be null and void and of no further force or effect.

1.6 **Delivery of Leased Premises.** On the Commencement Date, Landlord shall deliver to Tenant, the leased premises in the condition existing as of the Commencement Date, and no equipment, trade fixtures or other personal property constituting a part of the leased premises shall be removed by Tenant from the leased premises on or following the Commencement Date.

1.7 **Holding Over after the Term.** In the event Tenant remains in possession of the leased premises after the expiration of the term or termination of this Lease, Tenant's tenancy shall be deemed a tenancy from month to month, under all the same terms, covenants, and conditions of this Lease.

1.8 **Failure to Deliver Premises.** In the event Landlord fails to turn over possession of the leased premises to Tenant on Commencement Date, Landlord will pay to Tenant, as liquidated damages, for each day from and including the Commencement Date until and including the date possession of the leased premises is delivered to Tenant, a sum equal to the greater of: (a) one thirtieth (1/30) of the Base Rent amount under Section 2.1 below or (b) one thirtieth (1/30) of the average monthly Royalties due to Tenant under the Franchise Agreement during the twelve (12) month period immediately preceding the effective date of termination of the Franchise Agreement.

## **SECTION 2** **RENT**

2.1 **Base Rent.** Tenant covenants and agrees to pay Landlord monthly base rent ("**Base Rent**") for the leased premises in an amount equal to fair market rental value, to be negotiated in good faith and mutually agreed by the parties; provided, however, that the Base Rent shall not be an amount less than Landlord's monthly mortgage payment (if any) for the leased premises owed to any unaffiliated third party lender (the "**Mortgage Obligation**"), determined as of the Notification Date (as defined in Section 17.05 of the Franchise Agreement). If Landlord and Tenant are unable to mutually agree on the fair market rental value within 10 days from the Notification Date, then fair market rental value shall be determined by 3 independent appraisers who collectively will conduct 1 appraisal in accordance with Section 17.05(d) of the Franchise Agreement, which provision is incorporated herein by this reference, based on the base rental amount a willing tenant would pay and a willing landlord would accept in an arms-length direct lease of the leased premises and for the length of the lease term in question, as of the Commencement Date, considering comparable sized space of comparable location, configuration, and quality for comparable length of term. Notwithstanding the foregoing, if the fair market rental value determined by the independent appraisers is less than the Mortgage Obligation, then the Base Rent shall be an amount equal to the monthly Mortgage Obligation. The monthly installments of Base Rent shall be due on or before the first day of each calendar month, in advance, at \_\_\_\_\_ or

at such other place designated by Landlord. The Base Rent shall be paid to Landlord without notice or demand.

2.2 **Real Estate Taxes.** Tenant shall pay as additional rent during the term of this Lease all general ad valorem real estate taxes and assessments (collectively "**Taxes**") imposed or assessed against the leased premises during the term of this Lease. Taxes for any tax year or other period only a portion of which falls within the term of this Lease shall be prorated between Landlord and Tenant based on the portion of such tax year or other period falling within the term of this Lease. Tenant may pay any Taxes in installments, if permitted by the taxing authority and shall only be responsible for such installments as become due during the term of this Lease. Tenant shall pay such Taxes, before delinquent, directly to the taxing authority. Tenant may contest in good faith by appropriate proceedings any Taxes assessed against the leased premises. Tenant hereby agrees to pay and discharge the contested Taxes as finally determined, together with any interest or penalties thereon. Landlord shall join in any such proceedings, and hereby agrees that the same may be brought in its name, if required by applicable law and regulation. In addition, Landlord agrees to cooperate with Tenant in such proceedings to the extent reasonably necessary or appropriate for Tenant to reasonably proceed with such contest. Tenant shall be entitled to any refund of any Taxes paid by it.

2.3 **Taxes on Leasehold or Personality.** Tenant shall be responsible for and shall pay before delinquent all taxes, assessments and charges assessed during the term of this Lease against Tenants leasehold interest or any personal property used in connection with the leased premises.

2.4 **Sales Tax.** Tenant agrees to pay Landlord any applicable sales or privilege taxes imposed in connection with this Lease or the sums payable hereunder. The sales or privilege tax imposed in connection with any installment of Base Rent shall be paid by Tenant together with such installment. This Section 2.4 shall apply to any tax imposed by Florida Statute 212.031, as well as increases in or replacements to such tax and any similar additional tax generally paid by tenants.

2.5 **Additional Offset Rights.** Tenant may offset against the Base Rent due hereunder any sums owed by Landlord to Tenant under the Franchise Agreement or under Section 1.9 (Failure to Deliver Premises) of this Lease.

### **SECTION 3** **USE AND OPERATION**

Tenant shall use the leased premises for the purpose of operating a CREATIVE WORLD SCHOOL® Business, or for any other lawful use.

### **SECTION 4** **ALTERATIONS, ADDITIONS AND IMPROVEMENTS**

4.1 **Alterations by Tenant.** Tenant shall not make or cause to be made any structural alterations, additions or improvements to the leased premises without Landlord's prior written consent. Tenant may make non-structural alterations, additions and improvements without Landlord's prior consent. All alterations, additions and improvements shall be done in a good workmanlike manner. All alterations, additions or improvements excluding, however, Tenant's furniture, trade fixtures, equipment, and other personal property, shall become the property of

the Landlord upon the expiration or termination of the Lease, except as Landlord may otherwise agree.

4.2 **Construction Liens.** Landlord's interest in the leased premises is not subject to liens for improvements made by Tenant and Tenant shall have no power or authority to subject the leased premises or any portion thereof to any mechanics', construction or other liens. Tenant shall promptly pay all contractors, subcontractors, materialmen, and laborers so as to prevent any liens from attaching to the leased premises. If any lien is made or filed against the leased premises or any part thereof, arising out of any services, labor or material furnished or alleged to have been furnished to, for or on behalf of Tenant, Tenant shall, at Tenant's sole cost and expense, discharge or transfer such lien to a lien transfer bond or other security in accordance with the Florida Construction Lien Law, within thirty (30) days after written request by Landlord.

## **SECTION 5** **MAINTENANCE AND REPAIR**

5.1 **Responsibilities of Landlord.** Landlord shall maintain the foundation and roof of the building that constitutes a part of the leased premises and the structural soundness of the concrete floors and exterior walls of such building (excluding exterior doors, entrances, glass and windows) in good repair and condition. Landlord shall not be required to commence any repairs until after written notice (or oral notice in emergency situations) from Tenant that a repair is necessary. The notice shall set forth the repair needed and, if the repair is of a nature requiring Landlord's immediate attention, a statement to that effect. Landlord shall diligently make any required repairs. In the event Landlord fails to make or promptly commence and diligently pursue any maintenance or repairs required by this Section (including taking any necessary steps to mitigate any impact on Tenant's business), and such failure results or threatens to result in a material interference with or disruption to Tenant's business in the leased premises, Tenant may (in addition to all other rights and remedies it may have) cure such failure or take such steps as is reasonably necessary to protect its business and recover from Landlord upon demand all reasonable costs, expenses and disbursements incurred by Tenant in connection therewith, plus a fifteen percent (15%) administrative fee. If such sum is not paid within ten (10) days after demand therefor, Tenant may offset such amounts against Base Rent due under this Lease.

5.2 **Responsibilities of Tenant.** Except only for those portions of the leased premises which are the responsibility of Landlord pursuant to Section 5.1 above, Tenant shall at all times maintain the entire leased premises in good order, appearance, condition and repair.

5.3 **Surrender of Leased Premises.** Upon the expiration or termination of the term of this Lease, Tenant shall surrender and deliver the leased premises to Landlord broom clean and maintained and repaired as provided for by this Lease, subject to ordinary wear and tear, breakage and obsolescence of personal property, and alterations, additions and improvements in accordance with Section 4 of this Lease.

## **SECTION 6** **INSURANCE**

6.1 **Insurance to be Provided by Tenant.** Tenant shall maintain during the entire term of this Lease, the following:

- (a) casualty insurance, insuring Landlord and Tenant as their interests may appear, against loss or damage by fire and other customarily insured risks, insuring Tenant's leasehold improvements and all furniture, trade fixtures, equipment, and other items of Tenant's personal property in the leased premises; and
- (b) comprehensive general liability insurance, including public liability and property damage, insuring against claims for bodily injury, death or property damage occurring on, in or about the leased premises. Such insurance shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000). Such insurance shall cover Tenant as the named insured and Landlord as an additional insured.

6.2 **Insurance to be Provided by Landlord.** Landlord shall maintain during the entire term of this Lease, casualty insurance, insuring Landlord and Tenant as their interests may appear, against loss or damage by fire and other customarily insured risks in the amount of the full replacement cost of the building which makes up a part of the leased premises.

6.3 **General Insurance Requirements.** Each policy of insurance required to be carried by Tenant or Landlord shall be issued by companies of recognized financial standing authorized to issue such insurance in the State of Florida. At the request of either party, the other party shall deliver to the requesting party, certificates of the insurers, evidencing all of the insurance which is required to be maintained by such party hereunder.

