

## FRANCHISE DISCLOSURE DOCUMENT



### **Kiddie Academy Domestic Franchising, LLC**

A Delaware Limited Liability Company

3415 Box Hill Corporate Center Drive

Abingdon, Maryland 21009-1201

1-800-5-KIDDIE

[franchisedevelopment@kiddieacademy.com](mailto:franchisedevelopment@kiddieacademy.com)

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

The franchisee will operate a specially designed early childhood learning and child care facility offering programs for children between six weeks and 12 years of age under the name **Kiddie Academy**<sup>®</sup>.

The total investment necessary to open a **Kiddie Academy**<sup>®</sup> Franchise is \$405,000 - \$1,055,000 if you are leasing your Kiddie Academy facility, and \$4,415,000 - \$7,255,000 –if you are purchasing your Kiddie Academy facility. 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 or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information 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 us at the above address and telephone number.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying A Franchise” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTCHELP 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 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: March 29, 2024

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit M.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit O includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Kiddie Academy 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 Kiddie Academy franchisee?</b>	Item 20 or Exhibit M lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

See the Table of Contents for the location of the State Specific Addenda.

### **Special Risks to Consider About *This* Franchise**

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Maryland. 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 Maryland than in your own state.

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

## NOTICE REQUIRED BY THE STATE OF MICHIGAN

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provision is void and cannot be enforced against you.**

Each of the following provisions is void and unenforceable if contained in any document 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.
- (c) A provision that permits a franchisor to terminate a franchise agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five 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 six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from

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

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

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

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

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

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

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

**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 the Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

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## **ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

Kiddie Academy Domestic Franchising, LLC (“**KADF**”) a Delaware limited liability company, will be your franchisor. To simplify the language in this Disclosure Document, “**KADF**,” the “**Franchisor**,” “**us**,” “**our**,” or “**we**” means Kiddie Academy Domestic Franchising, LLC. “**You**,” “**Franchisee**” or “**Kiddie Academy Franchisee**” means a person or entity who is awarded a franchise. If a corporation, partnership, or limited liability company is the franchisee, “**You**” does not include the franchisee’s shareholders, partners, or members.

### **Our Parent, Predecessors, and Affiliates**

Our principal business address (and that of our parent and affiliates) is 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201. Our agent for service of process in your State is listed on Exhibit A (*See Exhibit A - List of State Agencies/Agents For Service of Process*).

Kiddie Academy franchises were first sold by Kiddie Academy Franchising Systems, Inc. (“**KAFS**”), which was formed in 1990. In 1999, KAFS was merged into Kiddie Academy Child Care Learning Centers, Inc. (“**KACCLC**”), which was subsequently merged into Kiddie Academy International, Inc. (“**KAI**”). KAFS, KAI and KACCLC are all predecessors of the Franchisor. In 2002, KAI formed and became the sole member of KADF; Kiddie Academy Foreign Franchising, LLC; and Kiddie Academy Corporate Centers, LLC. These limited liability companies (the “**Subsidiaries**”) conduct the functions formerly performed exclusively by KAI.

In 2005, KAI formed and became the sole member of Kiddie Academy System Advertising Fund, LLC (“**KASAF**”). KASAF manages the Kiddie Academy Brand Building Fund (the “**Brand Building Fund**”) and disburses the brand building fees (the “**Brand Building Fees**”) which are paid by all Kiddie Academy franchisees.

In December of 2009, KAI changed its name to Essential Brands Inc. (“**EBI**”). Only KAI’s name was changed; all of the interests, assets, and liabilities of the entity remained the same. EBI retained all rights to the Kiddie Academy name, marks and operating system, and licenses their use to the Subsidiaries and KASAF.

In 2018, EBI formed and became the sole member of KA Support Services, LLC (“**KASS**”). KASS provides all management services to the Subsidiaries and KASAF.

None of the above referenced entities has ever offered or sold franchises in any other line of business.

### **Prior Business Experience of Franchisor and Affiliates**

The first Kiddie Academy Educational Child Care center opened in 1981, and franchises have been awarded since 1992. The Franchisor’s affiliates have been in the business of operating educational child care centers since 1981 and currently operate a prototype Academy near our

corporate offices in Abingdon, Maryland. During the past 40 years, the Franchisor and its affiliates have developed superlative training programs, administrative and operational techniques and policies, a developmentally dynamic curriculum, business management systems, advertising and promotional programs, business forms, and design plans and specifications for use in the establishment and operation of academies.

### **The Business We Offer**

The Kiddie Academy system was founded by Pauline and George Miller. We offer Kiddie Academy franchises for educational child care businesses that provide services for children between the ages of six weeks and 12 years using the Kiddie Academy System and Marks (as defined below). Mrs. Miller served as our Chief Executive Officer from 1981 to 1996 and Mr. Miller served as our Chief Executive Officer from 1997 to 2002. The Kiddie Academy System is our specialized system for the development and operation of year-round educational child care centers that offer academic and social enrichment, as well as education-based child care services (the “**Kiddie Academy System**”). The Kiddie Academy System includes distinctive interior and exterior design, décor, layout and color scheme, signage, equipment, furnishings, forms, and materials; specialized educational equipment and materials; the Kiddie Academy manuals (the “**Manuals**”); the proprietary Kiddie Academy curriculum; operating methods, procedures, and techniques; proprietary software; specialized training programs and marketing materials, including social media, social networking, and websites; and other confidential operating procedures, methods, and techniques for controlling inventory and costs, record keeping and reporting; suggested best practices for personnel/management, purchasing, sales promotion, marketing, and advertising, all of which we may change, improve, and further develop from time to time. The Kiddie Academy System is identified by our trade names, service marks, trademarks, trade dress, logos, logotypes, emblems, and indicia of origin (including the marks “KIDDIE”, “KIDDIE ACADEMY”) and other identity elements currently in use or that we may designate in the future (collectively referred to as the “**Marks**”).

The programs and services provided at Kiddie Academy franchises are used primarily by parents who seek high quality and education-based child care. Kiddie Academy franchises are open year-round and typically accommodate between 120 and 205 children.

We offer You the right to operate a Kiddie Academy franchise using our Marks and the Kiddie Academy System (a “**Kiddie Academy Franchise**,” an “**Academy**,” or a “**Franchised Business**”) under our standard franchise agreement (the “**Franchise Agreement**”) (*See Exhibit B - Franchise Agreement (with Exhibits)*).

If You become a Kiddie Academy Franchisee, You must secure, with our assistance, an acceptable location for your Academy, and then design, construct, equip, and operate your Academy according to the Kiddie Academy System requirements. You will be required to identify an acceptable location and lease or acquire your Academy facility according to the terms of the Site Selection Addendum (*See Exhibit E to Franchise Agreement*) and within the “**Site Selection Period**” (as defined in the Site Selection Addendum). Because we rely on You to operate your

Academy, we require that You be present and personally involved in the day-to-day operations of your Academy.

We permit new, qualified Franchisees who wish to acquire two or more Kiddie Academy Franchises when they initially become Franchisees to enter into additional Franchise Agreement(s) immediately and pay discounted initial fees for each additional Kiddie Academy Franchise. We also permit existing qualified Franchisees in good standing to pay discounted initial fees for each additional Kiddie Academy Franchise they acquire. Finally, if You meet certain criteria as defined by the International Franchise Association’s “Vet\*Fran Program”, or if You participate in our “First In Market” initiative, You may also qualify for discounted initial fees for each Kiddie Academy Franchise You develop. The above incentives are more fully discussed in Item 5 below. We may, in our sole discretion, limit the number of Kiddie Academy franchises that any individual or group may own.

Accreditation. KADF was one of the first educational companies to be accredited by AdvancED® (now known as “Cognia”), a global leader in advancing education excellence through accreditation and school improvement. Cognia serves more than 34,000 public and private schools and districts across the United States and in more than 70 countries that educate over 20 million students. Accreditation from Cognia means that KADF has been evaluated and met all of their research-based standards focused on student performance and organizational effectiveness.

We encourage and support our Franchisees in pursuing, achieving, and maintaining a quality school improvement process. We require our Franchisees to achieve and maintain accreditation through a national accreditation organization approved ~~through~~ by KADF. Kiddie Academy’s Education Department assists our Franchisees in obtaining accreditation from national, regional, and state accreditation agencies, such as Cognia, the National Association for the Education of Young Children, National Early Childhood Program Accreditation, and the various State Quality Rating Improvement Systems. The costs associated with such accreditation are your responsibility.

The Kiddie Academy Life Essentials® Curriculum. Each Kiddie Academy Franchise is required to use our proprietary Kiddie Academy Life Essentials Curriculum that consists of developmentally appropriate education-based child care programs designed by the Education Department to promote each child’s intellectual, social, physical, and emotional growth in addition to the traditional areas of language arts, mathematics, science, social studies, and creative arts. The Life Essentials Curriculum represents our core belief that children learn through play. The focus on play is intentional, allowing children to explore, create and experience developmentally appropriate activities throughout the day. . Our holistic curriculum focuses on the development of 6 key child outcomes: Character, Confidence, Curiosity, Connection, Critical Thinking and Creative Expression. The Kiddie Academy Life Essentials Curriculum consists of over 7,000 pages incorporated into 11 volumes. All Kiddie Academy Franchises are required to incorporate certain features into their operation which promote this curriculum.

The following developmentally appropriate programs are included within the Kiddie Academy Life Essentials Curriculum: (1) “*New Beginnings*” *Infant Program*; (2) “*Discovering*

*Me” Toddler Program; (3) “Exploring My World” Two-Year-Old Program; (4) “I Can Do It” Three-Year-Old Program; (5) “Ready, Set, Go!” Four-Year-Old Program; (6) “On My Way” Five-Year-Old Program; (7) “Creative Explorers®” School Age Program; (8) CampVentures® Summer Program; (9) Character Essentials<sup>sm</sup> ; (10) Literacy and Numeracy Essentials and (11) Music & More*

Kiddie Academy Franchises employ a variety of systems and features that permit greater visibility throughout the Academy and provide for enhanced security for the children. All Academies are required to utilize age-appropriate furniture and flooring, interactive educational toys, manipulatives, classroom supplies, and equipment. Our programs also emphasize continuous communication between teachers and parents concerning each child’s development. We believe that this communication is critical to maintaining high levels of parental confidence and satisfaction.

Kiddie Academy Franchises utilize a proprietary suite of digital tools to provide families with a proprietary digital enrollment process called the Family Enrollment Experience (the "**Family Enrollment Experience**"). The Family Enrollment Experience includes easy-to-use tools such as intuitive inquiry management, intelligent tour scheduling, efficient digital enrollment, and robust enrollment reporting that make the process for families to enroll in a Kiddie Academy Franchise simple, quick, and efficient.

### **Laws and Regulations**

The child care industry is subject to many federal, state, and local laws, regulations, and licensing requirements. These regulations and requirements concern, for example: the fitness and adequacy of buildings and equipment; the appropriateness of materials and supplies; qualifications of staff; the ratio of staff to children in each classroom; staff training; record-keeping; dietary requirements; daily curriculum; health, fire, data privacy and safety standards. You, as the Academy owner/operator, must comply with these laws, regulations, and licensing requirements, obtain a child care license before You open for business, which includes passing thorough a criminal background check. The child care license must be maintained as long as You own and operate your Kiddie Academy Franchise. Your state child care licensing agency will make all final determinations regarding your Academy’s license and its enrollment capacity. Your Kiddie Academy Franchise will be managed by a director (the “**Director**”) who, in most cases, will be required by state regulations to have a degree in education and a certificate in early childhood education. In addition, You will be required to hire qualified staff and teachers as mandated by the applicable licensing authority for the state in which your Kiddie Academy Franchise is located. Every member of your staff must also pass a criminal background check. If your Academy operates a kindergarten program or other educational programs that are regulated by your state’s Department or Board of Education, You may be required to obtain an additional accreditation or approval from that organization. We assist and support our Franchisees in obtaining such accreditations and/or approvals. Construction of child care facilities are subject to local zoning requirements, which vary from jurisdiction to jurisdiction. In addition, You will be subject to state and local vehicle laws which may require special licensing for vehicles and drivers that are involved in transporting students.

## **Market and Competition**

The market for child care services is well developed and competitive. You may compete with for-profit child care facilities that are either locally based or part of national chains. You may also compete with nonprofit child care centers, which may be sponsored by local community groups, or be based in public schools and government funded.

## **ITEM 2: BUSINESS EXPERIENCE**

The individuals listed below, are located in Franchisor's corporate offices in Abingdon and Bel Air, Maryland.

### **Executive Chairman: Michael J. Miller**

Mr. Miller has served as our Executive Chairman since September 2002. In addition, he served as our Chief Executive Officer from September 2002 to December 2019, and as our President from September 2002 to October 2011. Mr. Miller joined KADF's predecessor in 1984.

### **President: Joshua M. Frick**

Mr. Frick has served as our President since January 2020. Mr. Frick served as our Chief Development Officer from June 2017 to December 2019. He served as our Vice President of Real Estate Development from November 2005 to June 2017. He joined KADF's predecessor in 2001.

### **Executive Vice President and Chief Financial Officer: Susan T. Wise**

Ms. Wise has served as our Executive Vice President since January 2018 and Chief Financial Officer since November 2003. Ms. Wise served as our Chief Operations Officer from October 2011 to January 2018 and as our Controller from January 1994 to November 2003. She joined KADF's predecessor in 1989.

### **Executive Vice President: Casey Miller**

Mr. Miller has served as our Executive Vice President since January 2020. Mr. Miller served as Director of Franchise Development from June 2018 to December 2019. He joined KADF in 2013.

### **Chief Development Officer: Jeffrey P. Brazier**

Mr. Brazier has served as our Chief Development Officer since January 2020. Mr. Brazier served as our Vice President of Franchise Development from April 2018 to December 2019 and as Director of Franchise Development from March 2016 to April 2018. Prior to joining KADF he served as Vice President of Business Development for Factory Athletics, Inc. from November 2013 to March 2016 in Columbia, MD.

### **Chief Technology Officer: Gregory E. Goodwin**

Mr. Goodwin has served as our Chief Technology Officer since April 2017. Mr. Goodwin served as our Vice President of Technology from May 2014 to April 2017.

**Chief Operating Officer: Kevin J. Murphy**

Mr. Murphy has served as our Chief Operating Officer since January 2018. Mr. Murphy served as our Vice President of Operations from March 2009 to January 2018. He joined KADF in 2005.

**Chief Marketing Officer: Nicole Salla**

Ms. Salla has served as our Chief Marketing Officer since January 2020. Ms. Salla served as our Vice President of Marketing from October 2017 to December 2019. Prior to joining KADF, she served as Vice President of Strategic Marketing for Love & Company from December of 2014 to September 2017 in Frederick, MD.

**Vice President of Real Estate: Deborah Bowers**

Ms. Bowers has served as our Vice President of Real Estate since September 2022. Prior to that, she served as our Director of Real Estate from January 2019 to September 2022. She joined KADF in 2013.

**Vice President of Construction: Chris Commarota**

Mr. Commarota has served as our Vice President of Construction since 2006. He joined KADF's predecessor in 2000.

**Vice President of Human Resources: Lisa Dick**

Ms. Dick has served as our Vice President of Human Resources since January of 2022. Ms. Dick served as our Director of Human Resources from July 2020 to December of 2021. Prior to joining KADF, she served as the Vice President of Human Resources for Madison Bank of Maryland located in Forest Hill, MD from October 2004 to February 2020.

**Vice President of Learning and Development: Tina Gates**

Ms. Gates has served as our Vice President of Learning and Development since February 2022. Prior to joining KADF, she served as Director of Training and Enablement for Ascend Learning in Leawood, KS from January 2015 to February 2022.

**Vice President of Technology: Ben Lieb**

Mr. Lieb has served as our Vice President of Technology since 2017. Prior to that, he served as IT Manager for Edaptive Systems, LLC in Owings Mills, MD from August 2015 to April 2017.

**Vice President of Operations: Jeff Pleis**

Mr. Pleis has served as Vice President of Operations since January 2024. Prior to that, he served as our Director of Operations from 2018 to 2023. He joined Kiddie Academy in 2010.

**Vice President of Marketing: Derek Root**

Mr. Root has served as our Vice President of Marketing since March of 2022. Prior to that, he served as Director of Marketing for True Terpenes/Bulk Natural in Portland, OR from December 2020 to January 2022. Prior to that, Mr. Root served as Vice President of Marketing and Communications for Eclipse Senior Living in Lake Oswego, OR from January 2020 to August 2020. Prior to that he served as Vice President and Client Partner at SQI Ansira in Portland, OR from August 2016 to January 2020. Prior to that he served as Senior Director of Acquisition Marketing for Kindercare in Portland, OR from November 2013 to July 2016.

**Vice President of Finance: Kevin Shaffer**

Mr. Shaffer has served as our Vice President of Finance since September 2015.

**Vice President of Franchise Development: Broc Silberzahn**

Mr. Silberzahn has served as our Vice President of Franchise Development since January 2020. Mr. Silberzahn served as our Senior Director of Franchise Development from January 2019 until December 2019. He joined KADF in 2013.

**Vice President of Education: Joy Turner**

Ms. Turner has served as our Vice President of Education since January 2020. Ms. Turner served as a Franchise Business Consultant from 2017 to 2020 and as our Director of Education Quality from 2014 to 2017.

**Controller: Lene D. Steelman**

Ms. Steelman has served as our Controller since September 2005. Ms. Steelman served as our Vice President of Accounting from October 2011 to September 2015. She joined KADF in 2005.

**General Counsel: Patrick E. Dandino**

Mr. Dandino has served as our General Counsel since January 2018. Prior to that, he served as Vice President and Assistant General Counsel for Dine Brands Global, Inc. in Glendale, CA from 2011 to 2017.

**ITEM 3: LITIGATION**

**Concluded Actions:**

Kiddie Academy Domestic Franchising, LLC v. Radoste, LLC, American Arbitration Association, AAA Case # 01-16-0002-7226.

This action was filed on July 6, 2016. The matter concerned uncured defaults of the franchise agreement related to the franchisee's relocation of the franchised business and ongoing business reporting obligations, specifically the failure to: pay the relocation fee, provide monthly financial records, provide a compliant lease for the new location (coterminous with the franchise term, provisions protecting the brand), provide an ADA compliance certificate for the new location, and remove unlicensed murals of trademarked

cartoon characters. Franchisee declined to file a AAA counterclaim and instead initiated a separate action on or about January 6, 2017, in Superior Court of New Jersey, Monmouth County, Radoste, LLC v. Kiddie Academy Domestic Franchising, LLC, Docket L-000089, alleging that Franchisor failed to provide adequate support in the relocation process. The matter was settled pursuant to an agreement executed on or about February 22, 2017. Franchisor admitted no fault or other wrongdoing. Both cases have been dismissed with prejudice.

Sierra Learning Academy, Inc. v. Kiddie Academy Domestic Franchising, LLC, District Court for San Bernardino County, California, Civil Action 3 CIVDS 1830239.

This action was filed on November 16, 2018, but was never served on Franchisor. The matter never came before the court and was subsequently dismissed with prejudice. The suit was filed after the plaintiff's franchise agreement was terminated for misuse of Franchisor's name and trademarks, and breach of certain ancillary agreements. The suit alleged breach of contract and violation of various California state laws. The dispute was settled pursuant to an agreement executed on or about July 1, 2019, which allowed the franchisee to transfer its franchise to another Kiddie Academy franchisee and receive a partial refund of fees that it had paid to the Franchisor.

Kiddie Academy Domestic Franchising, LLC v. Supriya Sumanth, Sumanth Nandagopol, and Wonder World Learning, LLC, U.S. District Court for the Northern District of Maryland, Case #1:17-cv-03420-MJG)

This action was filed on November 16, 2017, for trademark infringement, copyright infringement, breach of contract, breach of guaranty, and declaratory judgment when the former franchisee and its owners refused to discontinue use of the Franchisor's marks and system after termination of the franchise agreement. On December 12, 2017, the Court issued a temporary restraining order requiring the former franchisee to complete de-identification of the former franchised premises. On March 26, 2018, the former franchisee and its owners filed an Answer and Counterclaims against the Franchisor and several of its officers reasserting many of the claims made in the prior civil action which they voluntarily dismissed.

On March 31, 2019, the Court granted Motions to Dismiss on all claims against the Franchisor's officers and on all claims against the Franchisor except for the claim of negligent misrepresentation. The former franchisee and its owners subsequently filed a Third-Party Complaint against the Franchisor's officers Joshua Frick and Lene Steelman for negligent misrepresentation claim.

On July 27, 2020, the Court granted Summary Judgement in favor of Frick and Steelman on all claims and in favor of the Franchisor on the remaining negligence counterclaim. The action was subsequently settled pursuant to an agreement executed on or about May 28, 2021, pursuant to which neither party admitted fault or paid any damages. The case was dismissed with prejudice.

**Pending Actions:**

None

Kiddie Academy Domestic Franchising, LLC v. Paradise Organization Corp., Sonu Chadha and Deepak Chadha, (U.S. District Court for the Eastern District of New York, Case #2:24-cv-02864-JRB-JMW)

On April 23, 2024, the franchisor filed a complaint against the former franchisee and its owners in response to their removal of the Franchisor's name and marks from the franchised business and commencing operations as an independent child care business in violation of the franchise agreement. The Franchisor has requested a preliminary injunction to stop the defendants from operating the competing child care business and is seeking damages based on copyright infringement, breach of contract, breach of guaranty and violation of the Defend Trade Secrets Act.

On May 16, 2024, the former franchise and its owners filed an answer and counterclaim. The answer denies the Franchisor's allegations and asserts certain affirmative defenses. The counterclaim seeks 1) damages based on breach of contract and the covenant of good faith and fair dealing, and 2) a declaratory judgement precluding the Franchisor from enforcing the terms of the franchise agreement, including the non-compete provisions.

Other than these actions, no litigation information is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

The Initial Fee is \$145,000. The Initial Fee is payable in installments. The amount of \$25,000 is due when You sign the Franchise Agreement. The amount of \$50,000 is due when your site has been accepted by the Franchisor and You sign a lease or purchase agreement for the Franchised Business. The amount of \$35,000 is due when the building permit or other certificate or permit authorizing construction of the Franchised Business is issued, the actual commencement of construction, or when your loan has been funded (if the loan is permitted to be used for this purpose) whichever occurs first. The amount of \$35,000 is due when your loan has been funded (if the loan is permitted to be used for this purpose) or when You receive documentation permitting occupancy, whichever occurs first.

Except as discussed below, all payments under the Franchise Agreement are fully earned at the time they are paid and are non-refundable. The Initial Fee is used, among other things, to cover our costs for initial training for Franchisees (the “**Franchisee Training**”), training Academy Directors (the “**Director Training**”), site selection, and background checks.

**Reduced Initial Fee Programs**

We offer multiple programs (the “**Reduced Initial Fee Programs**”) through which a prospective franchisee may qualify for a reduction of the Initial Fee that would otherwise be payable to the Franchisor (a “**Reduced Initial Fee**”). To qualify for any of the Reduced Initial Fee Programs described below You must meet every requirement applicable to new franchisees, as well as all other criteria applicable to the relevant Reduced Initial Fee Program (including acceptance of proposed sites at our discretion). From time to time, we may offer special financial incentives limited to existing Franchisees seeking to purchase additional franchises.

The table below describes the Reduced Initial Fee available under each of the Reduced Initial Fee Programs:

REDUCED INITIAL FEE PROGRAM <sup>1</sup>	INSTALLMENTS DUE ON				TOTAL INITIAL FEE
	Execution of Franchise Agreement	Site Acceptance by Franchisor and Execution of Lease or Purchase Agreement	Earlier of: (1) issuance of building permit or commencement of construction; or; (2) loan funded <sup>9</sup>	Earlier of: (1) loan funded; or (2) receipt of documentation permitting occupancy	
New Franchisee Purchasing Multiple Franchises <sup>2</sup>	\$15,000	\$15,000	\$15,000	\$20,000	\$65,000
Existing Franchisee Purchasing Second Franchise <sup>3</sup>	\$15,000	\$20,000	\$20,000	\$25,000	\$80,000
Existing Franchisee Purchasing Third and Subsequent Franchise <sup>4</sup>	\$15,000	\$15,000	\$15,000	\$20,000	\$65,000
Vet Fran Program <sup>5</sup>	\$25,000	\$50,000	\$20,000	\$25,000	\$120,000
First In Market Program <sup>6</sup>	\$25,000	\$50,000	\$20,000	\$25,000	\$120,000
Focused Development Credit <sup>1,7</sup>	\$25,000	\$50,000	\$35,000	\$30,000	\$140,000

**NOTES:**

(1) **Application of Multiple Programs/Credits:** If You qualify for the Focused Development Credit, this may be combined with one other Reduced Initial Fee Program for which you qualify. Otherwise, only one Reduced Initial Fee Program may be applied to each franchise agreement purchased.

(2) **New Franchisee Purchasing Multiple Franchises:** If You are a new Franchisee and pay the full Initial Fee for the first Academy to be developed, You may obtain additional franchises (if purchased at that time) for a Reduced Initial Fee. This reduced Initial Fee is available to a new Franchisee who is approved to acquire more than one Kiddie Academy Franchise when initially becoming a Franchisee and pays the full Initial Fee for the first Academy to be developed may obtain additional franchises (if purchased at that time) for a Reduced Initial Fee. The total Initial Fee and due date of each installment for Franchise Agreements eligible for this Reduced Initial Fee Program will be modified as shown in the table above. If You qualify for this Reduced Initial Fee Program You must designate the order in which You will develop Your Academies to determine which Franchise Agreement(s) are eligible for the Reduced Initial Fee. Each eligible Franchise Agreement must include a “Multi-Unit Addendum” (*See Exhibit C – Addendum to Franchise Agreement (Multi Unit)*). If You elect to change the order in which You develop Your Academies after executing your Franchise Agreements, You must pay the full Initial Fee for the first Academy developed. Additionally, existing and new Franchisees who enter into multiple Franchise Agreements at one time may, at our discretion, receive extended development terms for their Franchise Agreements, enabling them to secure sites over longer periods of time than would be permitted a Franchisee executing only one Franchise Agreement.

(3) **Existing Franchisee Purchasing Second Franchise:** If You are an existing, qualified and approved Franchisee in good standing with us, You or any Principal (or entity in which You or a Principal hold an ownership interest) may acquire a second franchise at a Reduced Initial Fee. If You are approved to participate in this Reduced Initial Fee Program, upon executing the Franchise Agreement for the second Academy, the total Initial Fee and due date of each installment will be modified as shown in the table above.

(4) **Existing Franchisee Purchasing Third and Subsequent Franchise:** If You are an existing, qualified and approved Franchisee in good standing with us, You or any Principal (or entity in which You or a Principal hold an ownership interest) may acquire a third and any subsequent franchises at a Reduced Initial Fee. If You are approved to participate in this Reduced Initial Fee Program, upon executing the Franchise Agreement for the third and any subsequent Academies, the total Initial Fee and due date of each installment will be modified as shown in the table above.

(5) **Vet\*Fran Program:** We are a member of the International Franchise Association (“IFA”) and proudly participate in the IFA’s Vet\*Fran Program as a way to encourage current and former military personnel to become members of the Kiddie Academy franchise community. If You qualify for this Reduced Initial Fee Program, the total Initial Fee and due date of each installment will be modified as shown in the table above. In order to qualify for this Reduced Initial Fee, You must be an American citizen currently serving in the United States military (i.e., Army, Navy, Air Force, Marines, Coast Guard, and National Guard) or an American citizen who has been honorably discharged from the United States military, and your Franchise Agreement must include “\_Vet-Fran Addendum” (*See Exhibit E - Addendum to Franchise Agreement (Vet\*Fran Program)*).

(6) **First in Market Program:** As our brand grows, we periodically target key markets where there are no Kiddie Academy Franchises operating or in development. If you are executing

a Franchise Agreement for an Academy that will be located in one of those markets, the total Initial Fee and due date of each installment will be modified as shown in the table above. In order to qualify for this Reduced Initial Fee Program, You must be approved by us to participate, and your Franchise Agreement must include a “First in Market” Addendum (*See Exhibit G – Addendum to Franchise Agreement (First In Market Program)*).

(7) **Focused Development Credit:** You may be eligible to receive a Reduced Initial Fee if You develop your Academy within a particular geographic area that we designate for development of a Kiddie Academy franchise. This Reduced Initial Fee is made available in the form of a \$5,000.00 credit against the final installment of the Initial Fee. In order to qualify for this Reduced Initial Fee Program within 180 days from the Effective Date of your Franchise Agreement You must execute both Exhibit A to the Franchise Agreement and a lease (or purchase and sale agreement) for a new Franchised Business (for a site that has been accepted by us) and pay the first three installments of the Initial Fee.

#### **Administrative Fee**

An Administrative Fee of \$50,000 is payable in lieu of an Initial Franchise Fee if You acquire the Franchised Business of an existing Franchisee. The Administrative Fee is reduced to \$25,000 if You or any Principal (or entity in which You or a Principal hold an ownership interest), are parties to one or more Kiddie Academy Franchise Agreements on the date that You acquire the existing Franchised Business.

#### **Refund of Initial Fee**

All Initial Fee payments are non-refundable, except as stated below.

#### **Franchisee Elected Refund**

You have the right to terminate the Franchise Agreement for any reason during the Site Selection Period (and any extensions thereof) prior to the time that You execute a lease and/or a purchase agreement for your Academy (the “**Refund Period**”) (Franchise Agreement at Section 7.3.1). If You elect to terminate the Franchise Agreement during the Refund Period, we will return to You the portion of the Initial Fee that You have paid to us as of the date the refund is paid (whether this was the full amount or through a Reduced Initial Fee Program), less \$10,000. In order to obtain this refund, You must satisfy the following conditions:

1. We must receive written notice of your election to terminate the Franchise Agreement prior to the end of the Refund Period;
2. We must receive your written request for the refund no later than 30 days after the expiration or termination of the Franchise Agreement;
3. You and any personal guarantors of the Franchise Agreement must execute and deliver to us a general release agreement prepared by us (the “**General Release Agreement**”) (*See Exhibit J – General Release Agreement*), which will contain non-compete, non-disclosure, and non-disparagement covenants; and

4. You must return or disable all links to the “**Site Development Manual**” (defined in Item 11 below) and all other materials provided by us, and confirm deletion of all related electronically stored information, including versions or copies of the Site Development Manual and all other materials related to site selection.

You agree that all amounts retained by us are deemed to be fully earned.

#### Franchisor Elected Refund

We have the right to terminate the Franchise Agreement for any reason during the Refund Period (Franchise Agreement at Section 7.3.2). If we elect to terminate the Franchise Agreement in this manner, we will return to You 100% of the portion of the Initial Fee that You have paid to us as of the date the refund is paid (whether this was the full amount or through a Reduced Initial Fee program). In order to obtain this refund, You must satisfy the following conditions:

1. You and any personal guarantors of the Franchise Agreement must execute and deliver to us a General Release Agreement; and
2. You must return or disable all links to the Site Development Manual and all other materials provided by us, and confirm deletion of all related electronically stored information, including versions or copies of the Site Development Manual and all other materials related to site selection.

**ITEM 6: OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalties	7% of Gross Revenues	Monday of each week, on revenues generated during the week that ended nine days earlier.	<p>“<b>Gross Revenues</b>” include all revenues generated from the provision of any and all services and/or the sale of any and all products and, whether by the Franchisee or a third-party provider, that relate to or arise from the Franchised Business. It does not include taxes collected from customers. Royalty payments are sent by automatic electronic bank transfer from your bank to our account at the bank we designate.</p> <p><b><u>Royalty Reduction:</u></b> We offer to each new, Franchisee who signs a Franchise Agreement during the scheduled orientation meeting a 50% reduction in the Royalty rate (3.5% of Gross Revenues instead of 7.0% of Gross Revenues) for the first six months after the Franchised Business opens. A Franchisee is only eligible for this Royalty Reduction for the first Franchised Business the Franchisee (or an affiliate) opens.</p>
Brand Building Fund	2% of Gross Revenues	Monday of each week, on revenues generated during the week that ended nine days earlier	Brand Building Fees are sent by automatic electronic bank transfer from your bank to an account at the bank we designate, on a weekly basis, in the same manner as your Royalties.

Type of Fee	Amount	Due Date	Remarks
Right to Audit for Revenue Compliance	<p>If an audit reveals underpayments, You pay the amount of underpayments, plus interest on amounts owed to us at 2% above the prime rate, or the maximum rate permitted by law, whichever is less. If underpayments of more than 3% are discovered, in addition to the amounts stated above, You pay the cost of the audit or \$10,000, whichever is greater, plus an amount that is equal to 10% of the amount owed</p> <p>If an audit is conducted as a result of Franchisee's failure to supply required records, after default, You pay the cost of the audit in addition to any amounts owed</p>	Immediately upon receipt of audit report	<p>All amounts are payable by You to us via electronic bank transfer.</p> <p>Interest begins from date of the underpayment.</p>
Failure to Comply with the Franchise Agreement	\$1,000 for each failure to comply	Immediately	All amounts are payable by You to us via electronic bank transfer.

Type of Fee	Amount	Due Date	Remarks
Relocation of Kiddie Academy Franchise	\$30,000	The date your Franchised Business opens at its new location	Payable to us when You relocate your Franchised Business to another site.
Transfer (sale of your assets or the Franchised Business from one or more individuals to an entity owned by the same individuals)	No fee	Included	
Administrative Fee from Transferee	\$25,000 - \$50,000	Payable by the transferee on the earlier the date of transfer or the date that transferee begins the Franchisee Training	\$50,000 payable to us by the transferee of a full or partial interest in the Franchised Business. The Administrative Fee is reduced to \$25,000 if the transferee is a party to one or more franchise agreements with Franchisor on the date of the transfer. <u>This fee may vary at the Franchisor's discretion</u>
Referral fee (sale of business)	\$10,000 - \$75,000	Date of transfer	Lesser of \$75,000 or 5% of sales price of business (minimum of \$10,000). Franchisee shall pay the Referral Fee if Franchisee sells the Franchised Business to an existing or former Kiddie Academy Franchisee, or Kiddie Academy franchise applicant or a Director of an existing academy. <u>This fee may vary at the Franchisor's discretion</u>

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Interest on Late Payments	Maximum rate allowed by law (or, in the absence of such a rate, 1.5% per month)	Simultaneously with all amounts that are late	Interest on late payments for all amounts due, until the obligation is paid in full.
Franchisee Training (at Franchisor's corporate office)	Training for up to two individuals for each Franchisee is included	Included	You will be responsible for all travel and living expenses You incur while attending our training course.
Director Training (at Franchisor's corporate office)	One training session per year is included	Included	You will be responsible for all travel and living expenses incurred by your Academy's Director while attending the training session. We reserve the right to charge a fee, currently \$2,500, for each additional Director attending the training program (in a given year) provided at our corporate office.
Background Check Fee	No fee	Included	You must authorize us to conduct the criminal background and credit checks, but no additional fee is charged to You for these checks.
Site Selection	No fee	Included	You are responsible for any costs You incur related to site selection.
Franchise Renewal	No fee	Included	You must sign our then current Franchise Agreement at the time of your renewal.
Fees/Interest for Failure to Repair Academy	Repair costs plus 15% our total aggregate expenses if we incur an administrative fee	Within seven days of our invoice	Payable if we perform repair or refurbishment of your Franchised Business. All amounts are payable by You to us via electronic bank transfer.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Late Charge on Late Payments	10% of amount of each late payment	Simultaneously with late payment	A late charge will be applied to all sums that are not paid in full when due. Interest begins from the date of the payment is due.
Annual Franchisee Conference – every other year	\$1,500 fee if You do not attend at least once every other year	As billed	\$1,500 per Academy if You do not attend at least once every other year.
Replacement of Manuals	\$500 per volume replaced if replaced in hard copy by Franchisor. No charge by Franchisor if replaced by Franchisee utilizing online access to Manuals	Upon replacement	All amounts are payable by You to us via electronic bank transfer.
Liquidated Damages	156 weeks of Royalty fees and Brand Building Fund fees	Upon termination	If the Franchise Agreement is terminated before the end of its term, You must pay us liquidated damages for our lost future Royalty and Brand Building fees, calculated as the average weekly amount of those fees over the prior 156 weeks multiplied by 156 weeks (or the number of weeks remaining in the term of your Franchise Agreement, if shorter).
Enforcement Costs	Costs incurred by us in enforcing your agreements	As incurred	Payable if You violate a term or condition in your Franchise Agreement, and we incur costs to enforce it.

Type of Fee	Amount	Due Date	Remarks
Network Equipment	Our cost to purchase and install the required Network Equipment plus a 25% administrative fee	As billed	If You do not purchase or install the required Network Equipment, we may purchase and install it and charge You for the cost plus a 25% administrative fee.

**UNLESS OTHERWISE STATED,** ALL FEES DESCRIBED ABOVE ARE NON-REFUNDABLE, PAYABLE TO US OR AN AFFILIATE, AND, IF IMPOSED, ARE UNIFORMLY PAID BY NEW FRANCHISEES OPENING NEW ACADEMIES.

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**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT  
FOR A LEASED KIDDIE ACADEMY FACILITY**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Total Initial Fee (Note 1)	\$65,000 - \$145,000	Installments	<p>a. First installment due when You sign the Franchise Agreement.</p> <p>b. Second installment due when your site has been accepted by the Franchisor and You sign a lease or purchase agreement for the Academy.</p> <p>c. Third installment due when the building permit or other certificate or permit authorizing construction of the Academy is issued, the actual commencement of construction, or when your loan has funded (if the loan is permitted to be used for this purpose), whichever occurs first.</p> <p>d. Fourth installment due when your loan has been funded (if the loan is permitted to be used for this purpose) or when You receive documentation permitting occupancy, whichever occurs first.</p>	Franchisor
Lease Deposit (Note 2)	\$25,000 - \$40,000	Lump Sum	Payable in full when lease is signed or as negotiated with landlord	Your landlord
Tenant Contributions for Improvements and Construction Soft Costs (Notes 3 and 4)	Varies	Lump Sum or Installments	Payable upon purchase or over time	Third-party vendors

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Professional Fees and Loan Fees (Note 5)	\$10,000 - \$85,000	As agreed with professional or bank	Payable as agreed with professional and as required by lending bank	Professional
Kitchen Equipment and Supplies (Note 6)	\$20,000 - \$40,000	Lump Sum or Installments	Payable before opening of Academy or over time	Third-party vendors
Supplies/Equipment for Inside of Academy, Playground, and Online Training Component (Note 7)	\$95,000 - \$225,000	Lump Sum or Installments	Payable before opening of Academy or over time	Third-party vendors
Outdoor Fixed Playground Equipment (Note 8)	\$50,000 - \$225,000	Lump Sum or Installments	Payable upon purchase or over time	Third-party vendors
Computer Hardware and Software and Classroom Technology (Note 9)	\$25,000 - \$65,000	Lump Sum or Installments	Payable upon purchase or over time	Third-party vendors
Office and Lobby Furniture, Office Equipment and Supplies, and Telephone System (Note 10)	\$10,000 - \$30,000	Lump Sum or Installments	Payable before opening of Academy or over time	Third-party vendors
Indoor and Outdoor Signage (Note 11)	\$20,000 - \$40,000	Lump Sum or Installments	Payable before opening of Academy or over time	Third-party vendors
Travel and Living Expenses while training and Plan Review (Note 12)	\$3,000- \$5,000	As incurred	Payable before opening of Academy	Third-party vendors
Transportation Vehicles and Equipment (Note 13)	\$0 - \$5,000	As incurred	Payable before opening of Academy or over time	Third-party vendors

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Insurance and Utility Deposits (Note 14)	\$4,000 - \$10,000	As incurred	Payable before the opening of Academy	Third-party vendors
Business Licenses (Note 15)	\$3,000 - \$5,000	As incurred	Payable before opening of Academy	Applicable Gov't agencies
Start-Up Marketing and Advertising Expenses (Note 16)	\$35,000	Lump Sum	Payable before opening and during the first 60 days of operations	Third-party vendors
Additional Funds/Working Capital – 3 months after opening (Note 17)	\$40,000 - \$100,000 -	As incurred	Payable as incurred	See Note 17
TOTAL (Notes 3 and 18)	\$405,000 - \$1,055,000	N/A	N/A	N/A

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**YOUR ESTIMATED INITIAL INVESTMENT  
FOR A PURCHASED KIDDIE ACADEMY FACILITY**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Total Initial Fee (Note 1)	\$65,000 - \$145,000	Installments	<p>a. First installment due when You sign the Franchise Agreement.</p> <p>b. Second installment due when your site has been accepted by the Franchisor and You sign a lease or purchase agreement for the Academy.</p> <p>c. Third installment due when the building permit or other certificate or permit authorizing construction of the Academy is issued, the actual commencement of construction, or when your loan has funded (if the loan is permitted to be used for this purpose), whichever occurs first.</p> <p>d. Fourth installment due when your loan has been funded (if the loan is permitted to be used for this purpose) or when You receive documentation permitting occupancy, whichever occurs first.</p>	Franchisor
Real Estate Acquisition, Construction Costs, and Construction (Note 4)	\$3,785,000 - \$5,730,000	Lump sum or installments	Payable upon purchase or over time	Seller of Land and/or Building
Professional Fees, Loan Fees and Soft Costs (Note 5)	\$205,000- \$500,000	As agreed with professional or bank	Payable as agreed with professional and as required by lending bank	Professional
Kitchen Equipment and Supplies (Note 6)	\$20,000 - \$40,000	Lump Sum or installments	Payable before opening of Academy or over time	Third party vendors
Supplies/Equipment for Inside of Academy, Playground, and Online Training Component (Note 7)	\$95,000 - \$225,000	Lump Sum or installments	Payable before opening of Academy or over time	Third party vendors

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Outdoor Fixed Playground Equipment (Note 8)	\$100,000 - \$255,000	Lump Sum or installments	Payable upon purchase or over time	Third party vendors
Computer Hardware and Software and Classroom Technology (Note 9)	\$25,000 - \$65,000	Lump Sum or installments	Payable upon purchase or over time	Third party vendors
Office and Lobby Furniture, Office Equipment and Supplies, and Telephone System (Note 10)	\$10,000 - \$30,000	Lump Sum or installments	Payable before opening of Academy or over time	Third party vendors
Indoor and Outdoor Signage (Note 11)	\$20,000 - \$40,000	Lump Sum or installments	Payable before opening of Academy or over time	Third party vendors
Travel and Living Expenses while training and Plan Review (Note 12)	\$3,000 - \$5,000	As incurred	Payable before opening of Academy	Third party vendors
Transportation Vehicles and Equipment (Note 13)	\$0 - \$5,000	As incurred	Payable before opening of Academy or over time	Third party vendors
Insurance and Utility Deposits (Note 14)	\$4,000 - \$10,000	As incurred	Payable before the opening of Academy	Third party vendors
Business Licenses (Note 15)	\$3,000 - \$5,000	As incurred	Payable before opening of Academy	Applicable Gov't agencies
Start-Up Marketing and Advertising Expenses (Note 16)	\$35,000	Lump Sum	Payable before opening and during the first 60 days of operations	Third party vendors
Additional Funds/Working Capital – 3 months after opening (Note 17)	\$45,000 - \$165,000	As incurred	Payable as incurred	See Note 17
<b>TOTAL (Notes 4 and 18)</b>	<b>\$4,415,000 - \$7,255,000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\*The ranges in tables above represent our best estimate of the expenses that a typical franchisee may experience. The highest and lowest reported amounts have not been included in order to screen outliers that could distort the range a typical franchisee should anticipate. Highest and lowest reported amounts are included in the notes below.

**NOTES:**

(1) **Total Initial Fees:** You must pay us an Initial Fee of \$145,000 which is payable in installments, as described in Item 5. You could pay less if You qualify for one of the Initial Fee reductions described in Item 5.

(2) **Lease Deposit:** This is our estimate of the range of security deposit amounts that will be required if the premises for your Academy are leased. However, your deposit is ultimately determined at the discretion of the landlord. No security deposit will be required if You purchase the land and build your own building for your Franchised Business. The lease deposit may be refunded (to the extent your lease provides that such amount is refundable) when the lease terminates or expires in accordance with the terms specified in the lease. The low and high amounts reported by franchisees in 2023 were \$13,125 and \$50,000, respectively.

(3) **Tenant Contributions, Facility Improvements:** If You intend to lease your Academy premises, You may consider an agreement with your landlord for a “build-to-suit” program whereby the landlord pays for (and may perform) all of the build out of the Academy. Those costs are then included in the monthly rent and/or additional rent paid by You during the term of your lease. While a build-to-suit agreement will likely increase the monthly payments You make to your landlord under your lease, it will likely lower your initial, out-of-pocket costs and the amount of your debt service. If You choose to pay for some or all the tenant improvements for your Academy, You will incur costs to improve and configure your leased premises to meet our specifications, those of your local governmental authorities, and your own considerations. The amount of tenant improvement costs varies depending upon the location, condition and size of your Academy, the amount of the tenant improvement costs paid by your landlord, whether the landlord pays for playground surfacing materials, and your own decisions regarding your Academy. The low and high amounts reported by Franchisees in 2023 ranged from \$0 (for a turnkey build to suit location) to \$2,468,000 and from \$10/sq. ft. or more for most suburban areas, to \$220/sq. ft. or more for urban areas.

(4) **Land, Building, and Improvements:** The size of the typical Academy is approximately 10,000 square feet. You may choose to purchase the land and build your own building and exterior playground, rather than leasing the premises. You may also choose to utilize an existing building and retrofit it, at your own cost, so that it complies with our requirements as well as the requirements of local and state governmental authorities. In such circumstances, You will incur costs that will vary depending upon many factors including whether the land is purchased or leased, the size, design, and location of your Academy and the availability and terms of your financing. During 2023, costs for a typical Academy of approximately 10,000 square feet ranged as follows:

- Vacant Land purchase - \$40/ft<sup>2</sup> to \$120/ft<sup>2</sup>

- Site Work & Construction Costs for New Building - \$265/ft<sup>2</sup> to \$415/ft<sup>2</sup>
- Existing Building Purchase \* - \$382/ft<sup>2</sup>
- Improvements to an Existing Building \* - \$232/ft<sup>2</sup>

\* There is no range for these categories as only one location in each category opened in 2023.

If your affiliate owns the Academy land and improvements, You may not be required to pay a lease deposit, though a written lease agreement will be required between You and your affiliate. The owner of the Academy land and improvements will be required to pay for the entire cost of outdoor fixed playground equipment and use zone protection around play equipment. If You lease the Academy, You may not be required to pay for these items in a lump sum before commencing business.

The above estimates are based on information reported to for the 12 months ending on December 31, 2023, and therefore may not reflect inflation in building costs due to labor shortages and supply chain issues that may have occurred since then. Additionally, these costs will vary depending upon the location of the land, the condition of an existing building, applicable state and local ordinances, covenants regarding land and buildings, and the size of the Academy to be built. Because of these factors, there can be no assurance that the cost to develop an Academy will fall within the ranges stated above. If You elect to lease the site, no estimate is given of your anticipated rent (including ground rent) due to the wide variations in rents throughout the United States.

(5) **Professional Fees, Loan Fees, and Other Construction Soft Costs:** You may decide to obtain advice from professionals, such as an attorney, an accountant, an architect, a civil engineer, design professionals, a geotechnical engineer, a code requirement engineer inspector and others, regarding the meaning of the terms of your agreements with us, the terms of your lease and/or purchase agreement, and other issues with respect to the overall design and development of your Academy. In addition, the size of your loan will vary based upon the size of Academy You decide to develop and build, and the financing or payment structure you use (if any). The size of your loan will determine the size of the loan fees You will be required to pay. Loan fees and professional fees will increase as the size of your loan increases. Further, if You decide to purchase the land and/or pay for the improvements (including the building) your loan fees and professional fees will be greater than if you entered into a lease for these items (see above tables). The low and high amounts reported by franchisees in 2023 were \$5,000 and \$500,000, respectively.

(6) **Kitchen Equipment and Supplies:** You must acquire commercial grade kitchen equipment, appliances, and kitchen supplies (i.e., pans, smallware, and initial food inventory) for your Academy. You will generally be required to purchase these items; however, a leasing arrangement may be available for some of them. The low and high amounts reported by franchisees in 2023 were \$10,000 to \$50,000, respectively.

(7) **Supplies and Equipment for the Inside of Your Franchised Business and Your Playground, and Online Training Component:** You must purchase classroom supplies and equipment that we specify. You may purchase these items from any supplier approved by us. The total cost will vary depending upon the size of your Academy and the number of children for which it will be equipped at the time You open, shipping distances, price differentials between vendors,

licensing requirements, and cost of installation. The low and high amounts reported by franchisees in 2023 were \$77,000 and \$329,000, respectively.

(8) **Outdoor Fixed Play Equipment:** You must provide outdoor play equipment for your Academy. The costs may be included in your rent expenditures during the lease term, if paid for by your landlord. However, if your landlord does not agree to pay for the cost of the outdoor fixed playground equipment, or if You choose to purchase the land and building for your Academy, You will be responsible for the entire cost of the outdoor fixed playground equipment. We will help You design your outdoor play area and will provide You with a list of approved vendors and equipment, which will include, for example, large and small age-appropriate fixed play structures, shade structures, water play equipment, fencing, and ground cover. The total costs will vary depending upon the size of your Academy and outdoor play area, the number of children for which it will be equipped, the ages of the children who will attend your Academy, and the types of play equipment You choose to install, shipping distances, price differentials among vendors, licensing requirements, number of play equipment structures, and costs of installation. The low and high amounts reported by franchisees in 2023 were \$50,000 and \$255,000, respectively.

(9) **Computers and Software and Classroom Technology:** You must purchase (or lease) at least one desktop computer and at least two tablet computers for each three-year-old, four-year-old, five-year-old, and school-age classroom area of your Academy in order to offer the computer instruction in our Kiddie Academy Life Essentials® Curriculum to the children enrolled in your Academy. In addition, You must purchase one tablet computer per classroom for parent communication through Academy Link®. We reserve the right to increase this requirement in the future at our discretion. You must also purchase at least three additional computers (one to be included in the entrance area of your Academy, one to be located in your Director's office, and one to be located in the Franchisee's office), as well as specified software and networking equipment, to participate in the management system designed for Academies (the "**Kiddie Academy Business Management System**"). You must also purchase, implement and maintain networking equipment in the manner prescribed by Franchisor that provides Internet content filtering, firewall and anti-virus protection and Wi-Fi access that covers your entire Academy. The Franchisor may access your Academy network settings to verify that proper network security and controls have been implemented and maintained and may modify network settings as necessary to ensure proper security and protection of systems and data. Your costs will vary depending on several factors, including the number of computers You install, the types of computers and the related equipment You install, the price differentials among vendors, and your decision whether to install smart boards or other optional, advanced devices. The low and high amounts reported by franchisees in 2023 were \$10,000 and \$73,000, respectively.

(10) **Office Furniture, Equipment and Supplies, and Telephone and Security Systems:** You must purchase basic office and lobby furniture, equipment and supplies, and a telephone system. You also may purchase and install, at your option, a security system, the cost of which is not included in this estimate. The low and high amounts reported by franchisees in 2023 were \$5,000 and \$32,000, respectively.

(11) **Indoor and Outdoor Signage:** You will need to purchase indoor and outdoor signs for your Academy. We will provide You with specifications for your signs, which must be built to

conform to our requirements, as well as those of your lease and local jurisdiction, and installed no later than the date specified by the Franchisor. The low and high amounts reported by franchisees in 2023 were \$7,500 and \$41,000, respectively.

(12) **Travel and Living Expenses While Training:** You are responsible for any costs incurred by You and your Director to attend our training courses and, if required, for the meeting to review your Academy plans (the “**Plan Review**”). The estimated cost presented is for in person attendance at Franchisee Training, Plan Review, and Director training and covers transportation, meals, and lodging for two people for nine days, as well as one person for one week for Director’s training. Transportation costs will vary with distance from your state and the mode of transportation that You select. The low and high amounts reported by franchisees in 2023 were \$3,000 and \$5,000, respectively.

(13) **Transportation Vehicles and Equipment:** You are responsible for the costs relating to the purchase or lease, and maintenance of all transportation vehicles and equipment utilized by your Academy for a before and after school program, should You choose to operate such a program. All such vehicles and equipment must comply with all of our requirements, as well as those of relevant local, state and federal regulatory agencies. The estimates provided are those You could incur before opening and represent deposits You may be required to make against the total cost of the vehicle(s), which will be paid for over time. The range represents expenses associated with leased vehicles (such as deposits); however, some Academies acquire their vehicles which results in a higher cost than is reflected in this range. The low and high amounts reported by franchisees in 2023 (which did not include any vehicle purchases) were \$0 and \$5,000, respectively.

(14) **Insurance and Utility Deposits:** These amounts are for initial deposits that will be required for insurance policies, telephone service installation, utilities and related items. These amounts are payable to third parties as incurred. The deposits may be refundable under the conditions specified in the agreement with the applicable supplier. The cost of these deposits will vary based on factors including state regulations, the size of the Academy, and typical weather conditions in your geographic region. The low and high amounts reported by franchisees in 2023 were \$2,500 and \$10,500, respectively.

(15) **Business Licenses:** Many states and localities impose license or permit fees on local businesses, including child care license fees. These fees vary by jurisdiction. The low and high amounts reported by franchisees in 2023 were \$100 and \$3,500 respectively.

(16) **Start-Up Marketing and Advertising Expenses:** You must spend at a minimum this amount on your pre-opening and post-opening marketing and advertising programs. Pre-opening costs include your pre-opening marketing campaign in your targeted market area, other pre-opening marketing items, and certain promotional items, including a Start-Up Marketing Kit (the “**Start-Up Marketing and Advertising Investment Program**”). Post opening costs include the marketing that You will conduct in support of special promotional events that occur during the initial period after your Academy opens. If you purchase an existing Academy, you must invest no less than \$10,000 up to a maximum of \$20,000 to support marketing activities related to the change of ownership. This amount is in addition to Brand Building Fees and the required annual

local advertising expenditure (the “**Local Annual Advertising Expense**”) which You will begin paying after your Academy opens. See Item 11 below. The low and high amounts reported by franchisees in 2023 were \$35,000 and \$44,250, respectively.

(17) **Additional Funds:** This is the estimated range of your startup expenses and working capital needed for the first three months of the operation of your Franchised Business. These expenses include payroll costs for operations but do not include any allowance for a Franchisee’s remuneration or the payment of any personal expenses on behalf of the Franchisee’s Principals. Further, if You elect to purchase the land and all of the improvements (including the building and playground), rather than leasing from a third party, the amount of Additional Funds You will need during the first three months may be materially higher (as indicated in the tables above). These estimates are not intended to suggest that You will break even or be profitable, or that You will not require additional funds, after the first three months of operation. The actual amount of Additional Funds You will require during the first three months after your Franchised Business opens will depend on factors such as: the rate at which You are able to enroll children at your Academy and, correspondingly, the amount of revenues You are able to generate; your management skill, experience, and business acumen; local economic conditions; the local market for early childhood learning services; the prevailing wage rate; competition; and the time of year during which your Academy opens. The low and high amounts reported by franchisees in 2023 were \$17,000 and \$162,000, respectively.

(18) **Total:** These figures are estimates of the complete initial investment required to open a Kiddie Academy Franchise. It is possible You will significantly exceed these estimated costs in any or all of the categories listed above. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of third-party financing will depend on factors such as the availability of financing generally, your credit worthiness, collateral You may have and lending policies of financial institutions. The estimate does not include any financing charge, interest or debt service obligation. We do not develop company owned Academies; therefore, we have relied exclusively on the costs reported by franchisees for the 12 months ended on December 31, 2023. We have not audited or otherwise authenticated these reported costs, and Franchisees do not uniformly classify the expenses reported to us. We nevertheless believe that the information in this table represents the range of costs that the majority of franchise purchasers should anticipate.