## **SECTION 7** **DAMAGE OR DESTRUCTION**

In the event that the leased premises are totally or partially damaged or destroyed by fire or other casualty, Landlord shall assess the damage and repair and restore the leased premises (less Tenant's furniture, trade fixture, equipment and other personal property) to substantially the same condition as they were in immediately before such damage or destruction. If (a) the damage or destruction results from a cause not required to be insured, (b) the leased premises cannot be rebuilt under then existing governmental requirements, or (c) this Lease is in the last twelve (12) months of the term, Landlord or Tenant may elect to terminate this Lease upon giving notice of such election in writing to the other; provided that Landlord may not terminate this Lease as a result of it being within the last twelve (12) months of the term if Tenant has and agrees to exercise an option to renew and extend the term of this Lease. If this Lease is not terminated as provided for above, Landlord shall repair and restore the portion of the leased premises required to be repaired and restored by Landlord with due diligence and in any event within 180 days after the casualty. Tenant shall be entitled to an abatement of Base Rent due under this Lease from the date when the damage occurs until the earlier of (i) the date Tenant reopens for business or (ii) ninety (90) days after the date possession of the leased premises is delivered to Tenant with the repairs and restoration to be conducted by Landlord completed.

## **SECTION 8** **UTILITIES**

Tenant shall be solely responsible for and promptly pay all charges and assessments for water, gas, electricity, sewer, storm water, trash removal, pay television, or any other utility used or consumed in or at the leased premises during the term of this Lease. Landlord shall cooperate to have any utilities needed by Tenant transferred to Tenant.

**SECTION 9**  
**SUBORDINATION/NONDISTURBANCE/ATTORNMEN/ESTOPPEL**

9.1 **Subordination.** Subject to Section 9.2 below, Tenant agrees that this Lease and the interest of Tenant in the leased premises are hereby automatically made subject to and subordinate at all times to all mortgages and all advances made thereon and any modification, additions, renewals, consolidations or extensions thereto, which may hereafter affect the leased premises.

9.2 **Nondisturbance.** The subordination set out in Section 9.1 is subject to and conditioned upon the agreement of the holder of any such mortgage that such holder will not, in the exercise of any right, remedy or privilege granted by the mortgage, or any other documents executed in connection with the mortgage, or otherwise available to such holder at law or in equity, disturb Tenant's possession of the leased premises or any of Tenant's rights under this Lease, so long as Tenant is not in default (beyond any applicable cure period provided for in this Lease) under any provision of this Lease at the time the holder exercises such right, remedy or privilege. Without limitation of the foregoing, the subordination set out in Section 9.1 is subject to and conditioned upon the agreement of the holder of the mortgage that (i) Tenant shall not be named as a party to any foreclosure proceeding instituted by such holder; (ii) any sale or other transfer of the leased premises, pursuant to any foreclosure or any voluntary conveyance or other proceeding in lieu of foreclosure, will be subject to this Lease and all of Tenant's rights hereunder; and (iii) upon any sale or other transfer of the leased premises, this Lease will continue in full force and effect. Landlord will use its best efforts to obtain from the holder of any mortgage encumbering the leased premises as of the date of this Lease, a nondisturbance agreement in a form reasonably satisfactory to Tenant, agreeing to be bound by the nondisturbance provisions of this Section 9.2.

9.3 **Attornment.** Tenant shall, in the event any proceedings are brought for the foreclosure of any mortgage covering the leased premises or in the event a deed is given in lieu of foreclosure, recognize the purchaser at the foreclosure sale or grantee in lieu of foreclosure as the Landlord under this Lease. Upon any attornment under this Section 9.3, this Lease shall continue in full force and effect as a direct Lease between Tenant and the person or entity to whom Tenant attorns, except that such person or entity shall not be: (a) liable for any breach, act or omission of any prior landlord; or (b) bound by any rent or additional rent or other payment in lieu of rent which Tenant might have paid to any prior landlord more than thirty (30) days in advance of the date due under this Lease; or (c) bound by any amendment or modification of this Lease made without the mortgage holder's prior written consent after the date upon which Tenant receives notice from the mortgage holder that the mortgage holder wishes to consent to any such amendment; or (d) bound by any notice given by Tenant to any prior landlord, unless also given to such person or entity; or (e) subject to any then-existing offset right of Tenant, unless expressly provided for in this Lease; or (f) liable for any security deposit or other sums held by any prior landlord, unless actually received.

9.4 **Estoppel Certificates.** Landlord and Tenant shall each, from time to time, within five (5) days after receiving a written request from the other, execute and deliver to the requesting party and any third party with whom the requesting party is dealing, a written statement in a form reasonably acceptable to all parties, certifying to the correctness of any reasonably ascertainable facts that are covered by the terms of this Lease.

**SECTION 10**  
**ASSIGNMENT AND SUBLETTING**

Except as permitted by this Section, Tenant shall not transfer or assign this Lease or sublease all or any part of the leased premises without Landlord's prior written consent. Tenant may, at any time, assign this Lease or sublease the leased premises to any person or entity which directly or indirectly controls, is controlled by or is under common control with Tenant or to any franchisee of Tenant. Upon any such assignment to a franchisee the Tenant named in this Lease shall be released of any further obligations under this Lease. Tenant shall provide prior notice to Landlord of any assignment of subletting to a franchisee.

**SECTION 11**  
**WASTE AND NUISANCE/GOVERNMENTAL REGULATIONS**

11.1 **Waste and Nuisance.** Tenant shall not commit or allow to be committed any waste upon the leased premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any owners of the properties adjoining the leased premises.

11.2 **Governmental Regulations.** Tenant shall comply with all laws, orders, rules, regulations, ordinances, directives and other requirements of all county, municipal, state and federal governments and of their administrative departments, agencies, bureaus and officials and other applicable governmental authorities, now in force, or which may hereafter be in force relative to its use of the leased premises.

**SECTION 12**  
**TAKINGS**

12.1 **Total Taking.** If the whole of the leased premises shall be taken or condemned by eminent domain (or by voluntary conveyance under threat of eminent domain), then this Lease shall terminate as of the day before the date of title vesting and all rent and other sums due hereunder shall be paid up to that date.

12.2 **Partial Taking.** If any part of the leased premises shall be taken or condemned by eminent domain (or by voluntary conveyance under threat of eminent domain), and in the event that such partial taking or condemnation renders the leased premises unsuitable for the business of Tenant, as determined by Tenant, then Tenant shall have the right to terminate this Lease by notice given to Landlord within sixty (60) days after the date of title vesting. In the event of a partial taking or condemnation which does not render the leased premises unsuitable for the business of Tenant, then this Lease shall continue unmodified in full force and effect.

12.3 **Damages.** In the event of any condemnation or taking, whether whole or partial, regardless of the extent to which the leased premises is affected, the award, damages or proceeds paid or awarded in connection with such condemnation or taking shall be allocated between Landlord and Tenant as provided for by Florida law.

**SECTION 13**  
**DEFAULT**

13.1 **Events of Default by Tenant.** Each of the following constitutes an event of default:

- (a) Tenant's failure to pay any installment of minimum annual or any other sum required to be paid hereunder within ten (10) days after written notice from Landlord to Tenant that such sum is past due.
- (b) A petition in bankruptcy is filed by or against Tenant and is not discharged within thirty (30) days.
- (c) Tenant makes a general assignment for the benefit of creditors.
- (d) Tenant's failure to keep, observe or perform any of the other terms, conditions or covenants set forth in this Lease if the failure continues for thirty (30) days after written notice from Landlord of such failure, or such longer period as is necessary to cure such failure using diligent efforts.

13.2 **Remedies of the Landlord.** Landlord may, without any additional notice to Tenant, do any one or more of the following if an event of default occurs:

- (i) terminate this Lease and immediately regain possession of the leased premises through any lawful means. If Landlord terminates this Lease, Landlord may hold Tenant liable for rents accrued under this Lease through the date this Lease is terminated.
- (ii) terminate Tenant's right to possession of the leased premises, without terminating this Lease, and retake possession of the leased premises for the account of Tenant and hold Tenant liable for (in addition to rents accrued through the date tenant's right to possession is terminated) the difference between the rents set forth in this Lease and any rents which Landlord can obtain from the reletting of the leased premises using diligent efforts.
- (iii) cure the event of default, and recover from Tenant upon demand all reasonable costs and expenses incurred by Landlord to cure the event of default.

The waiver of Landlord of any breach of any term, condition or covenant of this Lease shall not be a waiver of any subsequent breach of the same or any other term, condition or covenant herein contained.

13.3 **Administrative Fees.** In the event any payment due Landlord under this Lease shall not be paid within ten (10) days of the due date, Tenant agrees to pay to Landlord an amount equal to two and one-half percent (2.5%) of the amount due for such delinquent payment. In the event that any check given to Landlord by Tenant for any payment under this Lease shall be dishonored for insufficient funds, Landlord shall be entitled to make an administrative charge to Tenant of Fifty (\$50) Dollars per event.

**SECTION 14**  
**ACCESS BY LANDLORD**

Landlord and Landlord's agents shall have the right to enter the leased premises (including the building that constitutes a part thereof) (i) to examine the leased premises; (ii) in connection with the exercise of any right or remedies provided by law or this Lease; (iii) in an emergency situation where such situation makes entry necessary for Landlord; (iv) to show the leased premises to prospective purchasers or mortgagees; and (v) to make such installations, repairs, alterations, improvements or additions and to do such maintenance as required by Landlord under this Lease. Any such entry shall be at reasonable times agreed upon by Tenant and after notice, oral or written (except in emergencies where circumstances make entry without notice necessary) to Tenant. Any such entry shall be done in a manner to minimize any interference with the operation of Tenant's business in the leased premises.