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

### **Required Purchases**

Except as noted below, we do not require that you purchase or lease goods, services, supplies, fixtures, equipment, inventory, or computer hardware and software from us or our designees in the establishment or operation of your Academy. You may only purchase for your Academy the supplies and equipment we specify. All supplies, equipment and services provided at your Academy must be approved by us in advance. Before ordering any item for use in connection with the Academy, You must notify us in writing of each item of supply or equipment

You intend to order for the Academy. If You wish to purchase an item which has not been previously specified, You must submit to us a written request for approval. We may require submission of a sample or descriptive material to determine whether the product meets our approval. There is no cost for our review. Our exact standards and criteria for approval of any specific item will be disclosed to You upon your written request. Within a reasonable time after our receipt of your initial list of proposed supplies and equipment, we will advise You in writing of our approval or rejection. Our failure to respond within 30 days will be deemed to be approval by us.

Our specifications for equipping and operating your Academy are based upon our standards, as well as those prevailing within educational child care industry. Further, the early learning child care industry is highly regulated by state and local governmental agencies who publish their own specifications and requirements. Our specifications and requirements are designed, to the best of our ability, to meet or exceed these state and local government specifications and requirements.

The specifications and requirements You must follow to equip and operate your Academy are contained in the Kiddie Academy Administrative/Operations Manual which is available on-line through KARES (see Item 11 below for a description of KARES) and provided to You at Franchisee Training. These specifications and requirements include considerations regarding safety, design, compliance with local regulations, educational merit, performance, quality and other criteria. You will also be provided with a supplement to the Kiddie Academy Administrative/Operations Manual regarding equipment and operating supplies (the “**Kiddie Academy Master Equipment List**”) which lists all supplies and equipment approved for use in your Academy. You may obtain these supplies or services from any vendor that meets our approval.

You must obtain the following types of insurance in the amounts we specify: general liability; professional liability; sexual abuse and molestation, employment practices; automobile (if applicable); all risk; student accident/medical; workers’ compensation; business interruption; cyber-liability; umbrella coverage; and any insurance required by your lender and your lease. You must name us and all of our affiliates as additional insureds under all of your insurance policies (except for worker’s compensation and accidental medical policies). All policies must be written on an “occurrence basis”, be designated as primary and provide that your insurer may not seek contribution from us. We have a right to change, increase, or modify these insurance coverage requirements at our discretion. You may purchase any additional coverage You determine is prudent and must purchase any coverage required under the terms of any lease for the Academy.

### **Location, Site, Lease, Purchase Contract**

As more fully described in Item 12 below, the site at which your Academy must be located will be designated in your Franchise Agreement. You must obtain our acceptance of the proposed site for your Franchised Business. We will not derive any revenue or any other material consideration from any lease or real estate purchase that You enter. If the premises are leased from a third-party landlord, we must accept your lease in final form before You sign it. The lease must contain certain terms and conditions and we may alter or add to the list of terms and conditions at

any time, in our sole discretion. You must collaterally assign the lease to us as security for your performance of all obligations under the Franchise Agreement. You must also obtain our approval of any purchase contract You intend to sign. Your Academy must be constructed or remodeled according to our specifications. If the Franchisee owns the Academy premises, the Franchisee must grant us an option to lease the premises upon expiration and non-renewal or termination of the Franchise Agreement (See Exhibit H-1 – Lease Option Agreement)

### **Required and Approved Suppliers, and Approval of Alternative Suppliers**

We reserve the right to approve, in our sole discretion, the sources and suppliers from whom You will obtain supplies, equipment, services, educational materials, food and all other items for your Franchised Business. Within a reasonable time after our receipt of your request to approve a source or supplier, we will advise You in writing of our approval or rejection. Our failure to respond within 30 days will be deemed to be approval by us.

Neither we nor any affiliate is currently an approved or preferred vendor. Except as otherwise stated, we do not currently require You to purchase or lease from us or our designee any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of your Academy, but we reserve the right to do so. If You elect to invest additional amounts for paid digital search advertising, you must use our designated supplier.

No officer of EBI or KADF or any other person identified in Item 2 directly or indirectly owns any interest in or controls any approved supplier, other than those who may own, for investment purposes only, up to 5% of the capital stock of an approved vendor that is a publicly held business.

We estimate that the costs of purchasing kitchen equipment, supplies/equipment for the Academy, playground equipment, computer hardware, software, classroom technology, office and lobby furniture, office equipment and supplies, telephone system, indoor and outdoor signs, insurance deposits and start-up marketing and advertising for your Academy in accordance with our standards will represent approximately 59% - 64% of your total required purchases and leases in connection with the establishment and operation of a leased Kiddie Academy facility, and approximately 7% - 10% of your total required purchases and leases in connection with the establishment and operation of a purchased Kiddie Academy facility.

### **Revenue from Franchisee Purchases**

Neither we nor our affiliates directly derive revenue or other material consideration based upon your required purchases or leases. Some approved suppliers provide sponsorships for our Annual Conference. These sponsorships are used to defray a portion of your attendance costs.

We may, but are not required to, negotiate with approved suppliers in an effort to seek favorable offers for the benefit of the Kiddie Academy System (including offers on price and other purchasing terms). We or our affiliates will not offer You any material benefit based upon your Academy's level of use of any specific suppliers of goods or services.

### **Cooperatives**

We do not use any purchasing or distribution cooperatives at this time.

**ITEM 9: FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Exhibit E to Franchise Agreement; Sections 1, 2, 4 of Franchise Agreement	Items 5, 7, 8 and 11
b. Pre-opening purchases/leases	Sections 1, 2, 4, 6, 13, 14 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Exhibit E to Franchise Agreement; Sections 4, 5, 6 of Franchise Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Sections 3.5, 6.2, 8, 15.3.9 of Franchise Agreement	Item 11
e. Opening	Section 6.8 of Franchise Agreement	Item 11
f. Fees	Exhibit E to Franchise Agreement; Sections 3.4, 7, 15.3, 17 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Exhibit E to Franchise Agreement; Sections 6, 9, 10, 12, 13 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 9, 10, 11, 18 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 6 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 6 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Not Applicable	Not Applicable

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
l. Ongoing product/service purchases	Section 6 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 3.2, 4.4, 6.6, 6.17 of Franchise Agreement	Items 6, 7 and 11
n. Insurance	Section 14 of Franchise Agreement	Items 6, 7, and 8
o. Advertising	Section 13 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Sections 6.6, 6.15, 8.4, 8.5, 12.163, 21.2 of Franchise Agreement; Collateral Assignment of Lease	Items 13 and 14
q. Owner's participation/management/staffing	Sections 6.9, 6.10, 6.15, 6.20, 18.1, 21 of Franchise Agreement	Item 15
r. Records and Reports	Section 12 of Franchise Agreement	Item 6
s. Inspections and Audits	Exhibit E to Franchise Agreement; Sections 5.8, 6.21, 12.11 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 15 of Franchise Agreement	Item 17
u. Renewal	Renewal Addendum; Section 3 of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 17, 18.3, 18.4 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 18.3 of Franchise Agreement	Items 15 and 17
x. Dispute resolution	Sections 27 of Franchise Agreement	Item 17
y. Personal guaranty	Exhibit B to Franchise Agreement	Item 15

## **ITEM 10: FINANCING**

You are responsible to make your own financing arrangements and we do not offer direct or indirect financing. Upon request, we will provide You with names of potential lenders who may provide third-party financing for your Franchised Business and may provide limited assistance and guidance to You during the application process. If we provide such support, we will not derive any revenue of any kind for this assistance.

You may qualify for one or more of several SBA loan guaranty programs. Those programs are described at <https://www.sba.gov/funding-programs/loans>. All financing decisions are yours. We do not guaranty your notes, leases or other obligations to third parties, and we do not receive direct or indirect payments associated with the financing process.

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

**Except as listed below, the Franchisor is not required to provide You with any assistance.**

### **A. Pre-Opening Assistance**

Before your Academy opens, we will:

1. Designate an area (the “**Designated Search Area**”), which may be defined by one or more zip codes or a portion of a zip code within which You may search and select a site for your Kiddie Academy Franchise (*See* Exhibit E to Franchise Agreement at Section 1). The Designated Search Area is non-exclusive.

2. Provide You with a copy of the Kiddie Academy Site Development Manual (the “**Site Development Manual**”) which You must keep confidential, and which is our property. This manual, which is provided to all Franchisees after signing a Franchise Agreement, offers You detailed instructions on how we suggest You locate and evaluate a site for your Academy (*See* Exhibit E to Franchise Agreement at Section 3 and Franchise Agreement at Section 4). As part of our assistance to You in the site development process, upon your request, we will fully explain the contents of the Site Development Manual to You and suggest best practices for using the

information and processes presented in it. However, You have the ultimate responsibility for locating a site that meets KADF's requirements.

3. Review prospective sites You propose in accordance with our current screening criteria and consult, upon your request, with lenders, real estate brokers, landlords, and/or investors regarding a prospective site (*See* Exhibit E to Franchise Agreement at Section 2 and Franchise Agreement at Sections 4.8 and 4.9).

4. Provide you, upon request, the names of potential lenders who may provide third-party financing for your Academy and limited assistance and guidance to You during the application process. (*See* Exhibit E to Franchise Agreement at Section 2 and Franchise Agreement at Section 4.7).

5. Assist You virtually or in person in your efforts to obtain a site for your Kiddie Academy Franchise and review your lease or purchase agreement for the site to confirm that it satisfies our standards and specifications (*See* Exhibit E to Franchise Agreement at Sections 2 thru 4 and Franchise Agreement at Section 4). You must submit your proposed purchase contract or lease to us in final form and obtain our acceptance before signing (*See* Exhibit E to the Franchise Agreement at Section 4 and Franchise Agreement at Section 4). Our acceptance of any lease is conditioned, in part, upon the lease containing certain provisions as described in the Site Development Manual. Before entering into a lease for your Kiddie Academy Franchise, You must also sign a Collateral Assignment of Lease (the "**Collateral Assignment**") (*See* Exhibit H - Collateral Assignment of Lease) to secure your obligations under your Franchise Agreement. We also require your landlord to consent to the Collateral Assignment.

6. Make available one set of concept plans and specifications for interior and exterior design and appearance, equipment, signage, and furnishings and review the site during construction to ensure compliance with our standards and specifications (*See* Franchise Agreement at Sections 4.2, 5.2 and 5.3). Your construction contract must meet our standards and specifications. Our acceptance of your construction contract will be conditioned, in part, upon the construction contract containing certain provisions as described in the Construction Manual (*See* Franchise Agreement at Section 5.2).

7. Assist You and your professionals virtually or in person in obtaining all licenses, permits, and approvals required by your state and/or local governmental agencies (*See* Franchise Agreement at Section 5.4).

8. Train You and your initial Director on the unique systems that You must use in the operation of a Kiddie Academy Franchise (*See* Franchise Agreement at Sections 5.5 and 8). The training courses are more fully discussed in this Item 11 below.

9. Consult with you virtually or in person and, where applicable, your Director concerning classroom set-ups and arrangements, operational and business management, and the Kiddie Academy Life Essentials Curriculum (*See* Franchise Agreement at Section 5.6).

10. Assist You virtually or in person to plan and prepare for your "**Grand Opening Celebration**" (*See* Section D below and Franchise Agreement at Sections 5.7 and 13.1).

11. After we accept your prospective site and You sign a lease or purchase agreement for your Academy, execute Exhibit A to your Franchise Agreement and pay the second installment of your Initial Fee, provide You, on loan, with copies of all current Manuals that we have not already provided and the Kiddie Academy Life Essentials Curriculum (*See Franchise Agreement at Section 5.10*). At the Franchisor's discretion, all Manuals will be made available in hard copy or electronic format. The table of contents to the Kiddie Academy Administrative/Operations Manual, which includes the approximate number of pages devoted to each subject covered, is attached (*See Exhibit L - Table of Contents – Administrative Operations Manual*), in addition to information provided by hyperlinks in the Kiddie Academy Resources (“**KARES**”) website portal for Franchisees.

12. Provide You with a list of equipment and supplies that You will need to open and operate your Academy, and a list of approved vendors (*See Franchise Agreement at Section 5.11*).

13. Prescribe a business administrative support system, including computer hardware, software, and networking equipment, which You must purchase for use in the Franchised Business (*See Franchise Agreement at Section 5.12*).

#### **B. Continuing Assistance**

After your Academy opens, we will:

1. Assist You virtually or in person to plan and prepare for your Grand Opening Celebration.

2. Assist you virtually or in person to observe or assist after your Academy's opening date and provide ongoing periodic visitation when advisable. We will also provide certain tools and materials concerning the operation and management of the Franchised Business as we deem appropriate (*See Franchise Agreement at Section 5*).

3. Make available advertising and promotional plans, sample advertising materials and methods for local advertising, and promotions as we deem appropriate (*See Franchise Agreement at Section 5.9*). The costs arising from and relating to the placement of all local advertising is your responsibility.

4. Continue to permit You to utilize the Manuals and the Kiddie Academy Life Essentials Curriculum (*See Franchise Agreement at Section 5.10*). The Manuals will be available on-line through KARES for Franchisees to the extent the Franchisor believes this is necessary and appropriate.

5. Train your subsequent Academy Directors virtually or in person on the unique systems that You must use in the operation of a Kiddie Academy Franchise, as applicable.

#### **C. Site Selection and Typical Length of Time between Signing Franchise Agreement and Opening Franchised Business**

When we enter into a Franchise Agreement with You, we will assign a non-exclusive Designated Search Area in which your Academy may be located. The Designated Search Area will typically be comprised of one or more full or partial zip codes. You must use your best efforts

to identify a location for your Academy within your non-exclusive Designated Search Area. Any site chosen for your Academy will be subject to our acceptance (*See Exhibit E to Franchise Agreement at Sections 1 and 4*).

Although identifying a site for your Academy is your sole responsibility, we will assist You in your efforts to obtain an acceptable site. We will loan You a copy of our proprietary Site Development Manual which contains, among other items, our current site selection criteria, strategies and guidelines, letter of intent templates for a lease and purchase agreement, sample site analysis reports, and outdoor play area information. We will consult with You throughout the site review process to assist You in determining the availability and feasibility of prospective sites and review prospective sites after our initial screening. We will support your efforts to negotiate the terms of your lease or purchase agreement for the site, but You have sole discretion over all decisions regarding the terms and feasibility of your lease or purchase agreement (*See Exhibit E to Franchise Agreement at Sections 2 and 4*). We will also, upon your request, provide You with names of potential lenders to provide third-party financing for the Academy and may provide limited assistance and guidance to You in the application process. We may modify these items at any time in our sole discretion. It is your sole responsibility to locate an acceptable site and to obtain the requisite financing for the Academy. Any final decisions related to accepting a site or an offer of financing are yours alone.

To request our acceptance for your prospective site, You must submit a written site proposal for the prospective site for our review and provide evidence that You have sufficient equity capital or have secured financing in an amount that is sufficient to meet the investment requirements. The site proposal must demonstrate that the prospective site meets the minimum site selection criteria periodically established by us. We will provide you with a description of the required contents of the site proposal, which, at a minimum, must include a description of the prospective site, a non-binding letter of intent that describes all important business and legal terms for a lease or purchase agreement, a draft lease containing our required provisions, and any updated financial information that we may request. The proposal will allow us to determine whether the site meets our then current standards for general location and neighborhood, traffic patterns, size, layout, and other physical characteristics, lease terms (including duration), and general conditions for use as a Kiddie Academy Franchise. We will notify You if a proposed site has been accepted within 30 days after we receive your written proposal and all other required information. If we do not accept a particular site that You submit for our review, You must choose a new site which is acceptable to us in order to continue the development your Academy. If You do not choose a new site and obtain our acceptance of the new site before the expiration of your Site Selection Period, if not extended, the Franchise Agreement will expire. Our acceptance of a site does not constitute our judgment, assurance, representation, or warranty of any kind, express or implied, as to the relative desirability of that location in comparison to other locations which you may have identified, as to the suitability of any site for a Kiddie Academy Franchise, or the expected success or profitability of a Kiddie Academy Franchise at that site. Our acceptance of a site only indicates that the site falls within criteria established by us for our purposes at the time the site is accepted. You are solely responsible for making the final determination as to the suitability of any site accepted by us and satisfaction of all related contingencies. (*See Exhibit E to Franchise Agreement at Section 4.6*).

We consider many factors in determining whether a prospective site is suitable for a Kiddie Academy Franchise. We may periodically alter the criteria that are included in the Site Development Manual or impose additional criteria for acceptable sites for Kiddie Academy Franchises at any time, in our sole discretion. You must abide by such criteria as they periodically exist. If You fail to execute a lease or purchase contract for the site within a reasonable amount of time after our acceptance of the site, we reserve the right to refer it to another Franchisee or develop it as a company-owned business.

Your Academy may be located in one of the following types of structures: a new or existing freestanding facility; a unit within a new or existing retail or office center; or another acceptable non-typical location. From the time You sign the Franchise Agreement and pay us the first installment of the Initial Fee under the Franchise Agreement, there will be interval of approximately 18 to 42 months before You will open your Kiddie Academy Franchise. However, the length of time between site acquisition and the opening of your Kiddie Academy Franchise is typically 30 months. There can be no assurances that You will sign a lease or purchase agreement or open your Kiddie Academy Franchise within the time periods described above. The factors that may increase or decrease the time periods may include the following: the amount of time and effort You commit to the site selection process and the construction of your Academy; the availability of acceptable sites within the geographical area You choose; your ability to obtain a lease, financing, and building permits; your credit and personal financials; weather; and zoning and licensing requirements. Delays or a lack of effort by You, your contractors, or your prospective landlord will also further increase these time periods. If You change your employment, business, or financial status before the opening of your Academy, You do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

When You sign the lease or purchase agreement for your Academy, we will provide You with a copy of our proprietary Construction Development Manual. The Construction Development Manual will contain, among other items, the following: Interior Design Specifications; tutorials on what approvals You will likely need to construct your Academy; descriptions of how the construction process works and is tracked; ways to finance the construction of your Academy and the various material purchases that must be made before your Academy becomes operational; and instructions on what operational issues must be resolved before the date your Academy opens and how those issues should be addressed. We may periodically alter the criteria that are included in the Construction Development Manual or impose additional criteria for acceptable sites for Kiddie Academy Franchises at any time, in our sole discretion. You must abide by such criteria as they periodically exist.

If You anticipate that the construction will not be completed to allow the Academy to open within 18 months from the date You sign your lease or purchase agreement, You must request an extension from us in writing. We will not unreasonably withhold our consent to a six-month extension provided that You are using your best efforts to complete the design and construction of the Academy and are actively communicating with us in this regard. If You fail to complete the construction of the Academy within 18 months of signing your lease or purchase agreement, or after any extension period agreed to by us in writing, we may, in our discretion, terminate the

Franchise Agreement. If this occurs, You will not have a right to a refund of any portion of the fees paid to us.

#### **D. Advertising**

Your advertising program consists of minimum requirements established by us, plus any additional advertising approved by us. Your minimum financial obligations are described in Items 6 and 7 above as well as in the Franchise Agreement (*See* Franchise Agreement at Section 13). You may distribute approved advertising in any approved media. You may not use unapproved advertising materials.

Start-Up Marketing and Grand Opening Advertising. During the period commencing with the receipt of your building permit and ending on the date of your Grand Opening Celebration (see below), You will begin executing the Start-Up Marketing and Advertising Investment Program (the “**Initial Marketing Program**”). As part of the Initial Marketing Program, during the period beginning approximately 120 days prior to the date that You open and continuing through the date of your Grand Opening Celebration, You must execute an initial advertising and marketing plan for the Academy which has been approved by us. No more than 60 days after You begin operations (or later upon Franchisor’s approval), as part of your Initial Marketing Program, You must execute a grand opening celebration consisting of advertising and events approved by us (the “**Grand Opening Celebration**”). The combined cost of your Initial Marketing Program (including the Grand Opening Celebration) must be at least \$35,000. If you purchase an existing Academy, you must invest no less than \$10,000.00 and up to \$20,000 to support marketing activities related to the transfer or grand re-opening (as appropriate) of the Franchised Business. We will mutually develop this plan which must be executed no later than 60 days after the date on which the business is transferred to You.

Brand Building Fund. In 2005, we established the Brand Building Fund into which, beginning as of the date your Academy opens for business, You must contribute 2% of your Academy’s Gross Revenues on a weekly basis. This is in addition to your Local Annual Advertising Expense, described below. All Kiddie Academy Franchisees who sign or renew a Franchise Agreement are required to contribute to the Brand Building Fund at the 2% rate. More than 99% of Kiddie Academy Franchisees contribute to the Brand Building Fund at this rate. Some Franchisees under existing franchise agreements (signed on a date before the establishment of the Brand Building Fund) may not be required to contribute to the Brand Building Fund. Some of these Franchisees may have nonetheless chosen to participate in the Brand Building Fund. The company-owned location also contributes to the Brand Building Fund on the same basis as Franchisees. The Brand Building Fund is administered through KASAF with advice from the Franchise Advisory Council (“**FAC**”) and the Brand Building Committee (“**BBC**”) (*See* Item 11(G) below). We and our affiliates may receive payments for providing production, administrative, marketing, or advertising services to the Brand Building Fund. During fiscal year 2023, 9.99% of the total amount spent by the Brand Building Fund was spent on the production of advertising and other promotional materials, 83.76% was spent on media placement, 2.05% was spent on public relations, 4.07% was spent on strategic planning and analytics, and 0.13% was spent on general and administrative expenses. No funds were spent principally on the solicitation of new Franchisees.

We and our designees have a right under the Franchise Agreement to use Brand Building Fees to meet any and all costs of maintaining, administering, directing, and preparing advertising (including, without limitation, the costs of designing, preparing and conducting advertising and promotions via radio, television, newspaper, magazine, direct mail, and internet advertising campaigns and other public relations and marketing activities; utilizing networking media sites, and other emerging media or promotional tactics, developing, maintaining, and updating any websites on the internet using the Marks; employing third parties to assist with such campaigns; as well as the administrative costs and overhead, if any, as KADF or its affiliates may incur in activities reasonably related to the administration, maintenance and direction of the Brand Building Fund and advertising campaigns/programs. Some advertising may incidentally include references to franchise availability, but the Brand Building Fund does not allocate or utilize any of its budget exclusively for franchise sales. We and our designees will have complete and absolute control of all advertising, promotional and brand building programs and absolute discretion over all creative concepts, materials, media placement, and locations of such programs. Advertising materials produced by Brand Building are developed by the Franchisor or its affiliates, and by advertising/marketing agencies retained by us to assist in advertising and brand building. The coverage of media used in advertising paid for by the Brand Building Fund may be local, regional or national in scope. Notwithstanding, we are not obligated to spend any amount on advertising in the Designated Search Area or territory where the Franchised Business is located. An audit for the Brand Building Fund is prepared annually by an independent, certified public accountant we select, which will be available within 90 days of the end of our fiscal year upon your written request.

Local Annual Advertising Expense. You will develop, with our assistance, a local promotional and advertising campaign to promote your Academy. In addition to your contribution to the Brand Building Fund, You will be required to spend annually an amount equal to at least 2% of your Gross Revenues or \$10,000, whichever is greater, on local and community-based advertising and marketing programs that are specific to your Franchised Business (the “**Local Annual Advertising Expense**”). All advertising is subject to Franchisor’s approval.

Advertising Cooperative. We have the right to periodically designate a local, regional or national advertising, promotional and brand awareness coverage area in which You and at least one other Kiddie Academy Franchise is located, for the purpose of developing a cooperative local or regional advertising, promotional or brand awareness program. You must participate in and contribute your share to a cooperative program in your coverage area(s). The cost of the program will be allocated among the Franchisees located in the coverage area(s) and each Franchisee’s share will be in proportion to its Gross Revenues during the preceding 12-month period or portion of that period, but the aggregate of each Franchisee’s contribution during the period of the program will not exceed 1% of each Academy’s Gross Revenues during the period. Your contributions to cooperative advertising, promotional, and brand awareness programs are credited toward your Local Annual Advertising Expense requirement. Should the individual Franchisees who are subject to cooperative advertising, promotional, and brand awareness program be unable to agree among themselves with regard to the required expenditures of the program, we have the right to determine the amount and form of the expenditures to be made on account of that program. The cooperative is not required by the Franchise Agreement to operate from written governing

documents, but we reserve the right to require that. There is no requirement under the Franchise Agreement that an advertising cooperative prepare financial statements.

Advertising Council. We maintain the BBC whose membership consists of franchise owners whom we appoint. The BBC advises us on advertising policies and serves in an advisory capacity only. We retain the right to change or dissolve the BBC at our sole discretion.

Website. We maintain a website (the “**Website**”). The Website may include any account, page, or other presence on our own sites, social and business networking media sites and apps (including but not limited to Facebook®, Twitter®, Instagram®, and LinkedIn®) and online blogs and forums (a “**Networking Media Site**”) in order to promote the Marks, or any or all of the Franchised Businesses within the Kiddie Academy System. We have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, policies, and terms of usage. We have the right to discontinue operation of the Website at any time without notice to You. We require that You utilize a specific email account that we assign to You in connection with the Academy.

The Marks may not be used as part of or in conjunction with, the establishment, or operation of any domain names, Internet addresses, blogs, forums, mobile app, computer program, the Website or Networking Media Sites, except in accordance with Franchisor’s standards for Franchisee’s use of the Marks, which may be changed from time to time at Franchisor’s sole discretion. Franchisees may not post any information to a Networking Media Site relating to the Franchisor, the Kiddie Academy System, the Marks, or the Franchised Business that (a) does not comply with the Franchisor’s then-current social media use guidelines described in the Manuals or otherwise in writing from time-to-time, (b) is derogatory, disparaging, or critical of the Franchisor, the Kiddie Academy System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the Kiddie Academy System and/or the Marks. Franchisees also may not establish or permit, or aid anyone else to establish, any links to any website or any other electronic or computer-generated advertising or communication arrangement which Franchisor may create. However, Franchisees shall not prohibit or restrict any social media communications or activity by Franchisees’ employees which prohibition or restriction violates their employees’ right to engage in protected concerted activity under the National Labor Relations Act. We have the right to approve all links within or from our Website.

#### **E. Computer Requirements**

You are required to install and utilize in your Kiddie Academy Franchise computers and software that meet or exceed our minimum requirements. These requirements will be updated during the term of your Franchise Agreement, according to changing technology and industry standards. You are required to purchase or lease the computer hardware and software necessary for operating your Kiddie Academy Franchise. (See Franchise Agreement at Sections 6.5, 12.1 & 12.2). We will advise You regarding the computer and networking equipment and software You must purchase (or lease), install, and update, as further described below.

You must purchase (or lease) at least one desktop computer and at least two tablet computers for each three-year-old, four-year-old, five-year-old, and school-age classroom area of

your Kiddie Academy Franchise. In addition, You must purchase one tablet computer per classroom for parent communication through Academy Link®. You must also install at least three additional computers, one to be located in the entrance of your Academy, one to be located in your office to participate in the Kiddie Academy Business Management System, and one to be located in your Director's office at the Academy. You must also purchase, implement and maintain networking equipment in the manner prescribed by Franchisor that provides Internet content filtering, firewall and anti-virus protection and Wi-Fi access that covers your entire Kiddie Academy Franchise. Franchisor may access your Academy network settings to verify proper network security and controls have been implemented and maintained and may modify network settings as necessary to ensure proper security and protection of company systems and data.

You must also purchase and install a printer that is capable of printing at least 10 pages per minute, as well as a scanner or all in one printer/scanner capable of scanning documents to one of your computers. You must also maintain high-speed Internet access, as prescribed in the Manuals, and updated from time to time.

Neither we, nor our affiliates, nor a third party has a contractual right or obligation to provide ongoing maintenance, repairs, or upgrades for your Academy's computer system or related items. However, we will provide You with continuing guidance on the necessity for upgrades, all of which You must complete at your own cost. There are no contractual limitations on the frequency and cost of this obligation. We require that You purchase annual maintenance and support contracts. Updates and upgrades may be provided to Franchisees by vendors. We estimate that the cost of such updates and upgrades will be approximately \$1,000 - \$7,000 per year, but this will vary from year to year, and You will need to contact a vendor to determine the scope of the services they offer and the actual cost of those services.

You must, at your sole cost, purchase software programs for use by the children at your Academy. These computer programs will be educationally focused and developmentally appropriate. Any children's software title that we require You to purchase will be offered nationally by a recognized software developer and will not have a cost to You greater than the standard retail price of the program. You will also be required to purchase electronic data and business management and transmission software, as well as computer-related hardware necessary to run such software as prescribed by us. Upon your written request, we will also examine other preschool learning software programs to supplement or replace the required software. To make such a request, You must submit a sample of such software to us for our review and approval.

All new Franchisees are required to purchase and utilize an administrative software package as described and set forth in the Manuals. The administrative software package helps Franchisees collect and organize enrollment, cost, and financial information for their academies on a daily, weekly, and monthly basis and to provide that information to us in a consistent format. You are responsible for all costs associated with the purchase and installation of the administrative software package. KADF will have independent access to the information and data maintained in your Academy-based computer system. There are no contractual limitations on our right to access the information and data contained therein.

You may obtain your computer hardware, networking equipment, and software from any reputable supplier, except for any specific hardware, software, and networking equipment prescribed in the Manuals. Except as required by the vendor, You are not required to secure a computer maintenance contract, but You must ensure that all programs and applications running on your computer system are legally licensed and updated as outlined in the Manuals. We estimate the initial cost of purchasing the computer system and required software will range from \$25,000 to \$65,000.

## **F. Training**

### **State/Local Requirements**

Your State may require that You meet with local licensing representatives before and during construction of your Academy for orientations, application fillings, and site inspections. We will assist You in preparing for and successfully completing these responsibilities.

### **Franchisee Training**

If You are a new Franchisee and planning to develop a new Academy, You (or if Franchisee is a business entity, any and all owners or Principals of the entity who are or will be responsible for fulfilling the full time requirement in Section 6.20 of the Franchise Agreement, in whole or in part, at any time during the term of the Franchise Agreement) must attend and successfully complete to our satisfaction the initial training program for Franchisees (the “**Franchisee Training Program**”) (Franchise Agreement at Sections 5.5 and 8). If you are an existing Franchisee developing an additional Academy we may, at our discretion, require You or your Director to attend and complete our Franchisee or Director Training Program, or refresher training courses, seminars, and other training programs that we designate.

The Franchisee Training Program will consist of 128.5 hours of training in KADF’s methods, techniques, and curriculum applications, as further described below. The methods and techniques taught and information provided during the Franchisee Training Program include, without limitation, the following: enrollment; family engagement and retention, local advertising, marketing and promotion; accounting, budgeting, and controlling costs; reporting and record keeping; facilities maintenance; snack and meal planning; recruiting, developing, and training employees; health and safety matters; state licensing and regulation matters; and the Kiddie Academy Life Essentials Curriculum.

The Franchisee Training Program blends multiple modalities of instruction. The self-paced and self-guided component of the program is delivered via interactive e-learning within the Kiddie Academy University (“**KAU**”) training portal. To promote networking and interaction with the Kiddie Academy corporate team, Franchisees are required to attend in-person a two-part on-site, instructor-led component at our corporate office in Abingdon, Maryland. This training is facilitated by our corporate Learning & Development team and delivered by various experts from the corporate team. Additionally, there are experiential, hands-on components of this instruction that take place at our Academy in Abingdon, Maryland. These experiential sessions are delivered and guided by members of our corporate Operations and Education teams. Prior to or during the first week of operation, your franchise business consultant will provide an experiential, hands-on,

comprehensive training at your Academy. This allows You to apply the concepts you've previously learned within your own Academy environment. Finally, our corporate teams provide structured one-on-one remote consultation and virtual classroom sessions for specific topics that are impacted by your Academy situation.

Some of this training will be scheduled after the Franchised Business is open and operational.

When you attend training conducted on-site at our corporate headquarters, we will provide daily lunch and snacks but, You are responsible for all other expenses, including the cost of your travel, lodging, and additional meals. If You are purchasing an existing Kiddie Academy Franchise, the length, timing, and place of the Franchisee Training Program will be determined by us on a case-by-case basis.

*[Remainder of Page Intentionally Left Blank]*

### **Franchisee Training Program**

<b>Subject</b>	<b>Hours of Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Early Childhood: Development, Education, and Curriculum	16.0	8.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Adult Learning, Training, and Professional Development	11	0.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Family Enrollment & Retention	13.5	16.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Brand Standards and Marketing	11	2.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)

Technology	14	0.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Academy Development and Facility Management	1	0.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Financial Management and Reporting	5	2.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Academy Operations	11	4.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Staff Recruitment and Management	4	0.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Kiddie Academy Values and Academy Leadership	9	0.0	Online/Kiddie Academy University, On-site (Abingdon, MD), your Academy location, Virtual (classroom or one-on-one)
Total	96.5	32.0	

### **Director Training**

We will provide your Academy’s initial Director with approximately five days of instruction in the day-to-day management and operational principles unique to the Kiddie Academy System (the “**Director Training Program**”). This training will be conducted through the Internet, via conference calls, through the Kiddie Academy University training portal, at our corporate headquarters in Abingdon, Maryland, and at your Academy. Before your Grand Opening Celebration, your Academy’s initial Director must complete the Maryland-based portion of the Director Training Program to our satisfaction. All new Academy Directors hired by You are required to attend the Maryland-based portion of the Director Training Program before starting employment at your Kiddie Academy Franchise or within three months after employment begins. We also reserve the right to charge You a fee for training each subsequent Director if more than one Director per year attends training. Kiddie Academy’s Director Training Program is offered six times per year.

We provide instructors and training materials for our Director Training Program. When your Director attends training conducted on-site at our corporate headquarters, we will provide daily lunches and snacks, but You are responsible for all other expenses, including the cost of your Director’s wages, travel, food, and lodging incurred during the training in Maryland (Franchise Agreement at Sections 5.5 & 8).

## Director Training Program

Subject	Hours of Training	Hours of On the Job Training	Location
Early Childhood: Development, Education, and Curriculum	10.0	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Adult Learning, Training, and Professional Development	5.0	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Family Enrollment & Retention	8.5	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Brand Standards and Marketing	3.0	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Technology	2.5	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Financial Management and Reporting	3.5	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Academy Operations	3.5	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom
Staff Recruitment and Management	2.0	Ongoing	Online/Kiddie Academy University, On-site (Abingdon, MD or your Academy location), Remote classroom

Total	38.0		
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**Refresher Training Programs**

You and/or your Academy’s Director also are obligated to attend, at our request, refresher training programs, courses, seminars, and other training programs, which we may require during the term of the Franchise Agreement. All expenses incurred in connection with these refresher training programs, including the cost of travel, lodging, meals, and wages must be paid by You (Franchise Agreement at Sections 5.5 & 8).

All training programs provided by KADF are conducted by or under the guidance of the following members of the Franchisor’s staff (other members of the Franchisor’s staff may participate in individual parts of the various training programs):

**Tina Gates.** Ms. Gates joined Kiddie Academy as the inaugural Vice President of Learning and Development in 2022. In her role as VP of Learning & Development, she leads the design and development of franchise training, adult learning and professional development programs. Ms. Gates obtained her undergraduate degree in Mechanical Engineering and earned advanced degrees in Computer Information Systems and Learning & Design Technology. Prior to coming to Kiddie Academy, Tina spent more than 10 years in the corporate sector designing and delivering training programs, introducing scalable technology and processes, and producing measurable improvements in learner outcomes and user engagement.

**Riley O’Brien.** Ms. O’Brien joined Kiddie Academy as the Learning Administrator in 2023. In her role as Learning Administrator, she manages the delivery of training programs, including our on-site training, to Franchisees and Directors. Riley has 3 years of corporate training experience in delivering and managing training programs. Her experience spans multiple industries, including the early childhood education, logistics, and transportation industries. Ms. O’Brien earned a B.A. in Communication with a focus on Human Studies from Salisbury University as well as a professional designation in Conflict Resolution from Cornell University.

Other members of the Franchisor’s management team who possess substantive knowledge and experience in specific subject areas may also assist with training.

**Training Materials**

The following materials are utilized during the training programs: Administrative Operations Manual (*See Exhibit L - Table of Contents – Administrative Operations Manual*); Kiddie Academy® Curriculum; Kiddie Academy® Employee Handbook; Quality Assurance Review; State Licensing Regulations; Inquiry Binder; Sample Child and Staff Files; Parent Handbook; Equipment and Supplies List; Director Manual; Training Binder; and The Kiddie Academy Guide to Life Essentials®.

**Franchise Advisory Council and Brand Building Committee**

We maintain the FAC. Currently, the FAC consists of a representative group of five Kiddie Academy Franchisees and one member of the Franchisor's management. The FAC meets periodically with representatives of the Franchisor to review plans and discuss other topics regarding the operation and administration of Kiddie Academy Franchises. Each Franchisee member of the FAC represents a geographical region within the United States and does not represent solely their own views or those of any special interest group, but instead, all of the Franchisees located within their geographical regions. Members of the FAC serve for a term of two years and are chosen by us based upon criteria establishing them as being among the top members of the Kiddie Academy franchise system. The FAC generally meets two times per year. We have the authority to alter and/or dissolve the FAC.

We have also established a committee of the FAC called the BBC, consisting of Kiddie Academy Franchisees and representatives of the Franchisor who meet at least once per year (along with members of the Franchisor's staff) to review plans and discuss other topics regarding the administration of and planning for the Brand Building Fund. The BBC members are chosen by us and serve for terms of two years.

The FAC, BBC, and any other committees serve in an advisory capacity only and do not have any authority to establish or modify our policies, procedures or business practices. However, we value constructive, open, two-way communication between Kiddie Academy Franchisees and us. We recognize that communications of this type can be instrumental in addressing matters that are of common interest to us and Kiddie Academy Franchisees and we take into consideration the information and ideas presented by the FAC and BBC in formulating plans, programs, and policies that affect the operations and administration of Franchises.

#### **ITEM 12: TERRITORY**

The Franchise Agreement grants You the right to operate a Kiddie Academy Franchise at a single location that You select, and we accept as meeting our standards. You must operate your Academy only at the accepted location and may not relocate the Academy without first obtaining our written consent. You may not establish or operate another Academy unless You enter into a separate Franchise Agreement for that Academy.

The Franchise Agreement may grant certain rights of protection to You (the "**Exclusive Territory**"). If the population within a one-mile radius of your Academy is less than 125,000, You will receive the Exclusive Territory as described in the table below. You will receive no Exclusive Territory if the population within a one-mile radius of your Academy is 125,000 or more people. Your rights granted in the Exclusive Territory do not depend on your achievement of a certain sales volume or market penetration. The Exclusive Territory is based on the resident population within a one-mile radius of your Academy as it exists on the Effective Date of the Franchise Agreement.

We will not develop or license anyone else to develop a Kiddie Academy business under the Marks and System that is located within your Exclusive Territory. Your Exclusive Territory will be a circle having your Academy at the center. The size of the Exclusive Territory is determined as follows:

<b>Measurement Area</b>	<b>Population</b>	<b>Exclusive Territory</b>
A circle with a radius of one mile with your Academy at the center	50,000 people or less	A circle with a 1½ mile radius with your Academy at the center
	Greater than 50,000 people but less than 125,000 people	A circle with a ½ mile radius with your Academy at the center
	125,000 people or greater	No Exclusive Territory

You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We do retain the following rights: (a) to use, or license others to use, the Kiddie Academy System and the Marks at any location outside the Exclusive Territory (as it exists on the date You sign Exhibit A to the Franchise Agreement); (b) to sell to, solicit, or direct advertising or promotional materials to customers or prospective customers located within your Exclusive Territory; (c) to develop, use and license the use of proprietary marks other than the Marks in connection with the operation of a program or system that offers services which are the same as or similar to those offered under the Kiddie Academy System on any terms and conditions we deem advisable and without granting You any rights in those Marks; (d) to offer and sell, through any means or method of distribution (including, without limitation, the internet), in the Exclusive Territory other products and services other than those specifically offered as part of the System hereunder, including, without limitation, educational materials, educational software or programs, or other merchandise; home-based child-care, and children’s services, under the Marks or any other proprietary marks; and (e) within and outside your Exclusive Territory, (1) to co-brand with other businesses to provide products and services that are the same as or similar to those offered under the Kiddie Academy System and that use the Marks, (2) to acquire, merge with, or affiliate with, and own and operate or license others to own and operate, any business of any kind operating under proprietary marks other than the Marks, including any business that provides products and services that are the same as or similar to those offered under the Kiddie Academy System or that uses the Marks, and (3) to convert any such acquired business to a Kiddie Academy business under the Kiddie Academy System, notwithstanding any other provisions of the Franchise Agreement. You are not restricted as to the market or territory from which You may solicit business or the customers from whom You may solicit business, but we do not grant You the exclusive right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Exclusive Territory. You do not receive the right to acquire additional franchises unless You submit an application for an additional franchise that is approved by us. Your application for an additional franchise will be accepted only if You meet our then-current standards and requirements, which include, among other things, your financial strength, operations of your existing Kiddie Academy Franchise(s) and compliance with the terms of your existing Franchise Agreement(s).

You are not restricted from soliciting or accepting orders from customers outside your Exclusive Territory. We and our affiliates have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Exclusive Territory using the Marks or different proprietary marks. We are not required to pay You any compensation for soliciting or accepting orders from inside your Exclusive Territory.

You may operate your Kiddie Academy Franchise only at the location we have accepted. Relocation of your Academy requires our prior written consent. We have the right to withhold consent to any proposed relocation. If the lease for your Academy expires or terminates through no fault of your own, or if the site is destroyed, condemned or otherwise rendered unusable, we will allow you, at your cost, to relocate your Academy to a new location we accept as meeting our standards, and You will sign a new Franchise Agreement. Your Exclusive Territory will be redefined as described in the Franchise Agreement. In such circumstances, You will pay us a fee of \$30,000. If a contingency in your approved lease or purchase contract is not met and the lease becomes void, You will lose the Exclusive Territory that was associated with that location.

Continuation of your territorial protection is not dependent upon your achieving a certain sales volume or market penetration. There are no circumstances under which your Exclusive Territory may be reduced or altered, except for circumstances warranting relocation in which case, a new Exclusive Territory will be granted to You as described above. You do not receive the option, right of first refusal or similar rights to acquire additional franchises within your Exclusive Territory or any other area.

We have not established other franchised or company-owned outlets selling or leasing similar services under a different trade name or service mark. We do not have any current plans or policies to do so, but we reserve the right to do so at our sole discretion.

**ITEM 13: TRADEMARKS**

Your Franchise Agreement grants You the right to operate a Kiddie Academy Franchise under the Marks after we have executed Exhibit A to the Franchise Agreement.

EBI has registered the following Marks on the United States Patent and Trademark Office (“USPTO”) Principal Register:

<b>Mark</b>	<b>Registration/ Application Number</b>	<b>Registration/ Application Date</b>
	4,989,059	June 28, 2016
	4,793,041	August 18, 2015
	4,998,675	July 12, 2016
KIDDIE ACADEMY	2,262,940	July 20, 1999

<b>Mark</b>	<b>Registration/ Application Number</b>	<b>Registration/ Application Date</b>
	2,585,170	June 25, 2002
	4,224,098	October 16, 2012
	4,224,099	October 16, 2012
	4,758,757	June 23, 2015
KIDDIE	4,224,097	October 16, 2012
COMMUNITY BEGINS HERE	3,264,067	July 17, 2007
	4,257,396	December 11, 2012
ALL DAY ADVENTURES. ALL SUMMER LONG.	3,554,961	December 30, 2008
LIFE ESSENTIALS	3,610,064	April 21, 2009
WE HAVE A DESIGNATED TIME FOR LEARNING. ALWAYS.	3,823,752	July 27, 2010
PARENTING ESSENTIALS	3,980,109	June 21, 2011
CREATIVE EXPLORERS	4,444,630	December 3, 2013
ACADEMY LINK	4,806,555	September 8, 2015
ACADEMY  LINK	4,802,090	September 1, 2015
AMAZING STARTS HERE	4,985,105	June 21, 2016
CAMPVENTURES	5,161,919	March 14, 2017
FAMILY ESSENTIALS	5,486,719	June 5, 2018
LEARN ON	6,060,592	May 19, 2020
BUILD ON	6,155,425	September 15, 2020
CHARACTER ESSENTIALS	6,521,797	October 12, 2021
COMMUNITY ESSENTIALS	6,821,457	August 16, 2022
WORKPLACE ESSENTIALS	6,228,992	December 22, 2020

EBI has filed all required affidavits concerning the Marks with the appropriate agencies. EBI owns all of the Marks. We are licensed by EBI to use the Marks and authorized to grant to Kiddie Academy Franchisees a license to use the Marks. Our license from EBI is perpetual. KADF and its affiliates maintain the right to use the Marks at all company owned Academies.

There are no agreements currently in effect which significantly limit the rights of KADF to use or license the use of the Marks in any manner material to the franchise.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings involving the Marks. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

We are not aware of any uses by third parties that could materially affect your ability to use the Marks in any state.

You must follow our rules when You use these Marks. You may not modify our Marks in any way or use other logos, designs or symbols along with our Marks use them: 1) as part of a corporate name or with modifying words, designs or symbols; 2) in connection with the sale of an unauthorized product or service; or 3) in a manner not specifically authorized by the Franchise Agreement.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, and any claims or causes of action filed against us, You or the Franchised Business related to the Marks or your use of the Marks. We have the sole right to direct and control any administrative proceedings or litigation involving the Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. If we determine that You have used the Marks in accordance with the Franchise Agreement, we will defend You against any third-party claim, suit or demand arising out of your use of the Marks and we will be responsible for the cost of your defense, including the cost of any judgment or settlement. However, if we determine that You have not used the Marks in accordance with the Franchise Agreement, the cost of your defense, including the cost of any judgment or settlement, will be your responsibility. You must cooperate fully with us with respect to any litigation relating to your use of the Marks and sign any documents and do those acts as may be, in our opinion, necessary to carry out our defense or prosecution, and, if necessary, be a nominal party to any legal action. Except to the extent that any litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse You for your out-of-pocket costs.

If we modify or discontinue any of the Marks, or use one or more additional or substituted Marks, You must modify or discontinue the use of such Mark or use one or more additional or substitute Marks. The Franchise Agreement does not require us to indemnify or compensate You for the cost of changing any Marks. Under the Franchise Agreement, You may not contest, directly or indirectly, KADF's title, right or interest in its Marks, systems, trade secrets, methods, procedures and advertising techniques that are part of the Kiddie Academy System or contest KADF's sole right to register, use or license others to use such Marks, trade secrets, methods, procedures, and techniques. No agreements limit our right to use or license the use of the Marks.

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

### **Patents**

There are no patents that are material to the Kiddie Academy System and the Franchisor has no patent applications pending.

### **Copyrights**

On April 26, 1985, our predecessor, Maryland Day Care Centers, Inc. obtained a copyright registration from the Library of Congress, Copyright Office, for proprietary artwork utilizing the name “Kiddie Academy” under Registration Number VAu000075533 (the “**Art Work Copyright**”). On November 27, 2001, we obtained a copyright registration from the Library of Congress, Copyright Office for the Kiddie Academy Life Essentials Curriculum, under the Registration Number Txu 1-001-602 (the “**Curriculum Copyright**”). The Art Work Copyright and the Curriculum Copyright are referred to below as the “**Copyrights**”. We continue to renew and/or update both registrations when appropriate. The duration of each of the Copyrights is at least 95 years from the date it was registered.

Currently there are no effective determinations of the Patent and Trademark Office, Copyright Office (Library of Congress) or any court regarding the Copyrights which limit the rights of KADF to use or license the use of the Copyrights in any manner. We retain the right to use the Copyrights at any company owned Academy.

You must tell us immediately if You learn about the infringement of or challenge to your or our use of the Copyrights. We will take the action that we think is appropriate. If we modify or discontinue use of any of the Marks (as described in Item 13), and the Mark is also covered by the Copyrights, You would effectively be prohibited from using the Copyrights. We are not obligated to protect You against claims of infringement or unfair competition with respect to the Copyrights. The Franchise Agreement does not require us to reimburse or indemnify You for the costs of discontinuing the use of the Copyrights, so that if we do take any action, You would have to protect yourself at your own expense. The Franchise Agreement does not require us to reimburse or indemnify You for the costs of discontinuing the use of the Copyrights.

### **Proprietary Information**

By signing the Franchise Agreement, You will acknowledge that your knowledge and training in the operation of your Academy, including that derived from the Manuals, and the specifications, standards and procedures of the Kiddie Academy System and your Academy, are derived from information disclosed to You by us, and that all such information is proprietary and a trade secret to the extent such information is not publicly available or accessible from sources other than us.

Item 11 describes the limitations on the use of our Manuals by You and your employees. You must promptly tell us when You learn about unauthorized use of our proprietary information. We are not obligated to take any action but will respond to your information in the manner we think is appropriate. You agree to maintain the confidentiality of all such information during and after the term of your Franchise Agreement.

All inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer

software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements to those items, that You may develop, invent, discover, conceive or originate, alone or in conjunction with any other person during the term of the Franchise Agreement that relate in any way, either directly or indirectly, to your Academy, the Kiddie Academy System or the child care industry (collectively referred to as the “**Inventions and Ideas**”) will be our exclusive property. You must promptly disclose the existence of any Inventions and Ideas to us and assign to us, without compensation, all right, title and interest in those Inventions and Ideas.

During the term of the Franchise Agreement, You must maintain a current list of the names, home addresses, work addresses, email addresses and telephone numbers of the families enrolled or who have dis-enrolled from the Academy (the “**Client List**”). You must provide the Client List to us upon request. The Client List will be our property at all times, and You must not disclose the Client List to any person or entity other than us or sell the Client List (or any portion of it) to any person or entity without our express written consent.

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

The Franchise Agreement provides that your Academy must at all times be under the direct, on-premises supervision of a trained and certified full-time Director who is qualified to act as a Director in your State. You are not required to obtain our approval of your Director; however, the Director’s identity, qualifications and governmental approval must at all times be disclosed to us. As previously noted, in most cases your Director will be required by state law to have a degree in education and a teaching certificate in early childhood education. Your Director will be required to attend and successfully complete our Director Training Program. Your Director is not required to be a principal.

You (or a principal, or personal guarantor of the Franchisee’s obligations if You are a corporation, partnership, or limited liability company) must devote full time and best efforts to the management and supervision of your Academy to assure compliance with all of the terms and conditions of the Franchise Agreement and the Manuals. If You own and operate more than one Kiddie Academy Franchise, You (or a principal, or personal guarantor of the Franchisee’s obligations if You are a corporation, partnership, or limited liability company) may divide your full-time efforts between or among these Kiddie Academy Franchises.

As discussed in Item 14, You may divulge information designated by us as confidential only to your personnel who must have access to such information in order to operate your Academy. You must require all of your Academy personnel having access to confidential information to sign a confidentiality agreement requiring them to maintain the confidentiality of information they receive in connection with their employment at your Academy.

If You are a corporation, partnership, or limited liability company, each individual with an ownership interest in such entity must sign the guaranty of the Franchise Agreement (*See Exhibit B to Franchise Agreement*) for purposes of personally guaranteeing all of your obligations under these Agreements. If You are an individual and are married, your spouse must also personally

guarantee the Franchise Agreement, even if your spouse has no ownership in the Franchised Business. Each individual with an ownership interest in the entity and any other guarantor must consent to Franchisor conducting a criminal background check and a credit check prior to signing a guaranty.

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

We require You to offer and sell only those services that we have approved (See Item 9). Further, You must offer all services that we designate as required for all franchisees. These required services consist of the operation and staffing of your Academy as required by the Franchise Agreement and the Manuals, as well as the requirements specified by the jurisdiction where You have been licensed. Please refer to Items 8, 9, and 12. You are prohibited from offering or selling any products or services in connection with your Academy which do not meet our standards and specifications, and which have not been specifically approved by us. You are not limited in the customers to whom You may sell authorized services. The Franchise Agreement further provides that You must offer all services that we may from time to time require. We have the right to add additional authorized services that franchisees are required to offer, but we are limited in this right to the terms of the Franchise Agreement and can only alter the list of authorized services in a reasonable manner.

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

**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.**

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Sections 2 of the Franchise Agreement	The term will be co-terminus with the term of your lease (but not less than 15 years minimum) from the date the Franchised Business opens if You lease the premises for the Academy, or 25 years if You purchase the real property where the Franchised Business is situated.
b. Renewal or extension of the term	Section 3 of the Franchise Agreement	You may renew your Franchise for additional terms of 10 years each if You meet certain of our requirements. Renewal means that You will continue to operate the same Franchised Business at the same location under our then-current form of Franchise Agreement and will remain a Kiddie Academy Franchisee.

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
c. Requirements for Franchisee to renew or extend	Section 3 of the Franchise Agreement	Requirements for renewal include written notice of intent to renew; refurbishing; no outstanding defaults; signing the then-current form of Franchise Agreement which may include materially different terms and conditions, including a different royalty percentage and Brand Building Fees, and Local Annual Advertising Expense, when compared to your original contract; and signing a general release.
d. Termination by Franchisee	Section 7.3.1 of the Franchise Agreement	Termination is allowed by You for any reason before You sign a lease or purchase agreement for your site if You provide us with written notice to terminate before the Site Selection Period (as defined in Exhibit E to Franchise Agreement) expires.
e. Termination by franchisor without cause	Section 7.3.2 and 16 of the Franchise Agreement	We may terminate the Franchise Agreement, without cause, any time before You execute a lease or purchase agreement for a site.
f. Termination by franchisor with cause	Section 7.3.2, 16 and 21.3 of the Franchise Agreement	We may terminate the Franchise Agreement if You fail to sign a lease or purchase contract for your site within the Site Selection Period, You commit any one of several listed violations or applicable laws or regulations alter the independent contractor relationship established under the Franchise Agreement.
g. "Cause" defined – curable defaults	Section 16.2 of the Franchise Agreement	You have a 30-day cure period for listed defaults.

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
h. "Cause" defined – non-curable defaults	Section 16.1 of the Franchise Agreement	Your failure to begin construction within 4 years after the Effective Date; You fail to begin operations; You cease to operate; You (or anyone You employ) pleads guilty or nolo contendere to a felony, a fraud, a crime involving moral turpitude, or any other crime, offense, or regulatory violation ; your material misrepresentation or omission in application; your insolvency, bankruptcy or foreclosure; your trademark violations; your disclosure of confidential information; your breach of covenants; your unauthorized transfer; lack of transfer after death or disability; your operation of Franchised Business in dangerous or unsafe manner; your loss of license; You maintain false books or submit false reports; your understatement of Gross Revenues; your tax violations; your default under other agreements and failure to pay rent; your repeated violations.
i. Franchisee's obligations on termination/non-renewal	Sections 17, 18.3 and 18.4 of the Franchise Agreement	You cease operating the Franchise Business; You cease using Marks and confidential information, techniques and materials; You cancel or assign your assumed name registration; You de-identify your business; You assign, at our request, your lease rights to us; You pay all monies due to us, including liquidated damages; You return Manuals and other documents; transfer signs; You comply with covenants.
j. Assignment of contract by franchisor	Section 15.1 of the Franchise Agreement	There are no restrictions on our right to assign the agreements.
k. "Transfer" by Franchisee – defined	Section 15.2 of the Franchise Agreement	Includes transfer, sale, assignment, encumbrance or pledge of any interest in the franchise, the Franchise Agreement or You (if You are a corporation, partnership or limited liability company).
l. Franchisor approval of transfer by Franchisee	Sections 15.2 and 15.3 of the Franchise Agreement	We have the right to approve all transfers but will not unreasonably withhold our consent.