**SECTION 15**  
**RIGHT OF FIRST REFUSAL**

15.1 **Right of First Refusal.** Should Landlord, at any time during the term of this Lease, receive an offer to purchase the leased premises (or any part thereof) and desires to accept said offer, or should Landlord, at any time make an offer to sell the leased premises (or any part thereof), Landlord shall give Tenant notice in writing of such offer, setting forth the name and address of the proposed purchaser, the amount of the proposed purchase price, and all other terms and conditions of such offer, and Tenant shall have the first option to purchase the leased premises, exercisable by giving written notice to Landlord of its intention to purchase the leased premises within the sixty-day period following receipt of such notice from Landlord, at the same price and on the same terms and conditions of such offer. In the event Tenant elects to purchase the leased premises under this Section 16.1, the sale shall be conducted in accordance with the terms of Section 15.4 through 15.9, inclusive.

15.2 **Rights Cumulative.** The right of first refusal granted in this Section 16 and the Option to Purchase granted in Section 15 are coexistent and independent. The election by Tenant not to exercise any right or option in any situation where such right or option could have been exercised shall not affect Tenant's right to exercise such right or option in any future situation where such right or option is applicable.

**SECTION 16**  
**NOTICE**

16.1 **Notice to Landlord.** Any notice by Tenant to Landlord under or in connection with this Lease shall be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Landlord at the following address or at such other address as Landlord may designate by written notice to Tenant.

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16.2 **Notice to Tenant.** Any notice by Landlord to Tenant under or in connection with this Lease shall be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Tenant at the following address or at such other address as Tenant may designate by written notice to Landlord.

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16.3 **Notice Given.** Notice given in accordance with this Section shall be deemed to be given and received on the earlier of (i) three (3) days after being deposited in the U.S. mail in accordance with this Section; (ii) the next delivery day after being delivered for next day delivery to a nationally recognized overnight carrier; or (iii) the date upon which the return receipt is signed or delivery is refused or the notice is designated non-deliverable by the postal authorities.

**SECTION 17**  
**QUIET ENJOYMENT**

Landlord warrants and covenants that Tenant shall peacefully and quietly have, hold and enjoy the leased premises for the entire term of this Lease, subject however to the terms, covenants and conditions of this Lease.

**SECTION 18**  
**RIGHTS OF FRANCHISOR**

In the event Tenant assigns this Lease to a franchisee of Tenant, the following provisions shall apply following such assignment. For purposes of this Section 18, CREATIVE WORLD SCHOOL, INC. shall be referred to as "**Franchisor.**"

- (a) **Assignment and Subletting.** Landlord's consent shall not be necessary for an assignment or subletting (i) to Franchisor or (ii) to a person or entity which directly or indirectly controls, is controlled by or is under common control with Franchisor or (iii) to any other franchisee of Franchisor. Tenant or Franchisor shall give Landlord notice of any such assignment or subletting prior to such assignment or subletting.
  
- (b) **Default of Tenant.** In the event a default occurs at any time during the term of the Lease, Landlord shall provide notice of such default to Franchisor by certified mail, return receipt requested or by nationally recognized overnight courier service to the following address:

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or to such other address as Franchisor shall provide to Landlord. Franchisor shall have ten (10) business days after receipt of such notice to cure any default resulting from the failure to pay any rental or other sums due under the Lease, and twenty (20) business days after receipt of such notice to cure all other defaults or, if such default is one that requires more than twenty (20) business days to cure, Franchisor shall have such additional time as is reasonably necessary to cure the default so long as Franchisor diligently pursues the cure. Landlord shall not have the right to exercise any rights or remedies provided by the Lease or otherwise available until such time as notice is given to Franchisor, and the Franchisor's cure period shall have expired.

- (c) **Franchisor as Tenant.** In the event Franchisor becomes the tenant under the Lease, whether by assignment or by exercise of its rights under its franchise documents, Landlord shall recognize Franchisor as the Tenant under the Lease and Franchisor shall, within ten (10) days of it becoming the Tenant, cure any then-existing default in the payment of rental; provided however that Franchisor shall not have any obligation to cure any default in the payment of rental as to which Franchisor was not given notice by Landlord within twenty (20) days following the date such rental was due. The preceding sentence shall not prevent Landlord from pursuing Tenant for such past due rental. Nothing in this Agreement and no exercise of any rights hereunder (including, without limitation, any curing of any Tenant's default by Franchisor) shall be construed as creating on Franchisor any liability or obligation under the Lease or as Franchisor assuming any liability or obligation under the Lease; any assumption by Franchisor of any obligations under the Lease shall only occur by specific written assumption executed by Franchisor. In the event Franchisor succeeds to the interest of Tenant under the Lease Franchisor shall not be responsible for any claims which Landlord may have against any prior Tenant under the Lease; except that Franchisor shall pay any past due rental, subject to the limitations set out above. If Franchisor assumes the Lease, its liability under the Lease shall extend only to the period of time that it is the Tenant under the Lease and shall terminate upon any permitted assignment of the Lease by Franchisor.
- (d) **Amendment.** Landlord and Tenant shall not cancel, terminate, modify or amend this Lease including, without limitation, Franchisor's rights under this Section, without Franchisor's prior written consent, except that, subject to Franchisor's cure rights, this paragraph shall not prevent Landlord from exercising any right to cancel or terminate the Lease due to Tenant's default.
- (e) **Successors.** The benefits of this Section shall inure to Franchisor's successors and assigns.

**SECTION 19**  
**MISCELLANEOUS**

19.1 **Entire Agreement.** Except as may be provided in the Franchise Agreement, this Lease contains the entire agreement between Landlord and Tenant concerning the leasing of the leased premises, and no other representations or agreements, either oral or written, shall survive the execution of this Lease. No subsequent alteration, amendment, change, or addition to this Lease shall be binding upon the Landlord or the Tenant unless in writing and signed by the party against whom enforcement is sought. All Exhibits referenced as being attached hereto are by such reference made a part hereof.

19.2 **Consent.** Whenever Landlord's consent is required or requested under this Lease, Landlord agrees not to unreasonably withhold, delay or condition such consent.

19.3 **No Partnership or Joint Venture.** It is the intent of the parties that their relationship under this Lease be that of Landlord and Tenant only.

19.4 **Captions and Section Numbers.** The captions and section numbers appearing in this Lease are inserted as a matter of convenience and shall not be viewed as defining or limiting the scope or intent of any Section of this Lease.

19.5 **Brokers Commissions.** Landlord and Tenant represent and warrant to each other that they have dealt with no broker or brokers in connection with this Lease. The party who breaches this warranty agrees to defend and indemnify the other against, and hold it harmless from all demands, claims, liabilities and costs (including, without limitation, attorneys' fees) arising from any claim for brokerage commissions or finder's fees arising out of the actual or alleged acts or commitment of said breaching party.

19.6 **Attorneys Fees.** In any litigation arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs including but not limited to fees and costs at the trial and appellate level as well as in the course of any arbitration, administrative or bankruptcy proceedings.

19.7 **Partial Invalidity.** If any term, covenant, or condition of this Lease or the application thereof to any person or circumstances shall, to any extent, be declared invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

19.8 **Recording.** Neither Landlord nor Tenant shall record this Lease without the written consent of the other. At the request of either party, Landlord and Tenant shall execute and record a short form of this Lease in the form attached hereto as Exhibit "C."

19.9 **Time is of the Essence.** Time is of the Essence of this Lease.

19.10 **Waiver of Jury Trial.** The undersigned parties hereby waive trial by jury in any proceeding based upon or arising out of Tenant's use of the leased premises, this Lease or the Landlord-Tenant relationship created by this Lease.

19.11 **Radon Gas.** The following notice is required by Florida Statute 404.056(8): Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

19.12 **Florida Lease.** The place of negotiation, execution, and delivery of this Lease and the location of the leased premises being the State of Florida, this Lease shall be governed by and construed and enforced in accordance with the laws of the State of Florida without reference to the conflicts of law principles of the State.

19.13 **Successors.** This Lease shall bind the parties hereto and their several respective successors, and assigns.

**IN WITNESS WHEREOF,** Landlord and Tenant have executed this Lease on the dates indicated below.

**LANDLORD:**

\_\_\_\_\_

a \_\_\_\_\_

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

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

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

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

**TENANT:**

\_\_\_\_\_

a \_\_\_\_\_

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

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

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

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

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE LAND**

**EXHIBIT B**

**SITE PLAN**

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

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**FORM OF RELEASE**

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**RELEASE**

**THIS RELEASE** is given by \_\_\_\_\_, and their predecessors, affiliates, employees, legal representatives and agents, successors and assigns, and their heirs, beneficiaries, executors and administrators (collectively, the "**Franchisee**"), to **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, and all of its predecessors, affiliates, employees, legal representatives and agents, successors and assigns, and their heirs, beneficiaries, executors and administrators (collectively, the "**Franchisor**").

Effective on the date of this Release, the Franchisee forever releases and discharges the Franchisor from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, which the Franchisee now have or ever had against the Franchisor, including without limitation, anything arising out of that certain Franchise Agreement dated \_\_\_\_\_, and all exhibits and addenda between the Franchisor and the Franchisee (collectively, the "**Franchise Agreement**"), the franchise relationship between the Franchisee and the Franchisor, and any other relationships between the Franchisee and the Franchisor; except the provisions which expressly survive termination and the Franchisor's obligations under the \_\_\_\_\_ dated effective \_\_\_\_\_. This Release is effective for: (x) any and all claims and obligations, including those of which the Franchisee are not now aware; and (y) all claims the Franchisee have from anything which has happened up to now.

The Franchisee is bound by this Release. The Franchisee freely and voluntarily gives this Release to the Franchisor for good and valuable consideration and the Franchisor acknowledges its receipt and sufficiency.

The Franchisee represents and warrants to the Franchisor that the Franchisee has not assigned or transferred to any other person any claim or right the Franchisee had or now has relating to or against the Franchisor.

In this Release, each pronoun includes the singular and plural as the context may require.

This Release is governed by Florida law.

This Release is effective \_\_\_\_\_, notwithstanding the actual date of signatures.

**IN WITNESS WHEREOF**, the undersigned execute this Release:

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF )  
COUNTY OF )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
\_\_\_\_\_ by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_  
\_\_\_\_\_, on behalf of the entity. He is personally known to me or has produced \_\_\_\_\_  
\_\_\_\_\_ as identification.

\_\_\_\_\_  
Signature of Notary

\_\_\_\_\_  
Printed Name of Notary

Notary Public, State of \_\_\_\_\_

Serial Number of Notary \_\_\_\_\_

**EXHIBIT H TO THE DISCLOSURE DOCUMENT**

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**CONFIDENTIALITY AND NONCOMPETITION AGREEMENT**

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## CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

THIS CONFIDENTIALITY AND NONCOMPETITION AGREEMENT (this "Agreement") is effective as of \_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_, a \_\_\_\_\_ corporation ("Franchisee," "we," "us" or "our") and \_\_\_\_\_, an Owner or Manager ("you" or "your").

### BACKGROUND INFORMATION:

CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC. (the "Franchisor") is the Franchisor of CREATIVE WORLD SCHOOL®. We are a Franchisee of a CREATIVE WORLD SCHOOL® (the "School") which provides day care or childcare services for children ages 6 weeks to 12 years. We use proprietary knowledge, procedures, formats, systems, forms, printed materials, lesson plans, teaching procedures, childcare and daily care techniques, applications, specifications, standards and techniques authorized or developed by us and feature our distinctive signs, brochures, contracts and related forms, formats, procedures and advertising (all of which are referred to as the "System") developed by us. We also may utilize proprietary computer software (the "Software") and the computer hardware components, compiled hardware and other software (collectively, the "Computer System") that the Franchisor designates from time to time.

As our Owner or Manager, we, or the Franchisor, will train you with respect to the System and provide you with information relating to the development and operating of Schools that we possess, which includes without limitation: (a) the System and the know-how related to its use; (b) plans, specifications, size and physical characteristics of Schools; (c) site selection criteria, land use and zoning techniques and criteria; (d) methods in obtaining licensing and meeting regulatory requirements; (e) sources and design of equipment, furniture, forms, materials and supplies; (f) marketing, advertising and promotional programs for Schools; (g) staffing and delivery methods and techniques for personal services; (h) the selection, testing and training of managers and other employees for Schools; (i) the recruitment, qualification and investigation methods to secure employment for employment candidates; (j) any computer software we make available or recommend for Schools; (k) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of Schools; (l) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment; and (m) knowledge of operating results and financial performance of Schools other than those operated by you (or your affiliates) (collectively, the "Confidential Information"). You understand and agree that the Confidential Information, the System, the Software and the Computer System are proprietary, trade secrets and confidential. You acknowledge that you have other skills that you can utilize if, for any reason, your relationship with us expires or is terminated.

### OPERATIVE TERMS:

Accordingly, you and we agree as follows:

1. **Confidentiality.** You will: (i) not use the Confidential Information in any other business or capacity; (ii) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (iii) not make unauthorized copies of any portion of the Confidential Information disclosed in tangible or nontangible form; and (iv) comply with all

procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information.

2. **Competitive Restrictions.** While you are our owner or manager and for 2 years afterwards neither you nor your affiliates will have any direct or indirect interest (e.g., through a spouse, child or other immediate family member) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consulting, member, manager, representative or agent or in any other capacity, in any Competitive Business operating: (a) at the site of the School; (b) within a 20-mile radius of the School; or (c) within a 20-mile radius of any other School that is in operation or under construction. The term “**Competitive Business**” as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any School, school, home or facility that features or provides daily care or childcare services for children ages 6 weeks to 12 years or similar services as are customarily offered by a School (other than a School operated under a franchise agreement with the Franchisor).

3. **Severability and Substitution of Valid Provisions.** To the extent that any portion of this Agreement is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, length of time or remedy, but may be made enforceable by reduction, adjustment or modification of any or all thereof, you and we agree that this Agreement will be enforced to the fullest extent permissible under the laws or public policies of the jurisdiction in which enforcement is sought, and such reduced or modified provision will be enforced to the fullest extent.

4. **Extension of Time Period.** The time period during which you are to refrain from any of the activities listed in this Agreement will be automatically extended by any length of time during which you or any of your affiliates, successors or assigns are in breach of any provision of this Agreement. This Agreement will continue through the duration of the extended time periods.

5. **Suspension of Compensation.** We will not be required to pay any other compensation to you during any period of time in which you are in breach of this Agreement. Upon such breach, you forfeit payment of such amounts without limitation on any other remedies available to us for redress.

6. **No Defense or Setoff.** You must not assert, by way of defense or setoff, any alleged breach or damage caused by you if we must enforce this Agreement against you.

7. **Injunctive Relief.** You and we agree that the breach of this Agreement will result in irreparable harm to us, and that no monetary award can fully compensate us if you violate it. Thus, if you breach this Agreement, you agree that we will be entitled to an injunction restraining you from any further breach. Such injunctive relief may be obtained without bond, but upon due notice, in addition to such other and further remedies or relief as may be available to us at equity or law.

8. **Miscellaneous.**

(a) **Complete Agreement:** This Agreement contains the complete agreement between the parties concerning this subject matter. This Agreement supersedes any prior or contemporaneous agreement, representation or understanding, oral or written, between them. The continued relationship between the parties described

in this Agreement constitutes full and sufficient consideration for the binding commitment of the parties to this Agreement.

(b) **Waiver and Amendment:** A waiver or amendment of this Agreement, or any provision of it, will be valid and effective only if it is in writing and signed by both parties or the party waiving such provision. No waiver Agreement will operate as a waiver of any other term of this Agreement or of that same term at any other time.

(c) **Rights Cumulative:** No right or remedy available to any party is exclusive of any other remedy. Each and every remedy will be cumulative to any other remedy given under this Agreement, or otherwise legally existing upon the occurrence of a breach of this Agreement.

(d) **Certain Definitions:** As used throughout this Agreement, the following terms have the following meanings:

- (i) The term “**person**” means any corporation, professional corporation or association, partnership (limited or general), joint venture, trust, association or other business entity or enterprise or any natural person;
- (ii) The term “**affiliate**” means, with respect to any person, any other person that directly, indirectly, or through one or more intermediaries, controls, is controlled by or is under common control with, such person, and includes any subsidiaries or other business entities that are beneficially owned by such person or its affiliates;
- (iii) The term “**attorney's fees**” means any and all charges levied by an attorney for his services, including time charges, expenses and other reasonable fees including paralegal fees and legal assistant fees, and includes fees earned in settlement, at trial, on appeal or in bankruptcy proceedings.

(e) **Governing Law:** This Agreement is governed by the law of the county and state in which we are located. All litigation arising under this Agreement must be brought in the appropriate courts of the county and state in which we are located. The parties irrevocably submit to the jurisdiction of such courts and waive any rights to a change of venue or otherwise. The prevailing party in any litigation involving this Agreement must be reimbursed its attorney's fees from the nonprevailing party.

(f) **Survival:** The provisions of this Agreement survive any termination of the employment relationship between you and us.

(g) **Third Party Beneficiary:** The parties understand and acknowledge that the Franchisor is a third-party beneficiary of the terms of this Agreement and, at its option, may enforce the provisions of this Agreement against you.

(h) **Background Information:** The background information is true and correct and is incorporated into this Agreement. This Agreement will be interpreted with reference to the background information.

Intending to be bound, the parties sign below:

**US:**

\_\_\_\_\_

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

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

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

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

**YOU:**

\_\_\_\_\_

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

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

**EXHIBIT I TO THE DISCLOSURE DOCUMENT**

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**PRINCIPAL OWNER'S GUARANTY**

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## PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by the principal owners (referred to as “**you**” for purposes of this Guaranty only) of \_\_\_\_\_ (the “**Business Entity**”) under the \_\_\_\_\_ Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “**Agreement**”) with **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, with its principal place of business at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135 (“**us,**” or “**our**” or “**we**”).

1. **Scope of Guaranty.** In consideration of and as an inducement to our signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

2. **Waivers.** Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

3. **Consents and Agreements.** Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your 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 Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

4. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Florida law and we may enforce our rights regarding it in the courts of Lee County, Florida. Each of you irrevocably submits to the jurisdiction and venue of such courts.