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
m. Conditions for franchisor approval of transfer	Sections 15.2 and 15.3 of the Franchise Agreement	All monetary obligations are current; full compliance with Franchise Agreement; your signing of a general release; written assignment in a form approved by us; transferee meets our qualifications and completes training; transferee's signing of the current form of the Franchise Agreement; transferee's satisfaction of licensing requirements; refurbishment of Academy; no release of transferor; payment of training and transfer fees, and other conditions.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 15.6 of the Franchise Agreement	We can match any offer for your business.
o. Franchisor's option to purchase Franchisee's business	Section 17.12 of the Franchise Agreement	If Franchise Agreement terminates or expires, we may purchase all assets related to your business at fair market value, or the appraised value if parties cannot agree.
p. Death or disability of Franchisee	Sections 15.9 and 15.10 of the Franchise Agreement	Your interest must be transferred to an approved buyer within nine months after your death or disability.
q. Non-competition covenants during the term of the franchise	Section 18.3 of the Franchise Agreement	No involvement in competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Section 18.3 of the Franchise Agreement	No involvement for two years in competing business within 20 miles of Franchisee's Exclusive Territory or of any other Academy, or any other primary market area.
s. Modification of the agreement	Section 25 of the Franchise Agreement	No modifications to Franchise Agreement except those permitted to be made by us; Manuals are subject to change by us.
t. Integration/merger clause	Section 25 of the Franchise Agreement	Only the terms of the Franchise Agreement and any other agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. No claim made in a franchise agreement, or any related agreement is intended to disclaim the express representations in this Franchise Disclosure Document.

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
u. Dispute resolution by arbitration or mediation	Section 27 of the Franchise Agreement	None
v. Choice of forum	Section 27.2 of the Franchise Agreement	Litigation must be in Maryland (subject to state law), except if we seek injunctive relief.
w. Choice of law	Section 27.1 of the Franchise Agreement	Maryland law applies (subject to state law).

**ITEM 18: PUBLIC FIGURES**

KADF currently does not use any public figures to promote its franchises.

**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 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.

The information below represents an actual historic financial performance representation. The information was obtained from the financial results reported to us by our existing Franchisee owned outlets for the full calendar year ended December 31, 2023 (the “**2023 Reporting Period**”). This information has not been audited or verified by us or a third party.

2023 Reporting Period Data Set

As of December 31, 2023, there were 326 franchised Academies. As of that date, 23 of these Academies (7.1% of the total) had been open and operational for less than 12 full months and have therefore been excluded from the 2023 Reporting Period data set. Of the remaining 303 Academies, 15 Academies (4.9% of the total) had failed to report the required information for the full calendar year ending December 31, 2023. The results of these Academies have also been excluded from the 2023 Reporting Period data set. Accordingly, the financial performance information presented in the tables below for the 2023 Reporting Period represents the results of the remaining 288 Academies that had reported results as of December 31, 2023 (the “**2023 Reporting Academies**”). The results reported for the 2023 Reporting Academies are divided into two groups: the 269 Academies open 24 months or more as of the end of the 2023 Reporting Period

(the “**2023 Mature Academies**”) and the 19 Academies open less than 24 months as of the end of the 2023 Reporting Period (the “**2023 Ramping Academies**”).

We have not conducted an independent investigation or an audit to verify the information provided to us by our franchisees. You should conduct an independent investigation of the costs and expenses You will incur in operating an Academy.

Financial performance information about our 2023 Mature and 2023 Ramping Academies includes Gross Revenue, Labor, Occupancy and Miscellaneous expenses and Gross Profit. All Academies offer substantially the same services and products to the public. However, the actual financial performance among Academies varies substantially. The results presented in the tables below indicate the Gross Profit, which is the Gross Revenue minus the listed operating expenses. More detailed descriptions of these expense items are presented in the notes below. In addition to the individual Academy financial performance information supplied in the tables, the average and median financial performance information for the Academies included in the report is also presented. The time periods expressed in the charts below are not meant to be an indication as to when or if an Academy will reach maturity. Each Academy’s growth rate will vary by location, competitive environment, the region and market area in which the Academy is located, labor costs, programs and the individual Franchisee’s marketing efforts and management skills. Accordingly, the information presented should only be used as a reference guide in conducting an independent analysis of the proposed business. Written substantiation of data used in preparing these financial performance representations is contained below but will also be made available to prospective Franchisees upon reasonable request.

## MATURE ACADEMIES

### DATA FOR CALENDAR YEAR ENDED DECEMBER 31, 2023

The data in the table below shows the results achieved by the Mature Academies in the listed categories. 123 Academies or 46% of the 2023 Mature Academies reported Gross Revenue above the reported average. 112 Academies or 42% of the 2023 Mature Academies reported Gross Profit above the reported average.

	Average	Median
Number of Academies	269	269
# of Months Open	108.35	88.57
Gross Revenue	\$2,077,526	\$1,983,971
Labor Expense	\$968,026	\$936,099
Occupancy Expense	\$349,447	\$345,985
Miscellaneous Expense	\$253,782	\$244,247

Gross Profit	\$506,272	\$419,243

The data in the table below shows the results achieved by the “Top Quarter” of Mature Academies measured by Gross Profit. This group is comprised of 67 Academies. 27 Academies or 40% of the Top Quarter reported Gross Revenue above the reported average. 24 Academies or 36% of the Top Quarter reported Gross Profit above the reported average.

	Top Quarter By Gross Profit	Top Quarter By Gross Profit
	Average	Median
Number of Academies	67	67
# of Months Open	94.87	83.03
Gross Revenue	\$2,975,292	\$2,791,330
Labor Expense	\$1,210,096	\$1,199,906
Occupancy Expense	\$387,140	\$402,569
Miscellaneous Expense	\$345,530	\$336,563
Gross Profit	\$1,032,526	\$903,875

The data in the table below shows the results achieved by the “Bottom Quarter” of Mature Academies measured by Gross Profit. This group is comprised of 67 Mature Academies. 36 Academies or 54% of the Bottom Quarter reported Gross Revenue above the reported average. 40 Academies or 59% of the Bottom Quarter reported Gross Profit above the reported average.

*[Remainder of Page Intentionally Left Blank]*

	Bottom Quarter By Gross Profit	Bottom Quarter By Gross Profit
	Average	Median
Number of Academies	67	67
# of Months Open	120.62	97.03
Gross Revenue	\$1,418,515	\$1,447,616
Labor Expense	\$801,013	\$820,114

Occupancy Expense	\$330,770	\$333,324
Miscellaneous Expense	\$188,859	\$180,888
Gross Profit	\$97,874	\$120,833

*[Remainder of Page Intentionally Left Blank]*

Following is the individual Academy performance information reported for the 2023 Mature Academies:

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

Location #	1	2	3	4	5
Revenue	\$2,300,335	\$4,333,867	\$2,573,921	\$3,502,667	\$3,151,762
Labor Expense	\$785,267	\$1,749,407	\$1,010,982	\$1,389,305	\$1,466,590
Occupancy Expense	518,017	574,280	456,301	511,312	463,427
Misc Expense	279,577	428,379	292,682	389,524	389,174
Gross Profit	\$717,473	\$1,581,801	\$813,957	\$1,212,527	\$832,570

Location #	6	7	8	9	10
Revenue	\$3,573,084	\$2,255,142	\$4,152,594	\$2,182,739	\$2,853,997
Labor Expense	\$1,455,080	\$784,648	\$2,375,289	\$947,849	\$1,042,897
Occupancy Expense	431,257	486,251	516,166	17,802	402,569
Misc Expense	391,117	253,367	469,232	243,805	313,072
Gross Profit	\$1,295,630	\$730,877	\$791,907	\$973,283	\$1,095,459

Location #	11	12	13	14	15
Revenue	\$3,262,585	\$2,461,166	\$2,816,040	\$2,662,809	\$4,464,097
Labor Expense	\$1,691,381	\$1,121,227	\$1,324,388	\$908,578	\$1,793,138
Occupancy Expense	539,630	233,528	534,358	274,832	509,150
Misc Expense	404,673	262,875	297,119	292,993	495,147
Gross Profit	\$626,901	\$843,536	\$660,174	\$1,186,406	\$1,666,662

Location #	16	17	18	19	20
Revenue	\$2,153,723	\$2,372,914	\$2,674,850	\$2,012,530	\$2,561,479
Labor Expense	\$721,020	\$1,014,962	\$772,366	\$686,024	\$1,067,359
Occupancy Expense	460,942	330,210	671,099	400,613	533,400
Misc Expense	261,737	281,319	320,019	296,285	284,182
Gross Profit	\$710,025	\$746,424	\$911,366	\$629,608	\$676,538

Location #	21	22	23	24	25
Revenue	\$2,535,233	\$1,967,410	\$1,972,850	\$2,278,996	\$3,089,680
Labor Expense	\$1,326,521	\$866,123	\$1,047,623	\$1,034,857	\$1,314,131
Occupancy Expense	302,867	274,342	47,633	334,910	312,231
Misc Expense	275,571	236,999	227,830	318,486	343,675
Gross Profit	\$630,274	\$589,946	\$649,764	\$590,743	\$1,119,643

Location #	26	27	28	29	30
Revenue	\$6,072,804	\$2,638,296	\$2,888,503	\$2,068,957	\$3,818,425
Labor Expense	\$2,160,338	\$915,839	\$1,472,865	\$894,694	\$1,370,267
Occupancy Expense	795,805	522,537	453,214	311,468	315,016
Misc Expense	662,395	368,178	352,518	254,964	416,397
Gross Profit	\$2,454,266	\$831,742	\$609,906	\$607,830	\$1,716,744

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	31	32	33	34	35
<b>Revenue</b>	\$4,301,588	\$2,086,888	\$1,660,790	\$2,406,761	\$2,365,407
<b>Labor Expense</b>	\$1,431,610	\$1,109,680	\$736,208	\$1,014,236	\$1,018,664
<b>Occupancy Expense</b>	922,407	270,689	22,261	441,607	399,166
<b>Misc Expense</b>	441,808	249,985	194,386	355,376	297,523
<b>Gross Profit</b>	\$1,505,764	\$456,534	\$707,935	\$595,541	\$650,056

<b>Location #</b>	36	37	38	39	40
<b>Revenue</b>	\$3,303,973	\$2,950,429	\$2,000,642	\$2,414,034	\$2,610,264
<b>Labor Expense</b>	\$1,454,130	\$1,340,191	\$986,790	\$1,241,541	\$1,107,777
<b>Occupancy Expense</b>	566,025	329,920	346,149	388,956	490,672
<b>Misc Expense</b>	354,620	379,567	261,816	330,889	314,565
<b>Gross Profit</b>	\$929,197	\$900,752	\$405,888	\$452,648	\$697,250

<b>Location #</b>	41	42	43	44	45
<b>Revenue</b>	\$2,478,252	\$2,564,286	\$2,116,653	\$2,275,054	\$4,916,475
<b>Labor Expense</b>	\$1,175,687	\$1,115,019	\$996,634	\$871,480	\$1,946,037
<b>Occupancy Expense</b>	262,514	550,550	310,559	331,300	940,616
<b>Misc Expense</b>	353,275	292,530	239,686	275,000	574,715
<b>Gross Profit</b>	\$686,775	\$606,187	\$569,773	\$797,274	\$1,455,107

<b>Location #</b>	46	47	48	49	50
<b>Revenue</b>	\$2,324,847	\$1,856,848	\$3,035,589	\$1,276,155	\$1,775,643
<b>Labor Expense</b>	\$867,951	\$837,927	\$1,281,393	\$650,432	\$742,675
<b>Occupancy Expense</b>	379,012	386,473	561,948	148,206	292,332
<b>Misc Expense</b>	306,883	228,431	382,566	161,631	227,147
<b>Gross Profit</b>	\$771,001	\$404,019	\$809,682	\$315,886	\$513,489

<b>Location #</b>	51	52	53	54	55
<b>Revenue</b>	\$2,235,410	\$2,291,126	\$2,806,182	\$1,585,403	\$2,908,100
<b>Labor Expense</b>	\$924,378	\$1,098,169	\$1,259,568	\$685,003	\$857,915
<b>Occupancy Expense</b>	421,227	296,065	400,324	274,931	449,353
<b>Misc Expense</b>	301,641	263,708	318,131	187,415	327,892
<b>Gross Profit</b>	\$588,164	\$633,184	\$828,159	\$438,054	\$1,272,940

<b>Location #</b>	56	57	58	59	60
<b>Revenue</b>	\$3,487,463	\$2,350,875	\$1,877,216	\$1,411,808	\$2,126,145
<b>Labor Expense</b>	\$2,051,401	\$1,128,226	\$922,838	\$651,424	\$980,160
<b>Occupancy Expense</b>	440,311	498,104	376,683	214,751	439,393
<b>Misc Expense</b>	351,308	221,093	190,055	189,403	248,240
<b>Gross Profit</b>	\$644,443	\$503,452	\$387,640	\$356,230	\$458,353

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	61	62	63	64	65
<b>Revenue</b>	\$2,695,552	\$2,357,577	\$2,340,341	\$2,489,711	\$1,799,584
<b>Labor Expense</b>	\$1,527,176	\$1,001,646	\$1,000,855	\$989,480	\$829,658
<b>Occupancy Expense</b>	342,265	253,061	389,871	492,685	42,848
<b>Misc Expense</b>	321,840	301,544	292,577	318,450	217,083
<b>Gross Profit</b>	\$504,272	\$801,326	\$657,036	\$689,095	\$709,995

<b>Location #</b>	66	67	68	69	70
<b>Revenue</b>	\$2,384,693	\$1,272,632	\$2,231,325	\$2,757,200	\$1,716,842
<b>Labor Expense</b>	\$1,203,752	\$525,174	\$1,073,927	\$1,311,965	\$776,030
<b>Occupancy Expense</b>	90,288	238,213	491,450	235,896	315,929
<b>Misc Expense</b>	255,071	147,389	287,404	336,563	209,374
<b>Gross Profit</b>	\$835,582	\$361,855	\$378,545	\$872,776	\$415,508

<b>Location #</b>	71	72	73	74	75
<b>Revenue</b>	\$2,361,150	\$2,263,539	\$1,747,798	\$1,589,634	\$3,668,609
<b>Labor Expense</b>	\$1,172,065	\$956,344	\$1,044,022	\$786,199	\$1,339,091
<b>Occupancy Expense</b>	350,180	308,667	378,048	313,696	696,035
<b>Misc Expense</b>	289,394	259,585	282,860	169,581	433,217
<b>Gross Profit</b>	\$549,510	\$738,943	\$42,869	\$320,157	\$1,200,266

<b>Location #</b>	76	77	78	79	80
<b>Revenue</b>	\$2,441,552	\$2,255,248	\$2,012,927	\$2,179,635	\$2,874,169
<b>Labor Expense</b>	\$993,297	\$1,035,540	\$1,019,006	\$719,187	\$1,353,024
<b>Occupancy Expense</b>	99,321	203,904	494,855	424,545	71,435
<b>Misc Expense</b>	327,294	270,507	252,684	249,628	332,017
<b>Gross Profit</b>	\$1,021,640	\$745,297	\$246,382	\$786,274	\$1,117,693

<b>Location #</b>	81	82	83	84	85
<b>Revenue</b>	\$2,282,231	\$2,502,793	\$1,779,380	\$1,632,424	\$2,534,960
<b>Labor Expense</b>	\$1,183,412	\$1,332,492	\$847,533	\$838,296	\$1,157,956
<b>Occupancy Expense</b>	372,379	264,677	342,300	362,212	150,943
<b>Misc Expense</b>	231,368	250,663	214,787	218,098	199,223
<b>Gross Profit</b>	\$495,072	\$654,961	\$374,759	\$213,818	\$1,026,838

<b>Location #</b>	86	87	88	89	90
<b>Revenue</b>	\$1,464,496	\$1,498,163	\$1,919,176	\$1,608,206	\$1,876,762
<b>Labor Expense</b>	\$645,727	\$852,944	\$1,117,071	\$726,132	\$1,007,754
<b>Occupancy Expense</b>	187,123	249,172	336,288	379,626	363,544
<b>Misc Expense</b>	146,254	211,774	246,259	218,089	250,117
<b>Gross Profit</b>	\$485,391	\$184,273	\$219,559	\$284,359	\$255,348

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

Location #	91	92	93	94	95
Revenue	\$3,023,518	\$1,325,703	\$1,864,782	\$1,518,680	\$2,113,565
Labor Expense	\$1,379,589	\$688,592	\$1,062,529	\$818,053	\$1,111,746
Occupancy Expense	507,494	330,227	404,723	460,159	141,662
Misc Expense	316,328	180,888	193,734	167,336	293,538
Gross Profit	\$820,106	\$125,995	\$203,796	\$73,132	\$566,619

Location #	96	97	98	99	100
Revenue	\$2,498,970	\$782,623	\$1,894,685	\$1,357,810	\$2,654,671
Labor Expense	\$1,280,962	\$408,595	\$712,375	\$609,109	\$1,053,530
Occupancy Expense	449,225	149,379	557,326	325,306	436,982
Misc Expense	301,785	89,524	240,766	170,631	260,284
Gross Profit	\$466,998	\$135,125	\$384,219	\$252,763	\$903,875

Location #	101	102	103	104	105
Revenue	\$1,608,227	\$1,565,052	\$1,588,923	\$2,011,630	\$1,841,306
Labor Expense	\$716,855	\$657,070	\$935,756	\$876,364	\$1,051,601
Occupancy Expense	282,374	459,018	392,021	299,078	151,129
Misc Expense	176,923	194,371	140,312	235,813	208,206
Gross Profit	\$432,076	\$254,592	\$120,833	\$600,375	\$430,371

Location #	106	107	108	109	110
Revenue	\$1,516,960	\$1,559,073	\$978,168	\$2,115,228	\$2,185,144
Labor Expense	\$568,958	\$769,378	\$419,380	\$1,278,030	\$1,318,203
Occupancy Expense	243,466	280,419	178,295	512,072	245,103
Misc Expense	243,395	182,436	136,834	369,491	283,590
Gross Profit	\$461,141	\$326,840	\$243,659	-\$44,365	\$338,248

Location #	111	112	113	114	115
Revenue	\$4,023,534	\$1,110,191	\$1,120,608	\$1,660,125	\$1,153,792
Labor Expense	\$1,278,963	\$504,074	\$635,773	\$818,012	\$558,895
Occupancy Expense	454,296	365,887	347,188	383,923	131,354
Misc Expense	436,811	120,822	156,507	238,283	162,008
Gross Profit	\$1,853,464	\$119,408	-\$18,859	\$219,907	\$301,535

Location #	116	117	118	119	120
Revenue	\$1,977,201	\$2,559,670	\$1,836,191	\$2,039,733	\$547,003
Labor Expense	\$736,460	\$1,233,569	\$1,031,768	\$913,680	\$329,938
Occupancy Expense	444,416	392,180	293,741	433,418	47,071
Misc Expense	244,247	291,478	215,418	253,450	64,230
Gross Profit	\$552,077	\$642,443	\$295,264	\$439,186	\$105,764

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	121	122	123	124	125
<b>Revenue</b>	\$2,284,794	\$1,890,897	\$1,758,622	\$1,388,844	\$1,632,100
<b>Labor Expense</b>	\$1,029,551	\$901,720	\$838,619	\$820,114	\$690,975
<b>Occupancy Expense</b>	391,173	339,225	452,603	361,654	273,432
<b>Misc Expense</b>	290,904	256,519	247,293	180,517	213,689
<b>Gross Profit</b>	\$573,165	\$393,434	\$220,107	\$26,558	\$454,005

<b>Location #</b>	126	127	128	129	130
<b>Revenue</b>	\$1,852,616	\$1,670,532	\$1,123,371	\$1,982,389	\$1,643,190
<b>Labor Expense</b>	\$871,683	\$733,537	\$619,375	\$922,913	\$841,312
<b>Occupancy Expense</b>	267,282	310,004	108,289	428,302	54,541
<b>Misc Expense</b>	253,538	229,256	186,316	240,298	193,471
<b>Gross Profit</b>	\$460,114	\$397,735	\$209,392	\$390,877	\$553,866

<b>Location #</b>	131	132	133	134	135
<b>Revenue</b>	\$3,162,629	\$1,783,252	\$1,323,268	\$1,606,384	\$835,037
<b>Labor Expense</b>	\$1,411,099	\$892,294	\$539,751	\$943,463	\$347,212
<b>Occupancy Expense</b>	613,523	358,718	248,628	211,855	263,637
<b>Misc Expense</b>	408,785	198,839	228,203	217,847	116,330
<b>Gross Profit</b>	\$729,223	\$333,401	\$306,687	\$233,219	\$107,857

<b>Location #</b>	136	137	138	139	140
<b>Revenue</b>	\$2,816,093	\$1,621,231	\$1,942,022	\$1,472,443	\$1,324,462
<b>Labor Expense</b>	\$1,117,822	\$970,580	\$987,991	\$791,186	\$706,597
<b>Occupancy Expense</b>	40,131	459,327	377,716	324,885	234,604
<b>Misc Expense</b>	345,517	193,285	243,002	187,777	177,994
<b>Gross Profit</b>	\$1,312,623	-\$1,961	\$333,312	\$168,596	\$205,268

<b>Location #</b>	141	142	143	144	145
<b>Revenue</b>	\$1,438,639	\$1,180,762	\$1,525,298	\$966,588	\$1,625,244
<b>Labor Expense</b>	\$771,670	\$832,406	\$1,047,358	\$444,204	\$730,864
<b>Occupancy Expense</b>	427,306	158,744	412,550	271,571	38,075
<b>Misc Expense</b>	166,881	153,374	199,647	107,787	190,311
<b>Gross Profit</b>	\$72,782	\$36,237	-\$134,258	\$143,027	\$665,994

<b>Location #</b>	146	147	148	149	150
<b>Revenue</b>	\$2,017,393	\$1,863,342	\$1,496,226	\$1,758,273	\$2,269,322
<b>Labor Expense</b>	\$883,006	\$998,605	\$947,439	\$900,926	\$1,227,847
<b>Occupancy Expense</b>	460,389	257,315	269,375	479,099	339,901
<b>Misc Expense</b>	230,089	237,331	200,490	191,104	308,764
<b>Gross Profit</b>	\$443,908	\$370,091	\$78,922	\$187,144	\$392,810

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	151	152	153	154	155
<b>Revenue</b>	\$3,145,322	\$2,442,602	\$2,095,983	\$1,529,941	\$1,579,010
<b>Labor Expense</b>	\$1,336,144	\$1,033,800	\$1,035,004	\$908,284	\$660,464
<b>Occupancy Expense</b>	408,593	396,917	408,722	176,983	196,023
<b>Misc Expense</b>	354,370	269,924	270,993	171,083	182,802
<b>Gross Profit</b>	\$1,046,214	\$741,960	\$381,264	\$273,591	\$539,721

<b>Location #</b>	156	157	158	159	160
<b>Revenue</b>	\$2,132,145	\$2,704,224	\$1,229,820	\$1,715,960	\$2,333,678
<b>Labor Expense</b>	\$1,017,094	\$1,361,539	\$935,927	\$944,997	\$1,052,572
<b>Occupancy Expense</b>	294,804	344,247	265,850	327,355	287,217
<b>Misc Expense</b>	245,126	299,597	194,123	228,888	261,837
<b>Gross Profit</b>	\$575,121	\$698,841	-\$166,080	\$214,720	\$732,052

<b>Location #</b>	161	162	163	164	165
<b>Revenue</b>	\$2,288,949	\$2,472,965	\$1,434,012	\$971,253	\$1,659,242
<b>Labor Expense</b>	\$970,800	\$732,747	\$631,806	\$379,742	\$1,012,038
<b>Occupancy Expense</b>	348,443	1,046,318	286,356	203,069	198,060
<b>Misc Expense</b>	313,649	307,594	195,093	106,527	191,770
<b>Gross Profit</b>	\$656,056	\$386,306	\$320,757	\$281,914	\$257,373

<b>Location #</b>	166	167	168	169	170
<b>Revenue</b>	\$2,368,406	\$2,089,862	\$1,416,449	\$1,472,449	\$1,961,803
<b>Labor Expense</b>	\$1,146,675	\$1,178,998	\$604,278	\$796,890	\$1,003,259
<b>Occupancy Expense</b>	371,632	286,510	416,977	294,322	389,237
<b>Misc Expense</b>	311,225	298,055	180,438	243,332	183,050
<b>Gross Profit</b>	\$538,874	\$326,299	\$214,756	\$137,905	\$386,257

<b>Location #</b>	171	172	173	174	175
<b>Revenue</b>	\$1,963,288	\$3,230,090	\$655,063	\$1,677,465	\$1,663,287
<b>Labor Expense</b>	\$1,033,003	\$1,695,802	\$438,639	\$806,793	\$1,023,557
<b>Occupancy Expense</b>	250,087	255,586	218,147	325,074	322,250
<b>Misc Expense</b>	267,055	429,514	90,567	195,153	285,091
<b>Gross Profit</b>	\$413,142	\$849,189	-\$92,290	\$350,445	\$32,388

<b>Location #</b>	176	177	178	179	180
<b>Revenue</b>	\$2,112,830	\$2,105,837	\$3,448,283	\$1,089,563	\$1,802,745
<b>Labor Expense</b>	\$743,124	\$917,020	\$1,271,466	\$524,261	\$740,284
<b>Occupancy Expense</b>	432,681	435,166	33,026	162,143	277,271
<b>Misc Expense</b>	272,758	245,431	374,107	162,669	228,520
<b>Gross Profit</b>	\$664,268	\$508,221	\$1,769,684	\$240,489	\$556,669

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	181	182	183	184	185
<b>Revenue</b>	\$1,641,309	\$1,322,965	\$2,787,804	\$2,060,997	\$1,641,583
<b>Labor Expense</b>	\$937,280	\$619,451	\$1,694,237	\$1,180,936	\$1,097,351
<b>Occupancy Expense</b>	51,964	295,839	577,583	422,217	89,037
<b>Misc Expense</b>	181,746	124,217	329,391	238,272	236,564
<b>Gross Profit</b>	\$470,319	\$283,459	\$186,593	\$219,571	\$218,632

<b>Location #</b>	186	187	188	189	190
<b>Revenue</b>	\$2,664,175	\$2,368,366	\$1,183,436	\$357,766	\$2,284,184
<b>Labor Expense</b>	\$1,352,496	\$1,359,762	\$647,240	\$244,781	\$1,178,501
<b>Occupancy Expense</b>	83,660	498,699	294,657	306,851	395,779
<b>Misc Expense</b>	388,694	276,791	161,485	99,727	266,656
<b>Gross Profit</b>	\$839,326	\$233,114	\$80,054	-\$293,594	\$443,248

<b>Location #</b>	191	192	193	194	195
<b>Revenue</b>	\$1,573,727	\$2,392,428	\$1,074,454	\$1,514,485	\$2,174,654
<b>Labor Expense</b>	\$902,790	\$1,200,609	\$633,517	\$711,845	\$943,893
<b>Occupancy Expense</b>	335,429	243,296	441,255	366,302	368,410
<b>Misc Expense</b>	180,738	269,355	179,712	177,581	287,859
<b>Gross Profit</b>	\$154,770	\$679,168	-\$180,030	\$258,758	\$574,491

<b>Location #</b>	196	197	198	199	200
<b>Revenue</b>	\$2,002,273	\$1,273,012	\$1,844,225	\$1,485,938	\$2,755,970
<b>Labor Expense</b>	\$1,065,202	\$671,953	\$845,722	\$775,037	\$1,139,714
<b>Occupancy Expense</b>	407,994	456,568	566,940	235,208	378,410
<b>Misc Expense</b>	239,769	186,814	276,796	209,825	321,855
<b>Gross Profit</b>	\$289,308	-\$42,324	\$154,767	\$265,867	\$915,991

<b>Location #</b>	201	202	203	204	205
<b>Revenue</b>	\$2,571,505	\$2,121,359	\$1,798,373	\$1,730,766	\$1,769,721
<b>Labor Expense</b>	\$1,137,793	\$1,049,060	\$715,204	\$910,191	\$783,804
<b>Occupancy Expense</b>	310,557	420,456	455,567	297,832	345,985
<b>Misc Expense</b>	295,860	232,600	235,955	207,218	228,477
<b>Gross Profit</b>	\$827,296	\$419,243	\$391,648	\$315,525	\$411,455

<b>Location #</b>	206	207	208	209	210
<b>Revenue</b>	\$1,409,091	\$1,976,743	\$877,637	\$1,255,456	\$2,717,847
<b>Labor Expense</b>	\$470,139	\$1,057,181	\$535,370	\$688,927	\$1,217,255
<b>Occupancy Expense</b>	285,624	256,555	262,912	320,812	223,517
<b>Misc Expense</b>	159,155	267,884	131,125	177,476	343,742
<b>Gross Profit</b>	\$494,173	\$395,124	-\$51,770	\$68,240	\$933,333

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

<b>Location #</b>	211	212	213	214	215
<b>Revenue</b>	\$2,351,935	\$1,318,349	\$1,548,767	\$1,364,336	\$1,751,836
<b>Labor Expense</b>	\$1,115,472	\$830,557	\$934,040	\$568,332	\$928,005
<b>Occupancy Expense</b>	363,055	384,000	320,461	374,931	300,339
<b>Misc Expense</b>	293,451	139,257	174,061	158,136	205,851
<b>Gross Profit</b>	\$579,958	-\$35,465	\$120,206	\$262,938	\$317,641

<b>Location #</b>	216	217	218	219	220
<b>Revenue</b>	\$2,304,820	\$2,098,161	\$2,378,028	\$1,359,163	\$1,574,555
<b>Labor Expense</b>	\$1,154,372	\$950,378	\$1,135,131	\$745,594	\$750,505
<b>Occupancy Expense</b>	505,994	493,535	538,851	207,034	436,214
<b>Misc Expense</b>	296,728	256,364	310,570	192,923	179,819
<b>Gross Profit</b>	\$347,726	\$397,883	\$393,476	\$213,612	\$208,016

<b>Location #</b>	221	222	223	224	225
<b>Revenue</b>	\$1,983,971	\$1,359,857	\$2,182,456	\$1,043,605	\$1,346,883
<b>Labor Expense</b>	\$936,099	\$713,356	\$1,080,760	\$840,368	\$766,547
<b>Occupancy Expense</b>	317,485	365,352	466,995	139,581	49,974
<b>Misc Expense</b>	254,187	178,475	235,066	153,021	185,273
<b>Gross Profit</b>	\$476,200	\$102,674	\$399,635	-\$89,364	\$345,090

<b>Location #</b>	226	227	228	229	230
<b>Revenue</b>	\$2,791,330	\$1,284,607	\$1,149,093	\$1,147,243	\$1,774,055
<b>Labor Expense</b>	\$954,566	\$664,789	\$544,422	\$511,779	\$869,396
<b>Occupancy Expense</b>	523,305	277,637	354,388	72,099	309,806
<b>Misc Expense</b>	372,927	182,555	190,044	144,739	228,598
<b>Gross Profit</b>	\$940,532	\$159,627	\$60,239	\$418,626	\$366,255

<b>Location #</b>	231	232	233	234	235
<b>Revenue</b>	\$1,869,616	\$2,137,958	\$1,447,616	\$1,294,752	\$1,294,940
<b>Labor Expense</b>	\$534,076	\$799,440	\$929,052	\$787,821	\$580,039
<b>Occupancy Expense</b>	501,365	730,290	371,745	253,146	264,171
<b>Misc Expense</b>	248,808	275,882	208,654	160,415	178,841
<b>Gross Profit</b>	\$585,366	\$332,346	-\$61,835	\$93,369	\$271,889

<b>Location #</b>	236	237	238	239	240
<b>Revenue</b>	\$2,750,598	\$1,447,481	\$2,254,348	\$2,044,820	\$2,079,946
<b>Labor Expense</b>	\$1,052,994	\$819,571	\$1,320,593	\$916,123	\$1,179,458
<b>Occupancy Expense</b>	565,065	316,262	258,693	397,530	150,538
<b>Misc Expense</b>	369,250	180,107	278,153	219,404	268,666
<b>Gross Profit</b>	\$763,289	\$131,540	\$396,910	\$511,763	\$481,283

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Mature Academies**

Location #	241	242	243	244	245
Revenue	\$3,151,975	\$1,593,163	\$888,167	\$1,655,123	\$3,931,984
Labor Expense	\$1,031,817	\$965,046	\$489,280	\$1,012,065	\$1,461,716
Occupancy Expense	685,217	339,409	408,228	326,223	405,751
Misc Expense	377,766	200,720	152,423	199,854	432,876
Gross Profit	\$1,057,176	\$87,988	-\$161,765	\$116,981	\$1,631,641

Location #	246	247	248	249	250
Revenue	\$2,152,620	\$1,737,134	\$1,525,082	\$1,882,103	\$1,117,845
Labor Expense	\$1,154,886	\$797,415	\$823,841	\$780,567	\$566,490
Occupancy Expense	460,261	403,961	333,324	584,899	84,808
Misc Expense	283,629	198,396	178,088	199,775	140,120
Gross Profit	\$253,845	\$337,362	\$189,829	\$316,862	\$326,427

Location #	251	252	253	254	255
Revenue	\$3,451,929	\$1,325,973	\$2,354,905	\$2,413,503	\$3,653,604
Labor Expense	\$1,340,297	\$563,463	\$916,257	\$1,287,094	\$1,446,681
Occupancy Expense	490,561	18,863	385,239	544,874	374,552
Misc Expense	445,647	215,228	254,756	247,595	423,713
Gross Profit	\$1,175,423	\$528,419	\$798,654	\$333,941	\$1,408,659

Location #	256	257	258	259	260
Revenue	\$2,059,093	\$1,494,508	\$2,434,157	\$1,517,858	\$3,143,261
Labor Expense	\$996,406	\$879,620	\$1,372,643	\$908,478	\$1,262,455
Occupancy Expense	119,929	258,782	465,577	409,113	454,696
Misc Expense	301,613	169,972	283,069	203,705	358,162
Gross Profit	\$641,146	\$186,134	\$312,869	-\$3,438	\$1,067,949

Location #	261	262	263	264	265
Revenue	\$1,727,802	\$1,308,078	\$1,783,853	\$3,347,875	\$1,415,791
Labor Expense	\$859,383	\$614,600	\$911,504	\$1,415,266	\$763,450
Occupancy Expense	316,312	299,524	448,969	467,434	165,392
Misc Expense	190,046	175,680	230,171	440,327	181,162
Gross Profit	\$362,062	\$218,274	\$193,209	\$1,024,848	\$305,788

Location #	266	267	268	269
Revenue	\$3,174,038	\$2,214,754	\$1,124,878	\$1,833,570
Labor Expense	\$1,199,906	\$755,347	\$432,268	\$890,000
Occupancy Expense	38,876	543,690	267,965	372,000
Misc Expense	361,358	295,261	152,504	150,000
Gross Profit	\$1,573,899	\$620,457	\$272,142	\$421,570

**RAMPING ACADEMIES**  
**DATA FOR CALENDAR YEAR ENDED DECEMBER 31, 2023**

The data in the table below shows the results achieved by the Ramping Academies. 9 Academies or 47% of the Ramping Academies reported Gross Revenue above the reported average. 8 Academies or 42% of the Ramping Academies reported Gross Profit above the reported average.

	Ramping Average	Ramping Median
Number of Academies	19	19
# of Months Open	19.46	20.87
Gross Revenue	\$1,890,633	\$1,795,697
Labor Expense	\$926,448	\$861,167
Occupancy Expense	\$281,830	\$270,588
Miscellaneous Expense	\$224,445	\$203,148
Gross Profit	\$457,909	\$421,282

The data in the table below shows the results achieved by the “Top Quarter” of Ramping Academies measured by Gross Profit. This group is comprised of the 5 reporting 2023 Ramping Academies with the highest Gross Profit. 2 Academies or 40% of the Top Quarter reported Gross Revenue above the reported average. 2 Academies or 40% of the Top Quarter reported Gross Profit above the reported average.

	Top Quarter By Gross Profit Average	Top Quarter By Gross Profit Median
Number of Academies	5	5
# of Months Open	20.83	21.83
Gross Revenue	\$2,567,284	\$2,433,288
Labor Expense	\$1,161,657	\$1,162,171
Occupancy Expense	\$300,081	\$278,419
Miscellaneous Expense	\$279,264	\$293,482
Gross Profit	\$826,282	\$758,625

The data in the table below shows the results achieved by the “Bottom Quarter” of Ramping Academies measured by Gross Profit. This group is comprised of the 5 Ramping Academies with the lowest Gross Profit. 3 Academies or 60% of the Bottom Quarter reported Gross Revenue above

the reported average. 4 Academies or 80% of the Bottom Quarter reported Gross Profit above the reported average.

	Bottom Quarter By Gross Profit Average	Bottom Quarter By Gross Profit Median
Number of Academies	5	5
# of Months Open	17.81	18.50
Gross Revenue	\$1,442,908	\$1,533,528
Labor Expense	\$812,943	\$806,041
Occupancy Expense	\$334,133	\$270,588
Miscellaneous Expense	\$200,399	\$185,082
Gross Profit	\$95,432	\$134,660

*[Remainder of Page Intentionally Left Blank]*

Following is the individual Academy performance information reported for the 2023 Ramping Academies:

**INDIVIDUAL ACADEMY PERFORMANCE FOR CALENDAR YEAR ENDING DECEMBER 31, 2023**  
**Ramping Academies**

Location #	1	2	3	4	5
Revenue	\$2,141,039	\$1,680,551	\$1,254,492	\$2,571,942	\$2,433,288
Labor Expense	\$822,697	\$927,655	\$639,928	\$1,219,243	\$908,696
Occupancy Expense	434,571	58,715	32,960	300,592	278,419
Misc Expense	207,478	189,563	160,322	293,482	295,504
Gross Profit	\$676,293	\$504,617	\$421,282	\$758,625	\$950,669

Location #	6	7	8	9	10
Revenue	\$3,566,538	\$1,795,697	\$1,533,528	\$2,539,904	\$1,951,917
Labor Expense	\$1,658,975	\$773,601	\$943,198	\$1,308,395	\$859,199
Occupancy Expense	567,305	401,361	270,588	537,539	111,889
Misc Expense	359,529	196,363	185,082	337,618	245,985
Gross Profit	\$980,728	\$424,371	\$134,660	\$356,353	\$734,844

Location #	11	12	13	14	15
Revenue	\$2,215,669	\$1,606,725	\$1,128,928	\$518,628	\$1,182,406
Labor Expense	\$935,005	\$829,692	\$639,019	\$448,775	\$631,377
Occupancy Expense	401,781	246,919	190,240	174,204	56,652
Misc Expense	228,574	203,148	174,443	82,779	175,829
Gross Profit	\$650,310	\$326,965	\$125,226	-\$187,130	\$318,547

Location #	16	17	18	19
Revenue	\$1,454,577	\$2,437,602	\$1,595,854	\$2,312,737
Labor Expense	\$861,167	\$1,227,683	\$806,041	\$1,162,171
Occupancy Expense	13,193	636,156	399,477	242,202
Misc Expense	167,251	348,329	211,363	201,820
Gross Profit	\$412,966	\$225,434	\$178,972	\$706,543

### **Notes:**

**Gross Revenue** – Gross sales based on actual operating results as reported monthly by Franchisees to KADF, representing registration fees, tuition, and other amounts charged to families by the Franchisee.

**Labor** – Employee-related expenses including: wages, salaries, bonus, commission, payroll taxes, training, insurance benefits, and worker’s compensation expenses (where applicable) as reported monthly by Franchisees to KADF. This also includes the cost of an Academy Director(s).

**Occupancy** – Includes rent, common area maintenance, real estate taxes and percentage rent (if any). This includes other lease related charges, such as: maintenance, security, trash removal, association dues and shopping center marketing expenses as reported monthly by Franchisees to KADF, if applicable.

**Miscellaneous** – Includes other (discretionary) variable expenses related to the operation of the business including: royalties and Brand Building Fees, telephone, advertising, utilities, cleaning services, and postage as reported monthly by Franchisees to KADF.

**Gross Profit** – Gross Revenue minus Labor, Occupancy and Miscellaneous expenses. Other non-listed revenue (i.e., state and federal funds, grants, etc.) and expenses (i.e., supplies, food, insurance premiums, etc.) may impact an Academy’s net profit.

The Gross Revenue, Labor expense, Occupancy expense, Miscellaneous expense, and Gross Profit figures stated above for the 2023 Reporting Academies were provided by the individual reporting Franchisees and should not be considered as the actual or probable Gross Revenues, expenses, or Gross Profits that will be realized or incurred by any prospective franchisee.

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

Other than the preceding financial performance representation, KADF 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 Academy, however, we may provide you with actual records of that Academy. 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 Jeff Brazier, 3415 Box Hill Corporate Center Drive, Abingdon, Maryland, 21009, (410) 515-0788, the Federal Trade Commission and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary for Years 2021 to 2023\***

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	270	286	16
	2022	286	305	19
	2023	305	326	21
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total	2021	271	287	16
	2022	287	306	19
	2023	306	327	21

\* Our previous three fiscal years ended on December 31, 2023, January 1, 2023, and January 2, 2022, respectively.

**Table No. 2  
Transfers of Franchised Outlets (other than the Franchisor) for Years 2021 to 2023\***

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2021	0
	2022	2
	2023	0
Washington DC- West End	2021	0
	2022	1
	2023	0
Delaware	2021	0
	2022	1
	2023	0

Florida	2021	0
	2022	1
	2023	1
Indiana	2021	0
	2022	0
	2023	1
New Jersey	2021	0
	2022	1
	2023	1
New York	2021	2
	2022	0
	2023	1
North Carolina	2021	0
	2022	1
	2023	1
Maryland	2021	0
	2022	1
	2023	0
Massachusetts	2021	1
	2022	0
	2023	0
Pennsylvania	2021	3
	2022	0
	2023	1
South Carolina	2021	1
	2022	0
	2023	0

Tennessee	2021	0
	2022	1
	2023	0
Texas	2021	1
	2022	1
	2023	0
Total	2021	8
	2022	10
	2023	6

\* Our previous three fiscal years ended on December 31, 2023, January 1, 2023, and January 2, 2022, respectively.

**Table No. 3**  
**Status of Franchised Outlets for Years 2021 to 2023\***

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
AL	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
AR	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
AZ	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
CA	2021	25	1	0	0	0	0	26
	2022	26	3	0	0	0	0	29
	2023	29	0	0	0	0	0	29

CO	2021	2	1	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
CT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
DE	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
DC	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
FL	2021	20	1	0	0	0	0	21
	2022	21	0	0	0	0	1	20
	2023	20	2	0	0	0	0	22
GA	2021	4	1	0	0	0	0	5
	2022	5	2	0	0	0	0	7
	2023	7	1	0	0	0	0	8
HI	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
IA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IL	2021	21	2	0	0	0	0	23
	2022	23	0	0	0	0	0	23
	2023	23	2	0	0	0	0	25

IN	2021	5	2	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	1	0	0	0	0	8
KY	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
MD	2021	17	0	0	1	0	0	16
	2022	16	3	0	0	0	0	19
	2023	19	0	0	0	0	0	19
MA	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
MI	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
MN	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MO	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
NE	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
NV	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4

NH	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NJ	2021	25	4	0	0	0	1	28
	2022	28	1	0	0	0	0	29
	2023	29	0	0	0	0	0	29
NY	2021	22	1	0	0	0	0	23
	2022	23	0	0	0	0	1	22
	2023	22	0	0	1	0	1	20
NC	2021	10	2	0	1	0	0	11
	2022	11	0	0	0	0	0	11
	2023	11	2	0	0	0	0	13
NM	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
OH	2021	11	1	0	0	0	0	12
	2022	12	1	0	1	0	0	12
	2023	12	1	0	0	0	0	13
OK	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
OR	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
PA	2021	18	0	0	0	0	0	18
	2022	18	1	0	0	0	0	19
	2023	19	1	0	0	0	0	20

SC	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
TN	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
TX	2021	39	2	0	0	0	1	40
	2022	40	5	0	0	0	0	45
	2023	45	4	0	0	0	0	49
UT	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
VA	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	1	0	0	0	0	15
WI	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
WA	2021	11	0	0	0	0	0	11
	2022	11	0	0	0	0	0	11
	2023	11	1	0	0	0	0	12
Total	2021	270	20	0	2	0	2	286
	2022	286	22	0	1	0	2	305
	2023	305	23	0	1	0	1	326

\*Our previous three fiscal years ended on December 31, 2023, January 1, 2023, and January 2, 2022, respectively.

\*\* Only those franchises that are open and operational are included in the year end totals provided above.

**Table No. 4**  
**Status of Company-Owned Outlets for Years 2021 to 2023\***

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisees	Ceased Operations for Other Reasons	Outlets at End of the Year
MD	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

\*Our previous three fiscal years ended on December 31, 2023, January 1, 2023, and January 2, 2022, respectively.

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

State	Franchise Agreements Signed, but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected Company-Operated Outlets in the Next Fiscal Year
Arkansas	1	0	0
Arizona	7	0	0
California	25	2	0
Colorado	13	2	0
Delaware	1	0	0
Florida	17	2	0
Georgia	11	1	0
Hawaii	1	0	0
Iowa	1	0	0
Idaho	1	1	0

Illinois	17	7	0
Indiana	7	2	0
Kansas	2	1	0
Kentucky	1	0	0
Maryland	13	1	0
Michigan	1	0	0
Minnesota	2	1	0
Missouri	2	0	0
Nebraska	3	0	0
Nevada	5	0	0
New Jersey	9	1	0
New Mexico	1	0	0
New York	4	0	0
North Carolina	17	4	0
Ohio	14	1	0
Oklahoma	2	0	0
Oregon	3	0	0
Pennsylvania	8	2	0
South Carolina	2	0	0
Tennessee	9	1	0
Texas	55	1	0
Utah	3	0	0
Virginia	16	0	0

Washington	12	0	0
Wisconsin	4	0	0
TOTAL	290	30	0

Notes

1. During the last three fiscal years, 77 franchise agreements have been terminated prior to the opening of the Franchisee's Kiddie Academy location.
2. As of December 31, 2023, 86 franchised Kiddie Academy locations were either pending or under construction.
3. In fiscal year 2021, 67 franchise agreements were signed, and 20 franchised Kiddie Academy locations opened for business.
4. In fiscal year 2022, 76 franchise agreements were signed, and 22 franchised Kiddie Academy locations opened for business.
5. In fiscal year 2023, 79 franchise agreements were signed, and 23 franchised Kiddie Academy locations opened for business.

Attached to this Franchise Disclosure Document is a list of all Franchisees as of January 2, 2023, including their addresses and telephone numbers (*See Exhibit M – List of Franchisees*) and a list of all Franchisees who left the Kiddie Academy System during our prior fiscal year (*See Exhibit N - List of Franchisees Who Have Left the System*). If You buy this franchise, your contact information may be disclosed to other buyers when You leave the franchise system.

In some instances, former Franchisees have signed provisions restricting their ability to speak openly about their experience with the Kiddie Academy System. You may wish to speak with current and former Franchisees but be aware that not all such Franchisees will be able to communicate with you. There are no trademark-specific Franchisee organizations associated with the franchise being offered.

**ITEM 21: FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document are the audited, fiscal year-end consolidated financial statements for EBI (the franchisor's parent) for the periods ending on December 31, 2023, January 1, 2023, and January 2, 2022, and a copy of the signed guarantee of performance (*See (See Exhibit O – Financial Statements)*).

**ITEM 22: CONTRACTS**

Attached are the following agreements relating to the franchise:

- Exhibit B Franchise Agreement (with Exhibits)
- Exhibit C Addendum to Franchise Agreement (Multi-Unit)
- Exhibit D Addendum to First Franchise Agreement (Royalty Reduction)
- Exhibit E Addendum to Franchise Agreement (Vet\*Fran Program)
- Exhibit F Addendum to Franchise Agreement (Renewal)

Exhibit G	Addendum to Franchise Agreement (First In Market Program)
Exhibit H	Collateral Assignment of Lease
Exhibit H-1	Lease Option Agreement
Exhibit I	Addendum to Franchise Agreement (Transfers)
Exhibit J	General Release Agreement
Exhibit K	[Intentionally Omitted]

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

### **ITEM 23: RECEIPTS**

The last page of this Franchise Disclosure Document is a detachable document acknowledging receipt of the Franchise Disclosure Document (*See Exhibit R*).

**EXHIBIT A**

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

## LIST OF STATE AGENCIES

### California

Department of Business Oversight  
320 West 4th Street  
Suite 750  
Los Angeles, California 90013  
1-866-275-2677

### Florida

Florida Department of Agriculture &  
Consumer Services  
Division of Consumer Affairs  
Mayo Building, Second Floor  
Tallahassee, Florida 32399-0800

### Hawaii

Business Registration Division  
Securities Compliance Branch  
Department of Commerce & Consumer  
Affairs  
335 Merchant Street  
Honolulu, Hawaii 96813

### Illinois

Office of Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706

### Indiana

Secretary of State  
Franchise Section  
Indiana Securities Division  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204

### Kentucky

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
P.O. Box 2000  
Frankfort, Kentucky 40602

### Maryland

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### Michigan

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
670 Law Building  
Lansing, Michigan 48913

### Minnesota

Commissioner of Commerce  
Department of Commerce  
85 7th Place East  
Suite 280  
St. Paul, Minnesota 55101-2198

### Nebraska

Department of Banking and Finance  
1200 N Street  
Suite 311  
P.O. Box 95006  
Lincoln, Nebraska 68509

### New York

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New York State Department of Law  
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120 Broadway  
New York, New York 10271

### North Dakota

North Dakota Securities Department  
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State Capitol, Fifth Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

Rhode Island

Division of Securities  
Department of Business Regulation  
John O. Pastore Center, 69-1  
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South Dakota

Department of Labor and Regulation  
Division of Securities  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501

Texas

Statutory Document Section  
Secretary of State  
P.O. Box 12887  
Austin, Texas 78711

Virginia

State Corporation Commission  
Division of Securities and Retail Franchising  
Ninth Floor  
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Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
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Department of Business Oversight  
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Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
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Illinois

Attorney General of the State of Illinois  
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Springfield, Illinois 62706

Indiana

Secretary of State  
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Indianapolis, Indiana 46204

Kentucky

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
P.O. Box 2000  
Frankfort, Kentucky 40602

Maryland

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

Michigan

Department of Consumer and Industry Services  
Corporation, Securities, and Land Development  
Bureau  
6546 Mercantile Way  
Lansing, Michigan 48910

Minnesota

Commissioner of Commerce  
Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198

Nebraska

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1200 N Street, Suite 311  
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Lincoln, Nebraska 68509

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162 Washington Avenue  
Albany, New York 12231

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North Dakota Securities Department  
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Bismarck, North Dakota 58505-0510  
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Rhode Island

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Department of Business Regulation  
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1511 Pontiac Avenue  
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Pierre, South Dakota 57501

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Secretary of State  
P.O. Box 12887  
Austin, Texas 78711

Virginia

Clerk of the State Corporation Commission  
1st Floor  
1300 East Main Street  
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Washington

Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

Wisconsin

Department of Financial Institutions  
Division of Securities  
P.O. Box 1768  
Madison, Wisconsin 53701

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

**FRANCHISE AGREEMENT**

By and between

**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**

**(“Franchisor”)**

and

**(“Franchisee”)**

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Exhibit A – Franchise Location; Exclusive Territory; Opening Date  
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## FRANCHISE AGREEMENT

**THIS AGREEMENT** (the “**Agreement**”) is made and entered into by and between **Kiddie Academy Domestic Franchising, LLC**, a Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (the “**Franchisor**”), and \_\_\_\_\_, a[n] [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_, [with offices at \_\_\_\_\_][with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”). This Agreement shall become effective on the date executed by Franchisor (the “**Effective Date**”).

**WHEREAS**, Franchisor has expended time, skill, effort, and money in developing and owns a specialized system for the development and operation of year-round educational child care facilities that offer academic and social enrichment, as well as educationally based child care services for children six weeks to 12 years old (the “**Kiddie Academy System**”); and

**WHEREAS**, the distinguishing characteristics of the Kiddie Academy System include, without limitation, distinctive interior and exterior design, décor, layout and color scheme, signage, equipment, furnishings, forms, and materials; specialized educational equipment and materials; the Kiddie Academy Manuals and the Kiddie Academy Life Essentials® Curriculum (as those terms are defined in Section 5.10 of this Agreement); uniform operating methods, procedures, and techniques; proprietary software; specialized training programs and marketing materials, including social media, social networking and websites; and other confidential operating procedures, methods, and techniques for controlling inventory and costs, record keeping and reporting, personnel/management, purchasing, sales promotion, marketing, and advertising, all of which may be changed, improved, and further developed by Franchisor from time to time; and

**WHEREAS**, the Kiddie Academy System is identified by means of certain trade names, service marks, trademarks, trade dress, logos, logotypes, emblems, and indicia of origin, including, but not limited to, the mark “KIDDIE ACADEMY (with design)”, the name “Kiddie Academy,” and such other trade names, service marks and trademarks as are now designated (and which may be designated by Franchisor in writing in the future) for use in connection with the Kiddie Academy System (collectively referred to as the “**Marks**”); and

**WHEREAS**, Franchisor continues to develop, use, and control the use of the Marks in order to identify for the public the source of services marketed under the Marks and according to the Kiddie Academy System, and to represent the Kiddie Academy System’s uniformly high standards of quality, appearance, and service; and

**WHEREAS**, Franchisor grants qualified persons franchise and license rights to own and operate Kiddie Academy Educational Child Care facilities, which provide year-round learning, recreational, and educationally-based child care services and activities that are authorized and approved by Franchisor and utilize the Kiddie Academy System and the Marks (the “**Franchised Business**”); and

**WHEREAS**, Franchisee wants to be awarded franchise rights from Franchisor for the purpose of operating a Kiddie Academy Educational Child Care facility and to receive training

and other assistance provided by Franchisor in connection with the establishment of the Franchised Business and utilizing the Kiddie Academy System and the Marks; and

**WHEREAS**, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, service, cleanliness, appearance, safety and commitment to the social and academic welfare of children and the necessity of operating the Franchised Business in conformity with Franchisor's standards and specifications; and

**NOW, THEREFORE**, in consideration of the undertakings and commitments of each party to the other party set forth in this Agreement, and all of the above representations and acknowledgements, all of which are incorporated by reference herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

## **1. GRANT**

### **1.1 Designated Search Area**

Franchisee is hereby granted the right to search for a site at which Franchisee intends to operate a Franchised Business within the designated geographical area(s) (the "**Designated Search Area**") set forth in Exhibit E, attached hereto and made a part hereof ("**Exhibit E**").

Franchisee shall select a site that is acceptable to Franchisor for the development and operation of the Franchised Business (the "**Prospective Site**") within the Designated Search Area. The Designated Search Area will not be exclusive to Franchisee. Franchisee is solely responsible for identifying and procuring a Prospective Site. The Prospective Site must be accepted by Franchisor in writing pursuant to the terms of this Agreement, prior to Franchisee or a related party entering into a lease or purchase agreement for the Prospective Site. Notwithstanding anything to the contrary contained herein or otherwise, Franchisor's acceptance of the Prospective Site shall be at its sole discretion.

### **1.2 Franchised Business**

Franchisor grants to Franchisee, upon the terms and conditions contained in this Agreement, the right, license, and privilege, and Franchisee undertakes and accepts the obligation, to develop, construct, and operate the Franchised Business at the location (the "**Franchise Location**") set forth in **Exhibit A**, attached hereto and made a part hereof ("**Exhibit A**") which the parties shall execute and make effective immediately after Franchisor's acceptance of the Prospective Site, Franchisee's payment of the second installment of the Initial Fee (as defined in Section 7.1 below) to Franchisor pursuant to Section 7.1 and the Franchisee's execution of a lease or purchase agreement for the Franchise Location (the "**Exhibit A Date**"). Franchisee shall use solely in connection with the Franchised Business the Marks and the Kiddie Academy System, as they may be periodically changed and further developed by Franchisor in its discretion.