Each of you now sign and deliver this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

**GUARANTORS**

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

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

DATE

**EXHIBIT J TO THE DISCLOSURE DOCUMENT**

---

**FORM OF  
PRINCIPAL OWNERS STATEMENT**

---

**PRINCIPAL OWNER'S STATEMENT**

This form must be completed by the Franchisee Entity ("**Franchisee**") if Franchisee has multiple owners or if Franchisee is owned by another/other business organization (such as a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to Franchisee.

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

- (a) General Partnership
  - (b) Corporation
  - (c) Limited Partnership
  - (d) Limited Liability Company
  - (e) Other
- Specify: \_\_\_\_\_

2. **Business Entity.** Franchisee was incorporated or formed on \_\_\_\_\_, \_\_\_\_\_ (date), under the laws of the State of \_\_\_\_\_. Franchisee has not conducted business under any name other than this corporation, limited liability company or partnership name and \_\_\_\_\_ (Entity Name) . The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) relative to Franchisee and their positions are listed below:

Name of Person	Position(s) Held

3. **Owners.** The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

Owner's Name and Address	Description of Interest	% of Ownership

3. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization of Franchisee (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Owner's Statement is current and complete as of \_\_\_\_\_, 20\_\_.

**FRANCHISEE:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OWNERS:**

**Individuals:**  
or

**Corporation, Limited Liability Company  
Partnership:**

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Print Name)  
Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Entity)  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

**EXHIBIT K TO THE DISCLOSURE DOCUMENT**

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**STATE SPECIFIC ADDENDA TO  
DISCLOSURE DOCUMENT AND  
STATE SPECIFIC RIDERS TO FRANCHISE AGREEMENT**

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**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF CALIFORNIA**

~~The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.~~

~~The following paragraphs are added to the disclosure document:~~

~~OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).~~

~~THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.~~

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

~~The following paragraphs are added at the end of Item 17 of the disclosure document pursuant to regulations promulgated under the California Franchise Investment Law:~~

~~California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.~~

~~Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).~~

~~Post-Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.~~

~~Applicable Law. The Franchise Agreement requires application of the laws of the State of Florida with certain exceptions. These provisions may not be enforceable under California law.~~

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN CALIFORNIA**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "~~Effective Date~~"), between ~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~, a Florida corporation ("~~we,~~" "~~us,~~" "~~our~~" or "~~Franchisor~~"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "~~you,~~" "~~your~~" or "~~Franchisee~~") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "~~Agreement~~").

1. ~~**Precedence and Defined Terms.**~~ This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

~~CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.~~

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM**  
**~~TO FRANCHISE DISCLOSURE DOCUMENT FOR~~**  
**~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~**  
**STATE OF ILLINOIS**

Item 17 of this disclosure document is modified to include the following paragraphs at the end of the Item 17 chart:

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Illinois Law will govern any franchise agreement if (1) the franchisee is domiciled in Illinois; or (2) the offer of the franchise is made or accepted in Illinois and the franchise business is or will be located in Illinois.

The franchise agreement will become effective on its acceptance and signing by us in the State of Florida. The franchise agreement will be interpreted and construed under the substantive laws of Florida, except to the extent governed by the Illinois Law or the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., Sections 1051 et seq.). However, any condition of the franchise agreement that designates litigation, jurisdiction or venue in a forum outside of Illinois is void as to any cause of action that otherwise is enforceable in Illinois, provided that the franchise agreement may provide for arbitration in a forum outside of Illinois.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
APPLICATION AND DEPOSIT AGREEMENT FOR SITE ASSESSMENT  
FOR USE IN ILLINOIS**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation ("we," "us," or "our"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "you," or "your" and amends the Application and Deposit Agreement for Site Assessment between the parties dated as of the Effective Date, (the "Agreement").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Governing Law and Jurisdiction.** Section 4 of the Agreement is amended in its entirety to read as follows:

**EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. '1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW OR ILLINOIS LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY FLORIDA LAW. YOU AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE COMPETENT JURISDICTION OF ANY STATE AND FEDERAL COURTS LOCATED IN COUNTY OF LEE, STATE OF FLORIDA AND WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS, EXCEPT FOR MATTERS COMING UNDER ILLINOIS LAW. THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION BY THE PARTIES FOR THE ENFORCEMENT BY THE PARTIES IN ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION.** References to any law or regulation also refer to any successor laws or regulations and any impending regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation (“**we,**” “**us,**” “**our**” or “**Franchisor**”), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as “**you,**” “**your**” or “**Franchisee**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Termination.** The following is added to Section 16 of the Agreement:

The conditions under which this franchise can be terminated and the parties’ rights on termination may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

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

4. **Governing Law.** Section 20.7 of the Agreement is amended in its entirety to read as follows:

**EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. '1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW OR ILLINOIS LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY FLORIDA LAW. ALL MATTERS RELATING TO ARBITRATION ARE GOVERNED BY THE FEDERAL ARBITRATION ACT.** References to any law or regulation also refer to any successor laws or regulations and any impending regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

5. **Jurisdiction and Venue.** Section 20.8 of the Agreement is amended by adding the following sentence:

All matters coming under the Illinois law will be governed by the Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under the Illinois Act.

6. **Waiver of Jury Trial.** Section 20.9 of the Agreement is deleted in its entirety.

7. **Construction.** Add the following sentence to Section 20.15 of the Agreement:

Any condition, stipulation, or provision contained in the Agreement purporting to waive compliance with any provision of the Illinois Act or any other Illinois law is void.

Be advised that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. No person may be prevented from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall arbitration of any claim pursuant to the provisions of Title 9 of the United States Code be prevented.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF MARYLAND**

1. The following is added to the disclosure document:

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

2. Sections (c) and (m) of Item 17 are amended by adding the following language:

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

3. Item 17 is amended by adding the following language after the table:

- (a) The provision of the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.)
- (b) Any claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.
- (c) A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation (“**we,**” “**us,**” “**our**” or “**Franchisor**”), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as “**you,**” “**your**” or “**Franchisee**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

[3. Acknowledgments. Section 1.02 of the Agreement is deleted in its entirety.](#)

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

4. **Limitation of Claims.** Provided, however, that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise to you.

5. **Jurisdiction.** Provided, however, that you may bring a lawsuit against us in Maryland for any claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **No Waiver.** All representations requiring prospective franchisees to assent to a release, estoppel or wavier of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF MINNESOTA**

1. The following is added to the disclosure document:

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

2. Additional Disclosures:

MINNESOTA LAW PROVIDES YOU WITH CERTAIN TERMINATION AND NON-RENEWAL RIGHTS. MINN. STAT. §80C.14 SUBD. 3, 4 AND 5 REQUIRE, EXCEPT IN CERTAIN CASE, THAT YOU BE GIVEN 90 DAYS' NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS' NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT.

MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF 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.

2. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Therefore, Item 13 is amended by adding the following:

The franchisor will protect the franchisee's right 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.

3. Item 17 is amended by adding the following:

You and your Owners must execute general releases, in form and substance satisfactory to us, of any and all claims against us, and our Affiliates, officers, directors, employees, agents, successors and assigns, except for matters coming under the Minnesota Franchise law.

4. Item 17, summary column for (f) is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5 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 nonrenewal of the Franchise Agreement and that consent to transfer of the franchise will not be unreasonably withheld..

5. Item 17, summary column for (m) is amended to add the following:

Any release signed as a condition of transfer will not apply to any claims you may have under the Minnesota Franchise Act.

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this disclosure document or agreement can abrogate or reduce any of 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.

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation (“**we,**” “**us,**” “**our**” or “**Franchisor**”), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as “**you,**” “**your**” or “**Franchisee**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

3. **Successor Terms.** The next to the last sentence in Section 3.03 is amended to read as follows:

You and your Owners must execute general releases, in form and substance satisfactory to us, of any and all claims against us, and our Affiliates, officers, directors, employees, agents, successors and assigns, except for matters coming under the Minnesota Franchise law.

4. **Marks.** The following is added to Article VIII.

The franchisor will protect the franchisee's right 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.

5. **Termination of Agreement.** The following is added at the beginning of Section 16.02:

Minnesota Law provides you with certain termination and non-renewal rights Minn. Stat. §80C.14, Subd. 3, 4, and 5, require, except in certain cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

6. **Limitations of Claims.** Section 20.06 is amended so that any and all claims arising out of this agreement or the relationship among you and us must be made by written notice to the other party within 3 years from the occurrence of the facts giving rise to such claim (regardless of when it becomes known).

7. **Governing Law.** The following sentence is added at the end of Section 20.07:

MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF 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.

8. **Injunctive Relief.** Nothing in the Franchise Agreement is construed to mean that you are consenting to our obtaining injunctive relief. We may, however, seek injunctive relief. The court will determine if a bond is required.

9. **Waiver of Jury Trial.** Section 20.09 is deleted in its entirety.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF NEW YORK**

**1. The following is added to the disclosure document:**

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

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE **DOCUMENT**.