### **1.3 Exclusive Territory**

Franchisee is granted the right to operate the Franchised Business only at the Franchise Location. During the term of this Agreement, Franchisor will not develop or license anyone else to develop a Kiddie Academy business under the Marks and Kiddie Academy System on property located within the geographic area defined in Exhibit A (the "**Exclusive Territory**"). If Franchisee

fails to develop or open the Franchised Business, or if the lease or purchase agreement in connection with the Franchised Business is terminated, or the Franchised Business permanently ceases operations, then Franchisee's rights with respect to the Exclusive Territory will immediately terminate.

#### **1.4 Rights Retained**

Franchisee expressly acknowledges and agrees that, except as provided in Section 1.3 of this Agreement, the rights granted to Franchisee by this Agreement are non-exclusive. Franchisor retains the rights, without limitation,

1.4.1 to use, and/or to license others to use, the Kiddie Academy System and the Marks at any location outside the Exclusive Territory, even if those other Franchised Businesses will compete for customers within the Exclusive Territory;

1.4.2 to sell to, solicit, or direct advertising or promotional materials to customers or prospective customers located within the Exclusive Territory;

1.4.3 to develop, use, and license the use of proprietary marks other than the Marks in connection with the operation of a program or system that offers services which are the same as or similar to those offered under the Kiddie Academy System, on any terms and conditions as Franchisor deems advisable and without granting Franchisee any rights in those proprietary marks;

1.4.4 to offer and sell, through any means or method of distribution (including, without limitation, the internet), in the Exclusive Territory other products and services other than those specifically offered as part of the Kiddie Academy System hereunder, including, without limitation, educational materials, educational software or programs, or other merchandise under the Marks or any other proprietary marks;

1.4.5 within and outside the Exclusive Territory, (1) to co-brand with other businesses to provide products and services that are the same as or similar to those offered under the Kiddie Academy System and that uses the Marks, (2) to acquire, merge with, or otherwise affiliate with and thereafter own and operate and license others to own and operate any business of any kind operating under marks other than the Marks, including, without limitation, any business that provides products and services that are the same as or similar to those offered under the Kiddie Academy System or that uses the Marks, and (3) to convert any such acquired business or such acquired system of businesses to operation under the Kiddie Academy System and the Marks, notwithstanding any other provisions hereof.

## **2. TERM**

### **2.1 Franchise Term**

Unless sooner terminated in accordance with the terms hereof, the term of this Agreement (the "**Term**") will commence on the date that the Franchised Business opens for business as confirmed by Franchisor in Exhibit A (the "**Opening Date**") as follows:

2.1.1 If the Franchised Location is leased by the Franchisee, the Term will be the greater of 15 years or the initial term of such lease.

2.1.2 If the Franchised Location is owned by the Franchisee or an affiliate on or subsequent to the Effective Date, the Term will be, or will automatically be extended, so that it shall expire on the date which is 25 years from the Opening Date, and no further subsequent ownership changes of the Franchise Location shall affect the Term.

## **2.2 Lease or Purchase Agreement**

If the Academy is not operational on the Effective Date, Franchisee must enter into a lease or purchase agreement for the Franchise Location prior to expiration of the Site Selection Period (as defined in Exhibit E).

## **2.3 Expiration**

In the event that the Franchisee does not execute a lease or purchase agreement for a Prospective Site within the Site Selection Period (including any extensions thereof) as set forth in Exhibit E, the Franchise Agreement shall automatically expire without the need for any further action by Franchisor and be of no further effect.

## **2.4 Automatic Extension of Term.**

The Term, shall be automatically extended as follows:

2.4.1 If Franchisee or any of Franchisee's Principals, owners, members, managers, partners, shareholders, directors, officers, affiliates, family members, or any other Related Party as defined in Section 4.3 of this Agreement owns the Franchise Location, in whole or in part, on the last day of the Term, the Franchise Agreement is extended until the earlier of the date on which: a) the Franchised Business is transferred to another franchisee of Franchisor's pursuant to Section 15 of this Agreement; b) all of Franchisee's Principals, owners, members, shareholders, or family members sell or transfer their ownership interests in the Franchise Location for valuable consideration; or c) the entire Franchise Location is repurposed for use other than as child care business of any kind.

2.4.2 If the Franchise Location is leased from a third party and the term of the lease with the third party extends, or is extended, beyond the last day of the Term, the Franchise Agreement is extended until the earlier of the date on which: a) the Franchised Business is transferred to another franchisee of Franchisor's pursuant to Section 15 of this Agreement: or b) the lease for the Franchise Location (including any extension or renewal thereof) expires.

2.4.3 If the Term is extended pursuant to Section 2.4 for more than 180 days, this Agreement will be deemed to have been renewed, and Franchisee will be obligated to comply with Sections 3.2 through 3.8 of this Agreement.

## **3. RENEWAL**

Upon expiration of this Agreement, Franchisee will have the right to enter into a successor franchise agreement (the "**Successor Agreement**"), at no charge, for an additional, term of 10 years. To be eligible to enter into the Successor Agreement, Franchisee must satisfy each of the

conditions set forth in this Section 3 below. While there is no fee due upon execution of the Successor Agreement, Franchisee acknowledges that the expenditure of additional funds may be required to satisfy the conditions set forth below.

### **3.1 Notice**

Franchisee provides written notice to the Franchisor of the election to renew at least 12 months but not more than 18 months prior to the end of the Term.

### **3.2 Refurbishment**

Franchisee, at its expense, renovates, and refurbishes the Franchised Business so that it conforms to Franchisor's then-current standards and specifications, including without limitation interior and exterior design, operating specifications, presentation of the Marks, utilization of the Kiddie Academy Life Essentials Curriculum, wall and floor coverings and finishes, signs, furniture, teaching and training materials, supplies, equipment, and installed fixtures.

### **3.3 Breach; Compliance**

Franchisee and its affiliates have substantially complied with and are not in material breach of this Agreement at any point during the Term, and are not in default of this Agreement, any amendment or successor hereof, or any other agreement between Franchisee or its affiliates and Franchisor or its affiliates at the time of renewal. Franchisee and its affiliates shall also be in compliance with all of the terms and conditions of those agreements, including all monetary obligations, up to and including the date of renewal.

### **3.4 New Franchise Agreement**

Franchisee and, if Franchisee is a business entity, all individuals with ownership interest in Franchisee (the "**Principals**"), will execute Franchisor's then-current form of Successor Franchise Agreement and all related agreements as Franchisor requires, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including without limitation a higher percentage royalty fee, Brand Building Fund fee (the "**Brand Building Fee**"), and Local Annual Advertising Expense (as defined in Section 13.1.2. of this Agreement); provided, however, that the percentage royalty fee, Brand Building Fee, and the Local Annual Advertising Expense payable during a renewal term will never be increased to a percentage which is greater than that which is then required to be paid system-wide by Franchisor's newest franchisees. Additionally, Franchisee or Principals and all personal guarantors hereunder (the "**Guarantors**") will provide authorization for Franchisor to conduct criminal background checks and credit checks prior to signing the Successor Franchise Agreement.

### **3.5 Training**

Franchisee, its Principals, and Franchisee's Director (as defined in Section 6.21 of this Agreement) will attend and complete to Franchisor's satisfaction any courses, seminars and other training programs as Franchisor may reasonably require.

### **3.6 Release of Claims by Franchisee**

Franchisee, its Principals, and the Guarantors, shall execute a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders, and employees, in their corporate and individual capacities, from any and all claims, causes of action, regulatory actions, demands, debts, liabilities, obligations, fees, costs, and expenses, including without limitation, claims and causes of action arising under federal, state, and local laws, rules, regulations, and ordinances, arising prior to and including the date the renewal becomes effective.

### **3.7 Possession of Franchise Location**

Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Franchise Location for the duration of the term of any successor franchise agreement or shall obtain Franchisor's approval pursuant to Sections 4.5 and 4.6 of this Agreement of a new location for the Franchised Business for the duration of the term of any successor franchise agreement.

## **4. LOCATION OF FRANCHISED BUSINESS**

### **4.1 Leases and Purchase Agreements**

4.1.1 If the Franchise Location is owned by an entity with common ownership in or affiliation with the Franchisee, Franchisee shall enter into a lease agreement for the Franchise Location for the entire Term. If the Franchise Location is not owned by an entity with common ownership in or affiliation with the Franchisee, Franchisee shall enter into a lease agreement for the Franchise Location with a term, not including renewal options, equal to or greater than the Term.

4.1.2 If an affiliate of Franchisee enters into a purchase agreement for the Franchise Location, Franchisee must enter into a lease agreement with such affiliate at the earlier of: the actual commencement of construction, when Franchisee's loan has been funded, or 30 days before the Opening Date.

4.1.3 Prior to entering into any lease or purchase agreement for the Franchise Location, Franchisee shall submit a copy of the proposed agreement(s) to Franchisor for review and compliance with this Section 4.1.3, or as otherwise required by Franchisor. This requirement applies if Franchisee initially enters into a lease for the Franchise Location and later intends to enter into a purchase agreement for the Franchise Location. In every instance, Franchisee shall seek and obtain Franchisor's acceptance of each such document before Franchisee executes it. Franchisee shall not agree to modify, amend, renew, or assign any lease, lease renewal, or purchase agreement, without obtaining Franchisor's prior written consent. Franchisor's acceptance of a lease for the Prospective Site will be conditioned upon the inclusion of the provisions specified in the Site Development Manual.

## **4.2 Pre-Occupancy Inspections**

Franchisee hereby grants Franchisor and its agents the right to enter the Franchise Location and/or the Franchised Business at any time prior to occupancy by the Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives with those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, or sub-contractor. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by the Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring the Franchisee to desist from the further use of any equipment, designs, advertising materials, products, child care methods, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards, or requirements.

## **4.3 Leasing From a Related Party**

In the event that the Franchisee proposes to lease the Franchise Location from any owner, member, manager, partner, director, officer, shareholder, affiliate, or Principal of Franchisee, or from any entity in which such person holds an interest (a "**Related Party**"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisor may also require that the Related Party execute an agreement which, among other things, restricts the Related Party from leasing real property to a tenant who offers child-care and similar services during the Term and for two-years following the expiration or termination of this Agreement. Franchisee shall also execute a written lease agreement with the Related Party that is acceptable to Franchisor and deliver a copy to Franchisor.

## **4.4 Signs**

Franchisee shall purchase and install such signs at the Franchise Location as may be designated by Franchisor from time to time (the "**Signs**"). All such Signs shall conform to the specifications and designs provided by the Franchisor and shall be in compliance with all local laws, codes and regulations. All original and replacement Signs shall be fabricated and installed by a national signage company designated by Franchisor or a signage company otherwise approved by the Franchisor in writing. Failure by Franchisor to provide approval of a requested signage company within 30 days of the Franchisee's request shall be deemed as approval by Franchisor. Pursuant to Section 9.5 of this Agreement, Franchisee expressly acknowledges and agrees that as between the parties to this Agreement, Franchisor has the exclusive right and interest in and to the Marks and the goodwill associated with and symbolized by them and, accordingly, that all portions and parts of any signs containing the Marks shall be the property of Franchisor. Franchisee must submit photographs, drawings and descriptions of signs to Franchisor in order to determine whether such signs and related materials meet Franchisor's specifications. If any of the items

installed by Franchisee or Franchisee's vendors do not meet Franchisor's specifications, Franchisee, at its expense, shall immediately change and/or replace any non-conforming item so that they comply with Franchisor's specifications. If Franchisee fails and/or refuses to make such changes or to replace items that must be replaced, Franchisor shall be permitted to do so at Franchisee's expense. All such costs incurred by the Franchisor shall be collected by Franchisor via automatic electronic bank transfer as specified in Section 7.6 of this Agreement.

#### **4.5 Relocation of Franchised Business and Relocation Fee**

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. Franchisor shall have the right, in its sole discretion, to withhold consent of relocation, unless the lease for the site of the Franchised Business expires or terminates through no fault of Franchisee, or if the site is destroyed, condemned, or otherwise rendered unusable, in which case Franchisor will grant permission for relocation of the Franchised Business to a new location, provided that Franchisee complies with the requirements of Sections 4.5 through 4.9 hereof, the new location is acceptable to the Franchisor and the new location comports with Franchisor's site selection criteria and as set forth in Franchisor's manual for site development (the "**Site Development Manual**") and Franchisee, its Principals, and the Guarantors, execute a general release, in a form prescribed by Franchisor. If the Franchised Business is relocated, Franchisee will sign a new lease for the Franchise Location and a new Franchise Agreement and all ancillary agreements then required by the Franchisor in Franchisor's then-current form. The term of the new Franchise Agreement will equal the greater of a) the remaining Term or b) 15 years if the Franchisee will lease the premises or 25 years if the Franchisee of an affiliate purchases the Franchise Location; provided, however, in either instance, the term will be no less than 15 years. The Exclusive Territory for that new Franchise Agreement will be defined as the same diameter set forth in Exhibit A but with the new Kiddie Academy location as the center point, and this new Exclusive Territory shall replace Franchisee's former Exclusive Territory in all respects. Franchisee shall comply with all requirements related to leasing the new premises and to construction and development of a new Franchised Business and Franchise Location as set forth in Franchisor's then-current Franchise Agreement and in the Kiddie Academy Manuals, unless expressly waived by Franchisor in writing. The relocation will be solely at Franchisee's expense, and Franchisee will be required to pay to Franchisor a relocation fee of \$30,000 on the Opening Date for the new location.

#### **4.6 Search for Relocation Site for The Franchised Business**

If Franchisor has consented in writing to the relocation of the Franchised Business, Franchisee shall be solely responsible to identify, locate, and procure an acceptable site for relocation (the "**Relocation Site**") Franchisee may search for a Relocation Site for the Business within the United States Postal Service ZIP Code stated in the initial Exhibit A, or, in Franchisor's sole discretion, in the geographic area designated by Franchisor (the "**Relocation Area**"). Any such designated relocation ZIP code Relocation Area shall be non-exclusive to Franchisee. Any further modifications to this Relocation Area must be in writing and agreed in advance by all Parties to this Agreement. Franchisee shall select a Relocation Site within the Relocation Area that is acceptable to Franchisor for the development and operation of the Business. Franchisee acknowledges there may be other Franchisees seeking sites in the Relocation Area or Franchised

Businesses located in the Relocation Area. Franchisee is solely responsible for identifying and procuring a Relocation Site. The Relocation Site must be accepted by Franchisor in writing pursuant to the terms described in this Agreement, prior to Franchisee entering into a lease for the Relocation Site, or Franchisee or a related party entering into a purchase agreement for the Relocation Site. Notwithstanding anything to the contrary contained herein or otherwise, Franchisor's acceptance of the Relocation Site shall be at its sole discretion.

#### **4.7 Site Location Assistance by Franchisor**

Franchisor will review Relocation Sites proposed by the Franchisee for the Business in accordance with Franchisor's current screening criteria and relevant demographic and other information, and as set forth in Franchisor's Site Development Manual. Franchisor may refer Franchisee to one or more real estate brokers/agents to assist Franchisee in Franchisee's search for a Relocation Site, though Franchisee is under no obligation to utilize that or any other real estate broker/agent. Franchisor will consult with Franchisee, and at the request of the Franchisee, may consult with lenders, real estate brokers/agents, landlords and/or developers, in connection with the Franchisee's efforts of identifying, analyzing, and procuring a Relocation Site. Franchisor will physically review, at Franchisor's discretion, Relocation Sites that appear to meet Franchisor's general requirements after Franchisor's initial screening of such Relocation Sites have been completed. Franchisor will assist Franchisee in its efforts to obtain a lease or purchase agreement for a Relocation Site that is accepted both by Franchisee and Franchisor, and will review such agreements prior to Franchisee's execution to determine if they include provisions required by Franchisor as referenced in Section 4.1.3 of this Agreement.

#### **4.8 Acceptance of Relocation Site by Franchisor**

4.8.1 Prior to Franchisor's review and acceptance of a Relocation Site, Franchisee must submit to Franchisor the following: a) a written proposal consisting of a description of the Relocation Site; b) a non-binding letter of intent that sets forth all pertinent business and legal terms for a lease or purchase agreement to be entered into by the Franchisee for a Relocation Site; c) a draft lease containing Franchisor's required clauses as specified in Section 4.1.3 of this Franchise Agreement; and d) updated financial information as requested by Franchisor. If the Relocation Site is accepted, Franchisee shall execute a new Exhibit A, reflecting the new Franchise location.

4.8.2 Franchisee shall only propose to Franchisor Relocation Sites that Franchisee reasonably believes conform to Franchisor's site selection criteria. Franchisor will notify Franchisee of its acceptance or non-acceptance of a Relocation Site proposed by Franchisee within 30 days after receiving from Franchisee all items set forth in this Section 4.8. Franchisee must receive Franchisor's prior acceptance of a Relocation Site before entering into a lease or purchase agreement for such Relocation Site. Franchisor's acceptance of a Relocation Site will be made on the basis that the Relocation Site meets the standards and criteria established by Franchisor, which Franchisor may modify as it deems appropriate and in its sole discretion. Franchisor, in its sole discretion, may decide to accept or reject Franchisee's request to develop a Relocation Site, regardless of where the Relocation Site is located in relation to the exclusive territory of another franchisee, as long as the Relocation Site is outside of the other franchisee's

exclusive territory. Such acceptance or rejection will not expand or otherwise modify the other franchisee's Exclusive Territory. In the event that the Franchisee fails to execute a lease or purchase agreement within a reasonable amount of time after receiving acceptance from Franchisor of a Relocation Site, Franchisor shall have the right to refer the Relocation Site to another franchisee of Franchisor's, or otherwise develop such site as company owned business.

4.8.3 Franchisee shall comply with the provisions of Section 4.3 hereof in connection with any lease from a Related Party for the Relocation Site.

4.8.4 Franchisee hereby acknowledges that the lease or land purchase agreement for any Relocation Site accepted by Franchisor is likely to be subject to contingencies such as zoning and/or community approvals, financing and/or a building permit. The obligation to satisfy such contingencies is solely the responsibility of Franchisee, landlord, and/or seller, and Franchisor is not responsible or liable for any failure to satisfy any or all of such contingencies.

#### **4.9 Lease or Purchase Agreement Termination**

If a lease or purchase agreement for the Franchised Business is signed, but a contingency in the lease or purchase agreement is not met or Franchisee is unable or unwilling to perform, and as a result, the lease or purchase agreement is terminated, Franchisor will not refund any of the fees or any portion thereof paid to Franchisor by Franchisee. In the event that the lease or purchase agreement is terminated, Franchisor shall have the right to offer/assign the site subject to such lease or purchase agreement to another franchisee of Franchisor, and the Franchisor's sole obligation to Franchisee is to assist in Franchisee's efforts to (i) locate an alternative site and (ii) assist with the negotiations of a corresponding lease or purchase agreement for the alternative site. There is no additional fee for this assistance. In all such cases, Franchisee must use Franchisee's best efforts to locate an alternative site, in accordance with the terms and conditions of this Section 4 and Exhibit E, that meets Franchisor's specifications. Franchisor reserves the right, in its sole discretion, to consider Franchisee's failure to locate and procure an alternative site within 12 months of the termination of a lease or purchase agreement a default under this Agreement and to terminate this Agreement. In such instance, all fees paid to Franchisor by Franchisee will be considered earned and non-refundable to the Franchisee.

### **5. DUTIES OF FRANCHISOR**

Franchisor agrees, along with all other duties and obligations set forth in this Agreement, to undertake and perform the following duties:

#### **5.1 Site Selection**

Franchisor will provide site selection assistance as set forth in Exhibit E.

#### **5.2 Plans and Specifications**

Franchisor will make available, at no charge to Franchisee, one set of concept plans and specifications (the "**Franchisor Plans**") for the Franchised Business ***which are not intended for construction***. The Franchisor Plans will include general specifications for interior and exterior design, appearance and signs. Franchisor's designated representative(s) will meet with Franchisee

for the plan review (the “**Plan Review Meeting**”), as further detailed in Section 6.6. Franchisee may not alter the Franchisor Plans or use additional plans and specifications other than those acknowledged by Franchisee during the Plan Review Meeting, unless approved in advance by Franchisor in writing. Franchisor reserves the right to charge Franchisee a reasonable fee to complete alterations or additional plans and specifications or to require Franchisee to hire a designer/architect, at Franchisee’s expense, to complete any and all such alterations or new plans and specifications for the Franchised Business. Any agreement entered into by Franchisee for design or construction of the Franchised Business must meet Franchisor’s standards and specifications. In every instance, Franchisee shall seek and obtain Franchisor’s acceptance before Franchisee executes any such agreement. Once accepted, Franchisee shall not agree to modify or amend the construction agreement without obtaining Franchisor’s prior written consent. Franchisor’s acceptance of Franchisee’s construction agreement will be conditioned upon the inclusion of the provisions specified in the Construction Manual.

### **5.3 Construction**

After the lease or purchase agreement for the Franchise Location is fully executed, a representative of Franchisor will review the site of the Franchise Location and/or the Franchised Business during its construction, as deemed to be necessary by the Franchisor, to ensure that the construction of the Franchise Location and/or the Franchised Business complies with Franchisor’s standards and specifications.

### **5.4 Licenses and Permits**

Franchisor may assist Franchisee in its efforts in obtaining all approvals, permits and licenses required by governmental agencies to construct and operate the Franchised Business. Notwithstanding, it is Franchisee’s sole responsibility to obtain and maintain all such licenses, permits and approvals, and to pay all costs and expenses associated therewith.

### **5.5 Training**

Franchisor will provide training programs as set forth in Section 8 of this Agreement. The purpose of the training programs is for Franchisee to develop a basic working knowledge of the skills and techniques necessary to operate the Franchised Business.

### **5.6 Opening/On-Site Consultations**

Upon Franchisee’s receipt of a Certificate of Occupancy or similar certificate or permit for the use and occupancy of the Franchise Location, a Franchisor representative(s) will consult with Franchisee and Franchisee’s Director concerning classroom set-ups and arrangements, operational and business management, and the Kiddie Academy Curriculum.

### **5.7 Grand Opening Assistance**

Franchisor will assist Franchisee in planning and preparing for Franchisee’s Grand Opening Celebration (as described in Section 13.1 of this Agreement).

## **5.8 Operational Assistance and Inspections**

Franchisor will provide during the Term, as Franchisor deems to be appropriate, certain advisory assistance and materials concerning the operation, promotion and management of the Franchised Business. Franchisor may conduct, as Franchisor deems appropriate, unannounced inspections of the Franchised Business, and shall evaluate the services rendered at the Franchised Business. Franchisee shall provide Franchisor and its agents open access to the Franchised Business during business hours and shall assist Franchisor and its agents during all such visits and inspections.

## **5.9 Advertising**

During the Term, Franchisor, as it deems to be appropriate, may make available to Franchisee certain advertising and promotional plans, materials and methods for local advertising and promotions as described in Section 13 of this Agreement.

## **5.10 Kiddie Academy Manuals**

Franchisor will provide Franchisee, on loan, copies of all current operational manuals for the Kiddie Academy System, as well as Franchisor's proprietary Kiddie Academy Life Essentials® curriculum (the "**Kiddie Academy Curriculum**") (collectively referred to as the "**Kiddie Academy Manuals**"), as more fully described in Section 10 of this Agreement. Upon execution of this Agreement, Franchisee shall receive access to the Site Development Manual. On the Exhibit A Date, Franchisee shall receive access to all other Kiddie Academy Manuals. Franchisor, at its sole discretion, may make the Kiddie Academy Manuals available to Franchisee via the Kiddie Academy Resources website ("**KARES**") in addition to, or in lieu of, providing hard copies to the Franchisee. Franchisee acknowledges and agrees that the Manuals are designed to protect the Franchisor's standards, Kiddie Academy System and Marks, and not to control the day-to-day operation of the Franchised Business.

## **5.11 Supplies, Equipment and Vendors**

Franchisor will provide, at no expense to Franchisee, a list of equipment and supplies for the Franchised Business, and Franchisor reserves the right to amend and/or modify such list(s). The list of equipment and supplies specifies the materials that have been approved by Franchisor and which are needed by Franchisee to open and operate the Franchised Business, as specified in Sections 6.12 and 6.13 of this Agreement. Franchisor will supply to Franchisee, at no additional cost, a list of vendors from whom equipment and supplies for the Franchised Business may be purchased. The sources and suppliers from whom Franchisee may obtain supplies and equipment for the Franchised Business must be approved in advance by Franchisor in writing. The lists of equipment and supplies and vendors may be made available to Franchisees via KARES in addition to, or in lieu of, providing hard copies to Franchisee.

## **5.12 Business Management System**

Franchisor will prescribe a business administrative support system, including computer hardware, tablets, the Required Software, (defined below) and networking equipment requirements (the "**Business Management System**"), which shall be procured by Franchisee and used in the operation of the Franchised Business. Franchisor reserves the right to develop a

proprietary Business Management System and require Franchisee to purchase such system from Franchisor, its affiliate, or a designated supplier.

### **5.13 Franchisee's Acknowledgement**

The provisions of Section 4 above and this Section 5 notwithstanding, Franchisee acknowledges and agrees that it is Franchisee's sole responsibility under this Agreement to obtain the necessary rights to the Franchise Location for the Relocation Site, to establish and operate the Franchised Business, and to obtain the requisite financing for the Franchised Business hereunder, and that, any guidance or assistance from Franchisor in connection therewith notwithstanding, any decisions related thereto are those of Franchisee alone.

### **5.14 Franchisor Performance**

Any obligation of the Franchisor to provide assistance or perform a service or function in person or at the Franchise Location, may be performed remotely over the internet or through any other audio or video medium designated by Franchisor.

## **6. DUTIES OF FRANCHISEE**

Franchisee understands and acknowledges that in order to maintain high and uniform operating standards, increase the demand for the services offered by all Franchisees, and protect the reputation and good will of Franchisor and the Kiddie Academy System, every detail of the Franchised Business is of critical importance to Franchisor and all Kiddie Academy Franchisees. Toward that end, Franchisee acknowledges and accepts, without limitation as to other duties described and enumerated in this Agreement, the following duties:

### **6.1 Exclusive Use of Franchise Location**

The Franchise Location shall only be used for the Franchised Business. No portion of the Franchise Location may be assigned, subleased, or otherwise transferred except as part of a sale of the Franchised Business that is approved pursuant to this Agreement.

### **6.2 Training**

Franchisee and Franchisee's Director must attend and successfully complete all of Franchisor's required training programs as set forth in Section 8 of this Agreement.

### **6.3 Service and Program Quality**

Franchisee will offer all of the services and programs prescribed by Franchisor, only those services and programs that meet Franchisor's uniform standards of quality, and only those services and programs which have been expressly approved in writing by Franchisor through the Kiddie Academy Manuals or otherwise. Franchisee will not deviate from Franchisor's methods, techniques, standards and specifications for the provision of services or the type or quality of programs and services provided at the Franchised Business without Franchisor's prior written consent. Franchisee will immediately discontinue offering all services or programs, and will stop using any teaching methods and/or childcare techniques, as Franchisor may, in its discretion, disapprove of at any time. Franchisee acknowledges that the Kiddie Academy System may be

supplemented, improved and otherwise modified from time to time by Franchisor, and Franchisee agrees to comply with all reasonable requirements of Franchisor in that regard.

#### **6.4 Prices of Franchised Business Services**

Franchisee shall have the right during the Term to set enrollment prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by the Franchisor. Any pricing policies established by Franchisor will apply to all franchisees within Franchisee's market. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisee must provide to Franchisor a price list containing all of the prices charged for the services supplied by the Franchised Business. The price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually.

#### **6.5 Telephone, Computer, Internet Connections**

6.5.1 Franchisee will secure and maintain a separate business telephone line for use at the Franchised Business as specified by Franchisor in the Kiddie Academy Manuals or otherwise. Franchisee will also secure and maintain cable, fiber-optic or other form of high-speed Internet connection at the Franchised Business as specified in the requirements for the Business Management System software and as specified by Franchisor in the Kiddie Academy Manuals or otherwise. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and Internet connections at the Franchised Business and the operation of all computer hardware and software associated with the Business Management System.