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

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a

misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

**4. The following is added to the end of Item 4:**

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

**5. The following is added to the end of Item 5:**

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

**8. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:**

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

**9. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation (“**we,**” “**us,**” “**our**” or “**Franchisor**”), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as “**you,**” “**your**” or “**Franchisee**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF NORTH DAKOTA**

1. ~~The following is added to the disclosure document:  
“No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”~~
2. ~~The Summary column of Item 17 paragraph (c) of this disclosure document is modified to read as follows:  
“Give us at least 90 days notice of your intention to renew, sign our current form of Franchise Agreement and ancillary agreements, sign a release (except for matters coming under the North Dakota Franchise Investment Law (the “ND Law”).”~~
3. ~~The Summary column of Item 17 paragraph (r) of this disclosure document is modified by adding the following at the end of the sentence:  
“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”~~
4. ~~The Summary column of Item 17 paragraph (u) of this disclosure document is amended by adding the following at the end of the paragraph:  
“except that matters coming under the ND Law will be submitted to arbitration in a mutually agreeable location.~~
5. ~~The Summary column of Item 17 paragraph (v) of this disclosure document is amended to read as follows:  
Except for matters coming under the ND Law, litigation must be in Pinellas or Hillsborough Counties, Florida.~~
6. ~~The Summary column of Item 17 paragraph (w) of this disclosure document is amended to read as follows:  
The law of North Dakota governs.\*~~
7. ~~Section 51-19-09 of the North Dakota Franchise Investment Law provides that any requirement that you consent to liquidated damages is unfair, unjust and inequitable.~~

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation ("we," "us," "our" or "Franchisor"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "you," "your" or "Franchisee") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "Agreement").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

3. **Grant of Successor Franchise.** You are not required to sign a general release as to any matters coming under the North Dakota Franchise Investment Law (the "ND Law").

4. **Competitive Restrictions.** Covenants not to compete, such as those mentioned in this section, are generally unenforceable in the State of North Dakota.

5. **Jurisdiction.** All matters coming under the ND Law may be brought in the courts of North Dakota.

5. **Waiver of Punitive Damages.** Paragraph 20.05 of the Franchise Agreement is deleted in its entirety.

6. **Waiver of Jury Trial.** Paragraph 20.09 of the Franchise Agreement is deleted in its entirety.

7. **Limitation of Claims.** The statute of limitations under ND Law applies to all matters coming under ND Law.

8. **Governing Law.** This Agreement will be governed by North Dakota law.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF RHODE ISLAND**

The following is added to the disclosure document:

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

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

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

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "~~Effective Date~~"), between ~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~, a Florida corporation ("~~we,~~" "~~us,~~" "~~our~~" or "~~Franchisor~~"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "~~you,~~" "~~your~~" or "~~Franchisee~~") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "~~Agreement~~").

1. ~~**Precedence and Defined Terms.**~~ This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

~~CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.~~

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
STATE OF SOUTH DAKOTA**

1. The following is added to the disclosure document:

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

2. The summary statement of provision (r) of Item 17, is deleted in its entirety and the following substituted in its place:

The Franchise Agreement provides that you cannot compete anywhere for 2 years after termination or expiration. However, covenants not to compete upon termination or expiration of a Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.

3. Any provision that provides that the parties' waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota Law. If any of the provisions in this disclosure document or the Franchise Agreement are inconsistent with this paragraph, the terms of this paragraph will prevail with regard to any franchise sold in South Dakota.

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN SOUTH DAKOTA**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "~~Effective Date~~"), between ~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~, a Florida corporation ("~~we,~~" "~~us,~~" "~~our~~" or "~~Franchisor~~"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "~~you,~~" "~~your~~" or "~~Franchisee~~") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "~~Agreement~~").

1. ~~**Precedence and Defined Terms.**~~ This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

3. ~~**Termination.**~~ The following is added to Section 16:

You will have 30 days written notice with an opportunity to cure prior to termination for the following: breach of the Franchise Agreement, failure to meeting performance and quality standards and failure to make royalty payments.

4. ~~**Covenants Not to Complete.**~~ Covenants not to compete on termination or expiration of a Franchise Agreement are generally unenforceable in the state of South Dakota, except in certain instances as provided by law. This statement is given for informational purposes only.

5. ~~**Jurisdiction and Venue.**~~ Any provision which designates jurisdiction or venue or requires you to agree to jurisdiction or venue in a forum outside South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM**  
**~~TO FRANCHISE DISCLOSURE DOCUMENT FOR~~**  
**~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~**  
**COMMONWEALTH OF VIRGINIA**

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

**SPECIAL RISK FACTOR:**

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$2,658,750 to \$6,489,750. This amount exceeds the franchisor's stockholders' equity as of December 31, 2021, which is \$1,411,825.

In recognition of the restrictions contained in Section 13.1-564 of the Act, the following is added to Item 17.h:

Pursuant to Section 13.1-564 of the Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.

Item 17(o) is amended to include the following: Section 17.05, Buyout Option, of the Franchise Agreement is in violation of Section 13.1-564 of the Virginia Retail Franchising Act, and is not enforceable.

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN VIRGINIA**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "**Effective Date**"), between **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation ("**we**," "**us**," "**our**" or "**Franchisor**"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "**you**," "**your**" or "**Franchisee**") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "**Agreement**").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

**CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.**

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**  
**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**  
**STATE OF WASHINGTON**

The following is added to the disclosure document:

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

~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.~~

~~RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN WASHINGTON**

~~This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), between CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC., a Florida corporation ("we," "us," "our" or "Franchisor"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "you," "your" or "Franchisee") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "Agreement").~~

~~This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.~~

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

~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.~~

~~RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the~~

~~employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington,~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington,~~

~~Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.~~

**~~CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.~~**

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

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

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

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

**~~YOU~~**

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

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

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

**ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**  
**CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**  
**STATE OF WISCONSIN**

The following is added to the disclosure document:

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

**RIDER TO  
CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.  
FRANCHISE AGREEMENT  
FOR USE IN WISCONSIN**

This Rider is entered into this \_\_\_\_\_, 20\_\_\_\_ (the "~~Effective Date~~"), between ~~CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.~~, a Florida corporation ("~~we,~~" "~~us,~~" "~~our~~" or "~~Franchisor~~"), with its principal business address at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135, and \_\_\_\_\_, a \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (referred to in this Rider as "~~you,~~" "~~your~~" or "~~Franchisee~~") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "~~Agreement~~").

1. ~~**Precedence and Defined Terms.**~~ This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

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

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

~~CREATIVE WORLD SCHOOLS  
FRANCHISING COMPANY, INC.~~

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**YOU**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

*[Different first page link-to-previous setting changed from on in original to off in modified.]*

**EXHIBIT L TO THE DISCLOSURE DOCUMENT**

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**AGENTS FOR SERVICE OF PROCESS  
(STATE AGENCIES)**

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QB\10155388.89 [10155388.92](#)

**AGENTS FOR SERVICE OF PROCESS  
(STATE AGENCIES)**

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

Our registered agent in the State of Florida is:

Joshua T. Keleske, P.L.  
3333 West Kennedy Boulevard, Suite 204  
Tampa, FL 33609

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Financial Protection and Innovation <i>Los Angeles</i> 320 West 4 <sup>th</sup> Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 <i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 <i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 1000 (212) 416-8236	Attention: Uniform Commercial Code New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	North Dakota Securities Department State Capitol 5th Floor, Dept. 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department State Capitol 5th Floor, Dept. 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	

**EXHIBIT M TO THE DISCLOSURE DOCUMENT**

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**FORM OF PROMISSORY NOTE, SECURITY AGREEMENT  
AND UCC-1 FINANCING STATEMENT**

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**PROMISSORY NOTE**

U.S. \$ \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_\_\_  
(the "**Effective Date**")

Executed at \_\_\_\_\_

**FOR VALUE RECEIVED**, \_\_\_\_\_, a \_\_\_\_\_,  
whose principal business address is \_\_\_\_\_ (the "**Franchisee**" promises to pay to the order of **DISCOUNT PRESCHOOL, LLC**, a Florida limited liability company (the "**Lender**"), at its offices at 25110 Bernwood Drive, Suite #104, Bonita Springs, FL 34135 (or at such other place or places as the Lender or the holder of this Note may designate in writing, from time to time), the principal sum of \_\_\_\_\_ **DOLLARS** (U.S. \$ \_\_\_\_\_) (the "**Loan**"), or such lesser sum outstanding at the time when payment is due under this Note, in lawful money of the United States of America, together with interest accruing thereon from the date of this Note at the rate and time later provided, on the balance from time to time remaining unpaid. The Loan represented by this Note is subject to the terms and conditions of a CREATIVE WORLD SCHOOL® Franchise Agreement dated \_\_\_\_\_, 201\_\_ (the "**Franchise Agreement**") between Franchisee and CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC., a Florida corporation (the "**Franchisor**"). All capitalized terms not defined herein shall have the same meaning as contained in the Franchise Agreement.

1. **Interest Rates and Payments.** Interest will accrue on the unpaid principal balance at the rate of \_\_\_\_\_ percent (\_\_\_%) per annum. Monthly payments of principal plus accrued and unpaid interest in the amount of \$ \_\_\_\_\_ will be due and payable on the 1st day of each month commencing \_\_\_\_\_, 201\_\_ until fully paid. All payments received by the Lender will be applied first to accrued and unpaid interest and then to the then outstanding principal balance.
2. **Security.** This Note is secured by that certain Security Agreement of even date herewith, executed by Franchisee in favor of Lender.
3. **Definition of Event of Default.** For purposes of this Note, an "**Event of Default**" is: (a) any failure to pay any sums when due to the Lender or the Franchisor, or its affiliates, under this Note, the Franchise Agreement or any other agreements between the Franchisee and the Lender or the Franchisor or its affiliates and failure to cure such default within ten (10) days after receiving notice thereof; or (b) any breach of the provisions of the Franchise Agreement, or any other agreement between the Franchisee and Lender, Franchisor or their affiliates not cured within the applicable cure period.
4. **Late Charges; Default Interest Rate.** A late charge equal to five percent (5%) of any installments of interest or principal which is not paid within ten (10) days of the date when the same becomes due and payable must be included with any such late payment. At any time or times during which an Event of Default then exists or upon the maturity of this Note, the interest rate under this Note will be equal to the lesser of: (i) eighteen percent (18%) per annum; or (ii) the maximum rate of interest permitted by applicable law (the "**Default Interest Rate**"), and shall be due and payable **ON DEMAND**.
5. **Acceleration of Maturity.** In the event of the continuation of any default in the payment of any interest or principal under this Note for a period of ten (10) days after notice is received from Lender or upon the occurrence of any other Event of Default, the Lender or the holder of

this Note may elect to declare and may declare the entire unpaid principal amount outstanding under this Note, together with interest accrued thereon, immediately due and payable and/or may increase the interest rate under this Note up to the Default Interest Rate.

6. **Waivers.** The Franchisee, its successors and assigns, and all other endorsers and guarantors of this Note waive any defense by reason of any extension of time for reason of nonpayment. The Franchisee, its successors and assigns, and all endorsers and guarantors of this Note waive demand, presentment, notice of non-payment, dishonor and protest.

7. **Attorneys' Fees.** In case suit is brought for the collection of this Note, or if it is necessary to place the same in the hands of an attorney for collection, the Franchisee and all endorsers and guarantors of this Note agree to pay reasonable attorneys' fees for making such collection, including all fees and costs incident to any appellate, post-judgment, and bankruptcy proceedings that may result, whether the holder of this note is obligated thereof or not.

8. **Maximum Interest.** Despite any other provision of this Note, in no event will the amount of interest due or payable under this Note exceed the maximum contract rate of interest allowed by applicable law, as amended from time to time. If any payment is made by the Franchisee or received by the Lender that exceeds the maximum contract rate of interest, such excess sum will be credited as a payment of principal, unless the Franchisee notifies the Lender that it elects to have the excess sum returned.

9. **Payment of Indebtedness.** All payments received from the Franchisee may be applied to outstanding principal or accrued interest as the Franchisor designates.

10. **Negotiability.** This Note is fully negotiable by the Lender.

11. **Consideration.** The Franchisee acknowledges and agrees that this Note has been signed and delivered to the Lender in exchange for valuable consideration. The valuable consideration relates to amounts that are due and owing to the Lender, without any defense or setoff.

12. **Venue.** The Franchisee agrees that Lee County, Florida, is the proper venue for any and all legal proceedings arising out of this Note.

13. **Governing Law.** The provisions of this Note and the Franchise Agreement will be construed according to the laws of the State of Florida.

14. **Consent to Changes.** All parties liable for the payment of this Note consent and agree that the granting to the Franchisee or any other party of any extension of time for the payment of any sums due under this Note, or for the performance of any covenant or stipulation in this Note or in any document securing the Loan or the release of the Franchisee or any other party, or the agreement of the Lender not to sue the Franchisee or any other party, or the discharge of the Franchisee or any other party, or the taking or releasing of other or additional security, will not in any way release or affect the liability of the Franchisee and/or of the endorsers or guarantors of this Note, all rights against such parties being expressly reserved.

15. **Amendment.** This Note may not be amended or modified, nor will any waiver of any provisions of this Note be effective, except by an instrument in writing signed by the holder of

this Note. The Franchisee has signed this Note as principal and not as surety or accommodation party.

16. **Prepayment.** This Note may be prepaid, in whole or in part, at any time without penalty provided that any partial payment shall be applied against the principal amount outstanding in inverse order of maturity and shall not postpone the due date of any subsequent payment unless the Lender shall otherwise agree in writing in its sole discretion.

17. **Nonassumability.** This Note is not assumable without the Lender's prior written consent. Such assumption may be granted at the Lender's sole discretion and may be denied without regard to a showing of an impairment of the Lender's security or an evaluation of the creditworthiness of the proposed assuming party and regardless of whether the Franchisor consents to a transfer of the Franchise Agreement.

18. **WAIVER OF JURY TRIAL.** THE FRANCHISEE, BY SIGNING THIS NOTE, AND THE LENDER, BY ACCEPTANCE OF THIS NOTE, MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSSCLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS WHETHER ARISING FROM OR RELATED TO THE NEGOTIATION, SIGNING AND PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS NOTE RELATES.

**"FRANCHISEE"**

\_\_\_\_\_

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

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

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

\_\_\_\_\_

## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** is made and entered into as of \_\_\_\_\_, 201\_\_\_\_ (this "**Agreement**"), by and among **DISCOUNT PRESCHOOL, LLC**, a Florida limited liability company ("**Secured Party**"), and \_\_\_\_\_, a \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("**Debtor**").

A. Secured Party is selling to Debtor the opening package equipment, materials and supplies (the "**Equipment**") more particularly described in Exhibit "C" to that certain Franchise Agreement dated \_\_\_\_\_ (the "**Franchise Agreement**"), by and between Debtor and **CREATIVE WORLD SCHOOLS FRANCHISING COMPANY, INC.**, a Florida corporation, for a total purchase price of \$ \_\_\_\_\_ ("**Purchase Price**").

B. Secured Party is financing the purchase of the Equipment, and Debtor is granting to Secured Party a security interest in the Collateral in order to secure Debtor's unconditional obligation to pay the Purchase Price to Secured Party.

**ACCORDINGLY**, for good and valuable consideration, the parties hereby agree as follows:

1. **Security Interest.** In order to secure payment and performance in full of the obligation of Debtor to pay the Purchase Price, and all other obligations of Debtor to Secured Party, arising, under or in respect of the Franchise Agreement and this Agreement, including but not limited to any extensions, modifications, substitutions, increases or renewals thereof, (ii) payment of all amounts advanced or incurred by Secured Party to preserve, protect, defend, and enforce its rights under this Agreement, the Franchise Agreement, and with respect to the Collateral, and (iii) payment of all fees, costs and expenses incurred by Secured Party in connection therewith (the "**Obligations**"), Debtor hereby grants to Secured Party a continuing, valid, and unavoidable security interest in and lien on, all of Debtor's right, title, and interest in and to all of the following property, wherever located, whether now owned or hereafter acquired or arising (collectively, the "**Collateral**"):

All furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including, without limitation, the Equipment and customer contracts, used in the operation of the franchised business known as "Creative World School" located at \_\_\_\_\_; all additions, attachments, accessories, accessions, parts, fittings, and special tools now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof, and all substitutions and exchanges therefor; and all proceeds, including all cash proceeds and all noncash proceeds, including without limitation, proceeds of any and all insurance covering any of the foregoing, and all products of any and all of the foregoing.

2. **Representations; Warranties.** Debtor represents and warrants to Secured Party as follows: Debtor has good title to the Collateral, free from any right or claim of any security interest, lien, claim or encumbrance (collectively, a "**Lien**"), except for the permitted Liens listed in Exhibit A. Debtor has full corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations under this Agreement, and to incur and perform the Obligations, all of which have been duly authorized by all necessary corporate action. This

Agreement constitutes the valid and legally binding obligation of Debtor, enforceable against it in accordance with its terms. Bankruptcy proceedings have not been commenced by or against Debtor under any federal bankruptcy law or other federal or state law.

3. **Insurance.** Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever. Debtor shall keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, and against all such other risks, casualties, and contingencies as Secured Party may reasonably require. Such insurance shall be payable to Secured Party as loss payee under a standard loss payee clause.

4. **Notices.** Debtor shall provide Secured Party at least thirty (30) days written notice prior to (i) any change in Debtor's name; (ii) any change in the jurisdiction of incorporation or organization of Debtor; or (iii) any of the Collateral being lost, stolen, missing, destroyed, materially damaged, or worn out.

5. **Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements, including a UCC financing statement substantially in the form attached as Exhibit B, and amendments thereto that (a) describe the Collateral; and/or (b) provide any other information required by Article 9 of the Uniform Commercial Code of the State of Florida or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment. Debtor agrees to furnish such information to Secured Party promptly upon Secured Party's request.

6. **Events of Default.** Each of the following shall constitute an event of default ("**Event of Default**") under this Agreement:

6.1 Failure by Debtor to make payment of any amount of the Obligations when due and to correct such failure within ten (10) days after receiving written notice thereof;

6.2 Failure by Debtor to duly perform or observe any other term, covenant or agreement contained in this Agreement, which failure shall have continued unremedied for a period of ten (10) days after written notice thereof from Secured Party to Debtor;

6.3 Any representation or warranty made by Debtor in this Agreement, any financial statement, or any statement or representation made in any other report or other document delivered in connection with this Agreement or the Franchise Agreement proves to have been incorrect or misleading in any material respect when made;

6.4 Debtor makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any of the Collateral;

6.5 Debtor (i) files a petition in bankruptcy, (ii) is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself, any of the Collateral, or any substantial part of its property, (iii) commences any proceeding relating to itself under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any such proceeding is commenced against Debtor, including but not limited to, the filing of an involuntary petition against Debtor under the United States Bankruptcy Code, (iv) by any act indicates its consent

to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for Debtor or any substantial part of its property, or (v) admits in writing its inability to pay its debts as they become due;

6.6 Debtor, or any other affiliate of Debtor, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Agreement, or any related documents, the legality or the enforceability of any of the Obligations or the perfection or priority of any Lien granted to Secured Party; or

6.7 There shall be any material adverse change in the financial condition of Debtor or any other event shall occur that, as determined by Secured Party in good faith, materially impairs the ability of the Debtor to pay the Obligations.

7. **Remedies Upon Event of Default.** Upon the occurrence of any Event of Default, the Obligations under the Note shall become immediately due and payable upon declaration to that effect delivered by Secured Party to Debtor; provided, however, that upon the happening of any event specified in Section 6.5 herein, the Note shall be immediately due and payable without declaration or other notice to Debtor. Upon the occurrence of and during the continuance of an Event of Default under this Agreement, Secured Party, in addition to all other rights, options, and remedies granted to Secured Party under this Agreement, shall have all rights, options and remedies available to it under the Uniform Commercial Code, as adopted under the internal laws of the State of Florida from time to time, at law, or in equity. Debtor agrees that a notice received by it at least five (5) days before the time of any intended public sale, or the time after which any private sale or other disposition of the Collateral or any portion thereof is to be made, shall be deemed to be reasonable notice of such sale or other disposition.

8. **Nature of Remedies.** All rights and remedies granted Secured Party under this Agreement and under any other related documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative.

9. **General.**

9.1 **Amendment.** This Agreement can be waived, amended, terminated or discharged, and the security interest and Liens of Secured Party can be released, only explicitly in a writing signed by Secured Party, and, in the case of amendment, in a writing signed by Debtor and Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given.

9.2 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns (except that Debtor may not assign its obligations under or rights in this Agreement without the prior written consent of Secured Party, which consent may be withheld in Secured Party's sole discretion) and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance of this Agreement.

9.3 **Venue.** The Debtor agrees that Lee County, Florida, is the proper venue for any and all legal proceedings arising out of this Agreement.

9.4 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without regard to choice of law principles.

9.5 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but which counterparts together shall constitute but one and the same instrument. Fax or other electronically-imaged signatures shall constitute binding and original signatures for all purposes.

9.6 **Notice.** Any notice or other communication required or permitted under this Agreement shall be in writing and personally delivered, mailed by registered or certified mail (return receipt requested and postage prepaid), sent by telecopier (with a confirming copy sent by regular mail), sent by e-mail, or sent by prepaid overnight courier service, and addressed to the relevant party at its address set forth on the signature page of this Agreement, or at such other address as such party may, by written notice, designate as its address for purposes of notice under this Agreement. If mailed, notice shall be deemed to be given three (3) days after being sent, and if sent by personal delivery, telecopier, prepaid courier, or e-mail, notice shall be deemed to be given when delivered.

10. **Waiver of Jury Trial.** DEBTOR HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, OR ANY RELATED DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

**“SECURED PARTY”**

**“DEBTOR”**

**DISCOUNT PRESCHOOL, LLC,  
a Florida limited liability company**

\_\_\_\_\_  
a \_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Address for notices:

Address for notices:

25110 Bernwood Drive, Suite #104  
Bonita Springs, FL 34135

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

**Exhibit B**  
**UCC-1 FINANCING STATEMENT**

(Attached)

**UCC FINANCING STATEMENT**

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; height: 100px; width: 100%;"></div>

**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY**

1. **DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME					
OR	1b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

2. **DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. **SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY):** Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME					
OR	3b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

4. **COLLATERAL:** This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is  held in a Trust (see UCC1Ad, item 17 and Instructions)  being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:  
 Public-Finance Transaction  Manufactured-Home Transaction  A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:  
 Agricultural Lien  Non-UCC Filing

7. **ALTERNATIVE DESIGNATION (if applicable):**  Lessee/Lessor  Consignee/Consignor  Seller/Buyer  Bailee/Bailor  Licensee/Licensors

8. **OPTIONAL FILER REFERENCE DATA:**



**EXHIBIT N TO THE DISCLOSURE DOCUMENT**

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**FORM OF  
FRANCHISE COMPLIANCE CERTIFICATION**

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The Franchise Compliance Certificate is not applicable in the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

**DO NOT SIGN THIS COMPLIANCE CERTIFICATION IF YOU ARE A RESIDENT OF MARYLAND OR THE BUSINESS IS TO BE OPERATED IN MARYLAND.**

**FORM OF FRANCHISE COMPLIANCE CERTIFICATION**

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement, and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Did you receive the Franchise Agreement, and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any Deposit Agreement for Site Assessment) with us or an affiliate?\*

Yes \_\_\_\_\_ No \_\_\_\_\_

\* This does not include changes to any agreement arising out of negotiations you initiated with us.

3. Do you understand all of the information contained in the Franchise Agreement, and each Addendum (if any) and related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

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4. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”) that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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8. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Have you discussed the benefits and risks of purchasing a CREATIVE WORLD SCHOOL® franchise with an attorney, accountant or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Do you understand that the success or failure of your CREATIVE WORLD SCHOOL® franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a CREATIVE WORLD SCHOOL® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. 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 CREATIVE

WORLD SCHOOL® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. 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 CREATIVE WORLD SCHOOL® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. 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 to you that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. If you have answered "Yes" to any one of questions 11-14, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

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16. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the CREATIVE WORLD SCHOOL® franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?\*

Yes \_\_\_\_\_ No \_\_\_\_\_

\* Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

17. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. You signed the Franchise Agreement, and Addendum (if any) and related agreements on \_\_\_\_\_, 20\_\_, and acknowledge that no agreement or addendum is effective until signed and dated by us.

[Signature Page Follows]

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the “**Franchisee Applicant**” constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Printed Name  
20\_\_\_\_  
Date

[Signature Page to CREATIVE WORLD SCHOOL® Franchise Compliance Certification]

**EXHIBIT O TO THE DISCLOSURE DOCUMENT**

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**STATE EFFECTIVE DATES**

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## State Effective Dates

The following states have franchise laws that require the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	None
Hawaii	None
Illinois	<del>Pending</del> Effective _____, 2024
Indiana	Effective August <del>20, 2022, amended</del> _____16, 2023, amended _____, 2024
Maryland	<del>Pending</del> Effective _____, 2024
Michigan	Effective August 17, <del>2022</del> 2023
Minnesota	<del>Pending</del> Effective _____, 2024
New York	None
North Dakota	None
Rhode Island	None
South Dakota	None
Virginia	<del>Pending</del> Effective _____, 2024
Washington	None
Wisconsin	None

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT P TO THE DISCLOSURE DOCUMENT**

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**RECEIPTS**

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## RECEIPT

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

If Creative World Franchising Company, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Creative World Franchising Company, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit "L" to this disclosure document).

The franchisor is Creative World Schools Franchising Company, Inc., located at 25110 Bernwood Drive, Suite #104, Bonita Springs, Florida 34135. Its telephone number is (239) 947-6177.

We authorize the respective state agencies identified on Exhibit "L" to receive service of process for us if we are registered in the particular state.

Issuance Date: May ~~8~~, 20232024

The name, principal business address, and telephone number of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Greg Michael Bob Slaughter	25110 Bernwood Drive, Suite #104 Bonita Springs, Florida 34135	(239) 947-6177

I received a disclosure document dated May ~~8~~, 20232024 (the state effective dates are listed on the pages preceding the table of contents). The disclosure document included the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Form of Deposit Agreement for Site Assessment
Exhibit C-1	Form of Franchise Agreement
Exhibit C-2	Form of SBA Addendum
Exhibit D	Form of Conditional Assignment of Telephone Numbers and Listings and Internet Addresses
Exhibit E	Form of Conditional Assignment and Assumption of Lease
Exhibit F	Form of Agreement to Lease
Exhibit G	Form of Release
Exhibit H	Form of Confidentiality and Noncompetition Agreement
Exhibit I	Form of Principal Owner's Guaranty
Exhibit J	Form of Principal Owner's Statement
Exhibit K	State Specific Addenda to the Disclosure Document and Riders to the Franchise Agreement
Exhibit L	Agents for Service of Process (State Agencies)
Exhibit M	Form of Promissory Note, Security Agreement and UCC-1 Financing Statement
Exhibit N	Form of Franchise Compliance Certification
Exhibit O	State Effective Dates
Exhibit P	Receipts

Prospective

Date \_\_\_\_\_ Franchisee \_\_\_\_\_

*(Keep this page for your records)*

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- Exhibit N Form of Franchise Compliance Certification
- Exhibit O State Effective Dates
- Exhibit P Receipts

Prospective

Date \_\_\_\_\_ Franchisee \_\_\_\_\_

Sign and return this copy to:

*Creative World Schools Franchising Company, Inc.  
25110 Bernwood Drive, Suite #104  
Bonita Springs, Florida 34135  
(239) 947-6177*