6.5.2 Franchisee must purchase, implement and maintain networking equipment in the manner prescribed by Franchisor that provides Internet content filtering, firewall and anti-virus protection and Wi-Fi access that covers the entire Franchised Business (the "**Network Equipment**"). Franchisor may access the Academy network settings to verify proper network security and controls have been implemented and maintained and may modify network settings as necessary to ensure proper security and protection of Franchisor's systems and data. Should Franchisee for any reason fail to purchase or install the Network Equipment prescribed by Franchisor, and as may be updated from time to time as provided in Section 6.5, Franchisor will have the right and authority, and Franchisee must fully cooperate with Franchisor in Franchisor's effort, to purchase and install the then-current Network Equipment and to charge the amount of the cost to do so to Franchisee, plus an administrative fee of 25% of the total aggregate amount of expenses incurred by the Franchisor. Franchisor is authorized to collect from Franchisee all such costs and expenses through automatic electronic bank transfers as provided for in Section 7.6 of this Agreement.

6.5.3 Franchisee will acquire and maintain a computer system, including, at a minimum, computers at the entrance of the Franchised Business, in the Franchisee's office, in the Director's office and in the classroom area of the Franchised Business, as well as all software and telecommunications infrastructure as required by the Kiddie Academy Manuals, for maintaining

the Kiddie Academy computerized Business Management System, performing general operational functions and providing computer instruction to the enrolled children. The computer system shall meet or exceed the minimum requirements periodically prescribed by Franchisor, including all hardware, software, and Internet, Intranet and email connections specified by Franchisor. Such requirements will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards.

6.5.4 Franchisee shall purchase the computer system, including all required hardware and software associated with the Business Management System and any additional hardware or software required by Franchisor, no later than 15 days after Franchisee's receipt of a permit issued by a governmental authority permitting Franchisee, Franchisee's landlord or Franchisee's developer to begin the construction/retrofitting of the site that will become the Franchised Business. Franchisee must periodically update, as required by the Franchisor and/or the software manufacturer, all software purchased for and installed on the computer system, and all hardware required to run new versions of required software, solely at the Franchisee's expense.

6.5.5 Franchisor shall have the right to access all information related to the operation of the Franchised Business from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor.

## **6.6 Construction**

Franchisee is solely responsible for the plans for and construction of the Franchise Location and the Franchised Business.

6.6.1 Franchisee will commence design of construction plans for the Franchise Location and the Franchised Business promptly after execution of a lease for or closing on the purchase of the Franchise Location. Such plans and specifications will be based upon the Franchisor Plans provided by Franchisor and the additional requirements set forth in the Kiddie Academy Manuals and as provided by Franchisor's personnel. Franchisee acknowledges that the Franchisor Plans are in concept form, and Franchisee or Franchisee's landlord will be required to hire, at their sole cost and expense, an architect and/or engineer to adapt and modify the plans as necessary in order to comply with all relevant municipal codes, child care regulations, health codes, and specific requirements of the Franchise Location, and to obtain and comply with building permits for the Franchised Business and/or the Franchise Location.

6.6.2 Upon completion of the necessary plans, Franchisee will, if requested by Franchisor, promptly schedule an in-person Plan Review Meeting with Franchisor's designated representative(s) at Franchisor's office or at a location prescribed by Franchisor, during which Franchisee will review and acknowledge review of each page of the proposed construction plans.

6.6.3 Franchisee will promptly commence any required construction after completion of the Plan Review Meeting, and Franchisee shall maintain continuous construction of the Franchised Business and Franchise Location until completion. Franchisee will complete construction in accordance with the plans and specifications for the Franchised Business as accepted at the Plan Review Meeting, and Franchisee will not deviate, except as permitted below, from such plans and specifications without the prior written consent of Franchisor.

6.6.4 It is Franchisee's sole responsibility to make sure that the design and construction of the Franchised Business and the Franchise Location are in compliance with all applicable laws including without limitation, the Americans with Disabilities Act. Franchisee shall indemnify and hold Franchisor harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Franchised Business fail in any way to comply with any applicable laws, including, without the limitation, the Americans with Disabilities Act.

## **6.7 Building Permit**

Franchisee shall provide Franchisor a copy of any and all Construction and Building Permits received by Franchisee (or its agents) relating to the construction of the Franchised Business, within three business days of Franchisee's receipt of same.

## **6.8 Completion of Construction and Commencement of Operations**

Franchisee shall complete the construction of the Franchise Location and the Franchised Business in a timely manner and in order to allow the Franchised Business to open within 18 months from the Exhibit A Date. In the event that the Franchisee anticipates that the construction of the Franchised Business and/or Franchise Location will not be completed in a timely manner in order to allow for the Franchised Business to open within 18 months from the Exhibit A Date, Franchisee shall notify Franchisor and request an extension in writing. Franchisor will not unreasonably withhold its consent to a six-month extension provided that Franchisee is using its best efforts to complete the design and construction of the Franchised Business and Franchise Location and is actively communicating with the Franchisor in this regard. In the event that the Franchised Business is not open and operational within 18 months, or after any extension period agreed to by the Franchisor in writing, Franchisor, in its sole discretion, may terminate this Agreement and, upon such termination, all fees paid to the Franchisor by the Franchisee will be considered earned and shall not be refundable to the Franchisee.

6.8.1 Franchisee agrees to provide Franchisor with a copy of the Certificate of Occupancy (or other permit or certificate that authorizes use and occupancy) within three business days of Franchisee's receipt of same. In addition, prior to opening the Franchised Business, and after any construction is completed, as described above, Franchisee shall, at Franchisor's request, provide written evidence to substantiate that the Franchised Business, the Franchise Location, and its design and construction comply with the Americans with Disabilities Act. In any event, Franchisee shall commence operations of the Franchised Business within seven calendar days of the Opening Date.

6.8.2 If Franchisee is entering into a contract for the purchase of an existing Kiddie Academy Franchise rather than developing a new Kiddie Academy Franchise, Franchisee will use its best efforts to take exclusive operational control and ownership of the existing Franchised Business no later than the Transfer Date set forth in Exhibit A.

## **6.9 Financing, Licenses, Hiring, Classroom Completion**

Prior to the Opening Date, Franchisee shall (i) obtain sufficient financing, if necessary, for every aspect of the Franchised Business, (ii) obtain all necessary licenses, permits and approvals,

including without limitation, child care facility licenses and approvals, required by any and all pertinent governmental authorities, (iii) hire and adequately train all necessary personnel, (iv) make all necessary leasehold and/or real property improvements, (v) purchase and install all necessary building, classroom and office equipment, as well as all materials and supplies required by Franchisor and as outlined in the Kiddie Academy Manuals, and (vi) obtain approval from Franchisor to open and operate the Franchised Business. A failure by the Franchisee to satisfy any of the foregoing conditions will be considered a material default and Franchisor may terminate this Agreement. Upon such termination, all fees paid to the Franchisor by the Franchisee will be considered earned and shall not be refundable to the Franchisee.

#### **6.10 Compliance with Laws**

Franchisee shall comply with all applicable laws, ordinances, and regulations of every municipal, county, state and federal authorities, including without limitation compliance with all building, zoning, child care and health codes applicable to the Franchised Business, including, without limitation, the Americans with Disabilities Act, the Fair Labor Standards Act, the National Labor Relations Act, the Occupational Safety and Health Act, the Age Discrimination in Employment Act, the Affordable Care Act, the Family Medical Leave Act, and the Lanham Act.

#### **6.11 Hours of Operations/Holidays**

Franchisee will continuously operate the Franchised Business from the time it first opens and throughout the Term, keeping the Franchised Business open and in normal operation from Monday through Friday, 6:30 AM through 6:30 PM (at a minimum), or for such other operating hours as the Franchisor may periodically prescribe in the Kiddie Academy Manuals, as Franchisor and Franchisee have otherwise agreed in writing, or as otherwise required by any applicable zoning law, regulation, or ordinance. Franchisee will provide continuous email and telephone answering coverage by an employee whenever the Franchised Business is open for business. The Franchised Business shall not be closed for holidays other than those specifically identified in the Kiddie Academy Manuals unless Franchisor and Franchisee have otherwise agreed in writing. Franchisee shall also be permitted to close the Franchised Business in the event of emergency situations and/or inclement weather.

#### **6.12 Conformance to Kiddie Academy Standards**

Franchisee shall only purchase for the Franchised Business new supplies and equipment as specified by Franchisor and described in the list of equipment and supplies. Prior to ordering any item for use in connection with the Franchised Business, Franchisee will notify Franchisor in writing, on the form prescribed by Franchisor, of each and every item of supply or equipment Franchisee intends to order for the Franchised Business for the purpose of informing Franchisor of the exact items which will enter the Franchised Business and to allow Franchisor the opportunity to monitor same for safety or other considerations. Within a reasonable period of time after Franchisor's receipt of Franchisee's list of proposed supplies and equipment, Franchisor will approve in writing those items Franchisee intends to purchase, with the exception of those items which are not found in Franchisor's list of equipment and supplies and those items not acceptable in a Kiddie Academy Franchise for reasons of manufacturer's recall, prior use, inappropriateness for children, toxicity, flammability or other reasons causing reasonable concern to Franchisor.

Franchisor's failure to approve a specific item or set of items within 30 days shall be deemed as approval by Franchisor. Franchisor reserves the right to determine, in its sole discretion, the sources and suppliers from whom Franchisee may obtain new supplies and equipment for the Franchised Business.

### **6.13 Approved Supplies and Equipment; Submission of Unapproved Supplies and Equipment**

Franchisee may purchase from any supplier the supplies and equipment described in Section 6.12 provided that Franchisee complies with the notification provisions set forth in Section 6.12 and provided that the goods being purchased are specified in the list of equipment and supplies. The sources from whom Franchisee may purchase supplies and equipment for the Franchised Business must be approved in advance by Franchisor. If Franchisee desires to purchase an unapproved item, Franchisee will submit to Franchisor a written request for Franchisor's approval of such item. Franchisor reserves the right to inspect any supplies and/or equipment for which Franchisor's approval is sought at the time of delivery and at any point during the Franchisee's use of the supplies and/or equipment. Within 30 days after receipt of Franchisee's request, Franchisor will approve or reject the submitted item in writing based upon its standards of safety, suitability for children, and educational or recreational value to the operation of a Kiddie Academy Franchise. Franchisee may not at any time install or operate vending or other coin operated machines or other devices at the Franchised Business, including pay telephones, without the prior written consent of Franchisor. Franchisor's failure to approve a specific item or set of items within 30 days shall automatically constitute approval by Franchisor.

### **6.14 Transportation Vehicles and Drivers**

Franchisee shall be responsible for ensuring that all transportation vehicles used by the Franchised Business to transport children and/or staff to and from the Franchised Business comply with all applicable federal, state and local laws and regulations. Franchisee may purchase or lease original or used motor vehicles from any source provided that all such sources meet or exceed applicable federal, state and local standards for the purchase and sale of such vehicles. All vehicles used as part of the operations of the Franchised Business shall bear the Marks as and where specified by Franchisor and shall be used exclusively for and in furtherance of the operation of the Franchised Business.

6.14.1 Franchisee shall, at its expense, maintain the interior and exterior of all transportation vehicles used by the Franchised Business in good repair, attractive appearance and sound, safe operating condition. Franchisee shall maintain a complete set of records regarding the maintenance of all such vehicles, as prescribed by the Franchisor. Franchisee shall make all necessary repairs to all such transportation vehicles and in no event shall Franchisee or any individual who is employed at or by the Franchised Business use a transportation vehicle for the Franchised Business that is not currently in good condition and repair, which imposes any safety hazard to any person, or which is not currently in compliance with all federal, state and local laws and regulations.

6.14.2 Franchisee shall require that each person who is authorized to drive any transportation vehicles used by the Franchised Business have and maintain a valid and appropriate

driver's license from the State in which the Franchised Business is located and shall have a driving record that is acceptable to the State and Franchisee's insurance carrier, as specified from time to time in the State's regulations. Franchisee shall not permit any person to drive any transportation vehicles used by the Franchised Business without first having verified the validity of his/her driver's license and the acceptability of his/her driving record.

#### **6.15 Supervision of Employees; Independently Owned and Operated**

Franchisee acknowledges and agrees that Franchisee has the sole authority, and it is Franchisee's sole obligation hereunder, to make all employment-related decisions for the Franchised Business, including, without limitation, decisions related to hiring, firing, discharging and disciplining employees, and to setting their wages, hours of employment, and any benefits, and that Franchisor shall have no direct or indirect authority or control over any employment-related matters for Franchisee's employees. Franchisee shall require each of its employees to acknowledge in writing that Franchisee (and not Franchisor) is the employer of such employee. Franchisor may provide Franchisee with a sample Employee Handbook, but Franchisor and Franchisee acknowledge and agree that Franchisee's use of such handbook is entirely optional, and that Franchisee is not required to use such handbook or to adhere to the policies or procedures contained therein (except for the Kiddie Academy mission statement). Franchisee shall place and continuously display in the lobby of the Franchised Business, in a conspicuous place, a sign or plaque designed and approved by Franchisor indicating that the Franchised Business is independently owned and operated.

#### **6.16 Pledge of Fair Dealing**

In all dealings with customers, enrolled children, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct.

#### **6.17 Franchise Maintenance and Repair**

Franchisee will purchase and install in or on the Franchised Business and/or the Franchise Location, at Franchisee's expense, all furnishings, fixtures, signs, equipment, materials and supplies as directed in the Kiddie Academy Manuals or as otherwise directed by the Franchisor in writing. Franchisee will not install or permit to be installed in or on the Franchise Location, without Franchisor's prior written consent, any furnishings, fixtures, signs, equipment, materials, supplies or other improvements not previously approved as meeting Franchisor's standards and specifications.

6.17.1 Franchisee shall keep and maintain the Franchised Business and/or the Franchise Location in and of the highest degree of repair and condition. Franchisee shall make such additions, alterations, repairs and replacements as may be required for that purpose (but no others without Franchisor's prior written consent), including without limitation periodic repainting of some or all of the Franchised Business, as well as repairing and replacing worn and/or obsolete signs, fences, fixtures, carpets, floor coverings, outdoor surfaces, ceiling tiles, equipment (such as children's toys, playground equipment, and other play and learning materials) and furnishings as Franchisor may reasonably direct.

6.17.2 Franchisor reserves the right to require Franchisee to generally refurbish the Franchised Business and/or the Franchise Location at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for new Kiddie Academy Franchises and may include, without limitation, structural changes, installation of new materials and equipment, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Notwithstanding, the Franchisor shall not request, and the Franchisee shall not be obligated to perform such refurbishment, if the Franchisor's request is made either prior to the start of the sixth year of the Term or within five years from the last date the Franchisee refurbished the Franchised Business and/or the Franchise Location pursuant hereto.

6.17.3 In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Franchise Location as specified by this Section 6.18, Franchisor or its agents may enter the Franchise Location, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Franchised Business and the Franchise Location in the highest degree of repair and condition. In addition to any and all other remedies that the Franchisor may have in law or in equity, Franchisee shall reimburse the Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by the Franchisor pursuant to this Section, plus an administrative fee of 15% of the total aggregate amount of expenses incurred by the Franchisor. In the event that the Franchisee fails to reimburse Franchisor within seven days of the date Franchisee is billed for all such amounts, Franchisee authorizes Franchisor to collect all amounts due, including interest, at the rate of 18% per annum or the maximum amount permitted by law, whichever is lower, and an additional 10% late fee on the entire amount due, through electronic banking transfers as specified in Section 7.6 of this Agreement.

### **6.18 Operational Inspections by Governmental Authorities**

Franchisee shall grant and hereby authorizes any and all governmental authorities having jurisdiction over the Franchised Business the right to enter and inspect the Franchised Business and/or the Franchise Location pursuant to applicable statutes and regulations. Franchisee will take such steps as may be necessary to correct, as required by statute or regulation, the deficiencies detected during any such inspection. Franchisee shall immediately mail, via first class mail or email, to Franchisor upon receipt of any report from any governmental authority regarding any such inspection, a complete copy of such report in the same form the report is issued by the governmental authority.

### **6.19 Operational Inspections by Franchisor**

Franchisor and its agents shall be permitted, with or without notice, to enter the Franchised Business before and after the Opening Date in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Franchised Business and/or the Franchise Location to insure compliance with all requirements of this Agreement. Upon written notification from Franchisor of a scheduled inspection, Franchisee must be present during such

inspection. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as the Franchisee's clients and enrolled children, and former clients and former enrolled children. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, child care methods or materials that do not conform to Franchisor's then-current plans and specifications, the Kiddie Academy Manuals, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised Business or its Franchise Location comply with applicable laws, codes, ordinances, regulations or governmental standards.

#### **6.20 Management of the Franchised Business**

Franchisee, and if a business entity, by and through one or more Principals or Guarantors, shall devote full time and best efforts to the development and operation of all Academies owned by Franchisee. Franchisor may, in its sole and absolute discretion, permit Franchisee's Principal(s) to directly or indirectly engage in other business activities, provided that such Principal(s) remain actively involved in the management of the Franchised Business. In the event the Franchisee (or an affiliate) owns and operates more than one Kiddie Academy Franchise, the Franchisee or a Principal of the Franchisee, if the Franchisee is a business entity, must spend a portion of such time at each Kiddie Academy business in which Franchisee (or an affiliate) owns an interest. The Franchised Business will at all times be under the direct, on-premises supervision of a trained and certified full-time director (the "**Director**"). Franchisee shall keep Franchisor informed at all times of the identity of the Director and shall immediately inform Franchisor if the Director resigns, is terminated, or if the Director otherwise ceases to be employed at the Franchised Business on a full-time basis.

#### **6.21 Surveys**

Upon Franchisor's request, Franchisee will periodically furnish to the parents of all children enrolled in the Franchised Business surveys prescribed by the Franchisor. Franchisor shall have the right to contact such parents directly regarding the surveys.

#### **6.22 Harmful Business Practices Prohibited**

Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business, the Marks, the services, and/or products sold at the Franchised Business, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

### **6.23 Crisis Situations**

Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a material impact on the Franchisee, Franchisor, Franchised Business, or which could have a deleterious effect on the Kiddie Academy brand, Marks, or Kiddie Academy System. Franchisee must follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Kiddie Academy Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters.

### **6.24 Annual Conference**

Franchisee must attend Franchisor's annual conference (the "**Annual Conference**") at least every other year during the Term. Franchisee will be responsible for all expenses incurred by Franchisee and its employees in connection with attendance at the Annual Conference, including, without limitation, transportation, lodging, meals and wages. Further, Franchisor shall have the right to collect a fee, to be determined solely by the Franchisor, from the Franchisee for each individual associated with the Franchised Business who attends or is required to attend the Annual Conference. If Franchisee fails to attend the Annual Conference at least every other year, in addition to other remedies, Franchisor may assess to Franchisee a fee of \$1,500.

### **6.25 Change in Marital Status**

In the event that the Franchisee is an individual and is married at the time this Agreement is signed, both spouses must sign this Agreement, and if any one or more of the Guarantors of the Franchisee is married, both spouses must sign the personal guaranty attached as Exhibit B, attached hereto and made a part hereof (the "**Personal Guaranty**"). Further, should the marital status of Franchisee or one or more of the Guarantors change during the Term, Franchisee shall promptly inform Franchisor of that change and Franchisor reserves the right to require the new spouse to sign this Agreement either as a Franchisee or as a personal guarantor, whichever is applicable.

### **6.26 National Accreditation**

Franchisee will begin the accreditation process through a National accreditation organization approved through the Kiddie Academy Education Department ("**National Accreditation**") within one year of the Opening Date. The Franchised Business will achieve National Accreditation within three years of the Opening Date and will maintain National Accreditation through the Term.

### **6.27 Mobile Applications**

Franchisor reserves the right to establish or use, and require Franchisee to use, one or more web or mobile applications (an "**App**") for communication with, online enrollment, business operations, and/or electronic payments, or any similar or related application for use in connection with the Franchised Business and the Kiddie Academy System. The term App shall include any application for use on smart phones, tablets, laptop computers, or any other electronic devices, and may include other features. If Franchisor requires Franchisee to use an App, then Franchisee shall comply with Franchisor's requirements (as set forth in the Kiddie Academy Manuals or otherwise

in writing) for connecting to, and utilizing, such technology in connection with Franchisee's operation of the Franchised Business.

## **6.28 Change in Information**

Franchisee shall immediately notify Franchisor of any material change in the information provided to Franchisor in application materials and provide Franchisor with updated personal financial information and a detailed written explanation of the change. Upon receipt of such information, Franchisor may, in its sole discretion, terminate this Agreement in accordance with Section 7.3.2 below.

## **7. FEES**

### **7.1 Initial Fee**

Franchisee will pay a fee of \$145,000 (the "**Initial Fee**"), which is payable in installments and which Franchisee acknowledges and agrees is fully earned at the time paid. The amount of \$25,000 is due when the Franchisee signs the Franchise Agreement (the "**First Installment**"). The amount of \$50,000 is due when a Prospective Site has been accepted by the Franchisor and Franchisee signs a lease or purchase agreement for the Franchised Business (the "**Second Installment**"). The amount of \$35,000 is due when the building permit or other certificate or permit authorizing construction of the Franchised Business is issued, the actual commencement of construction, or when Franchisee's loan for the Franchised Business has been funded (if the loan is permitted to be used for this purpose) whichever occurs first (the "**Third Installment**"). The amount of \$35,000 is due when Franchisee's loan for the Franchised Business has been funded (if the loan is permitted to be used for this purpose) or when Franchisee receives documentation permitting occupancy of the Franchise Location, whichever occurs first (the "**Fourth Installment**").

### **7.2 Initial Fee Partially Refundable**

All payments made pursuant to Section 7 of this Agreement are made in consideration of administrative and other expenses incurred by Franchisor in granting the rights pursuant to this Agreement, including the salaried services of its personnel, the provision of services and Kiddie Academy Manuals to Franchisee by Franchisor as set forth herein and in Exhibit E, and for Franchisor's lost or deferred opportunity to award franchises to others (the "**Franchisor Expenses**"), which Franchisee acknowledges and agrees are fully earned at the time paid. If Franchisee is entitled and elects to receive a refund (the "**Refund**"), Franchisor will, pursuant to the terms and conditions of Section 7.3 below, return a portion of the Initial Fee that Franchisee has paid at the time Franchisee requests the Refund.

### **7.3 Termination/Expiration Prior To Execution of Lease or Purchase Agreement**

7.3.1 In the event this Agreement expires pursuant to Section 2.3 hereof, or in the event that Franchisee provides written notice of Franchisee's desire to terminate this Agreement and such notice is received by Franchisor prior to the expiration of the Site Selection Period (including any extensions thereof) and prior to the Franchisee's execution of a lease and/or a purchase agreement for a Prospective Site, and Franchisee requests a Refund within 30 days after

such expiration or termination, Franchisor will refund the portion of the Initial Fee that Franchisee has paid as of the date of the Refund, less \$10,000. Franchisee agrees that all amounts retained by Franchisor are deemed to be fully earned. Notwithstanding anything to the contrary herein, Franchisee will only be entitled to, and Franchisor will only be obligated to pay, the Refund if the Franchisee and the Guarantors of this Agreement first execute and deliver to Franchisor a general release in a form provided by Franchisor which contains a non-compete and non-disclosure covenant similar to such set forth in Section 18 hereof, Franchisee returns the Site Development Manual and all other materials provided by Franchisor to Franchisee, and the Franchisee confirms deletion of all electronically stored information related thereto, including versions or copies of the Site Development Manual and all other materials related to site selection. After Franchisor pays the applicable Refund, Franchisor will owe no other duties and will not be obligated to Franchisee in any manner, under this Agreement or otherwise.

7.3.2 Notwithstanding anything to the contrary herein, Franchisor has the right to terminate the Franchise Agreement for any reason by providing written notice to Franchisee at any time before Franchisee executes a lease or purchase agreement for a Prospective Site and prior to the Exhibit A Date. Upon such termination, Franchisee shall promptly return the Site Development Manual and any other materials provided by Franchisor to Franchisee. If such termination occurs during the Site Selection Period (including any extensions thereof), Franchisor will refund to Franchisee 100% the amount of the Initial Fee that Franchisee has paid as of the date of the Refund. Notwithstanding anything to the contrary herein, Franchisee will only be entitled to, and Franchisor will only be obligated to pay, the Refund if the Franchisee and the Guarantors of this Agreement first execute and deliver to Franchisor a general release in a form provided by Franchisor which contains a non-compete and non-disclosure covenant similar to such set forth in Section 18 hereof, the Franchisee returns the Site Development Manual and all other materials provided by Franchisor to Franchisee, and the Franchisee confirms deletion of all electronically stored information related thereto, including versions or copies of the Site Development Manual and all other materials related to site selection. After Franchisor pays the applicable Refund, Franchisor will owe no other duties and will not be obligated to Franchisee in any manner, under this Agreement or otherwise.

#### **7.4 Royalties**

During the Term, Franchisee will pay to Franchisor each week a royalty fee equal to 7% of Gross Revenues (as defined in Section 7.5 of this Agreement) (“**Royalties**”), generated by the Franchised Business during the preceding week for the right to use the Kiddie Academy System and Marks at the Franchised Location. Franchisee shall pay all Royalties in accordance with Section 7.6 of this Agreement.

#### **7.5 Definition of Gross Revenues**

Gross Revenues shall mean all revenues and/or income generated from the provision of any and all services, the sale of any and all products, and the performance of any and all other activities conducted at, connected to or arising from the Franchised Business and/or the Franchise Location, whether occurring during normal business hours or not, whether for cash or credit, and regardless of collection in the case of credit, whether such revenue and/or income is generated in

compliance with or in violation of the terms of this Agreement, and regardless of whether such revenue or income is derived from private, governmental or quasi-governmental sources, it being the intention of the parties that definition of Gross Revenues for purposes of this Agreement is intended to be construed as broadly as permitted by law. Gross Revenues will not include any revenue taxes or other taxes collected from customers by Franchisee for transmittal to an appropriate taxing authority. Franchisor reserves the right to limit any discounts, offsets, credits, or deductions of any nature from Gross Revenues for the purposes of computation of Royalties and any and all other fees that are collectible under this Agreement. In all cases, the amounts of Gross Revenues generated by the Franchised Business shall be determined exclusively by the Franchisor.

## **7.6 Submitting Payments; Interest on Late Payments; Late Charges**

7.6.1 All payments to be made by Franchisee to Franchisor pursuant to the terms of this Agreement or otherwise, other than the Initial Fee, will be collected by Franchisor through automatic electronic bank transfer on Monday of each week, on Gross Revenues generated during the week ended nine days earlier, from Franchisee's account at the bank designated by Franchisee to Franchisor's account at the bank designated by Franchisor. Franchisee must maintain a single bank account with a financial institution located within the United States to make all payments required by this Agreement. Franchisee must advise Franchisor at least 15 business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor.

7.6.2 If Franchisor is unable to collect any payment prescribed by this Agreement, Franchisee will pay Franchisor, in addition to the overdue amount, interest on that amount from the date the amount was due until it is paid at the rate of 1.5% per month, or the maximum rate permitted by law, whichever is less, and all such unpaid amounts shall bear a late charge equal to 10% of the total payment due to cover Franchisor's costs arising from the late payment. Entitlement to such interest and late charge will be in addition to any other remedies Franchisor may have. To insure the orderly electronic transfer of the royalties and all other fees as outlined in this Section 7, Franchisee will enter into and maintain a banking agreement with the financial institution that will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the Opening Date. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

## **7.7 Franchisee's Failure to Comply**

During the Term, if Franchisee fails and/or refuses to comply with any of the provisions of this Agreement, Franchisor shall have the right to collect from the Franchisee a fee in the amount of \$1,000 for each and every such failure and/or refusal to comply (unless a higher amount is otherwise specified) and for each and every repeat failure and refusal to comply. All such fees shall be collected by Franchisor, at Franchisor's option, via electronic banking transfer as provided for in Section 7.6 of this Agreement. The imposition of such fee or fees shall not be construed as an election of Franchisor's remedies and shall be in addition to and not in lieu of any other rights

granted to Franchisor pursuant to this Agreement, including but not limited to, the right to terminate the Franchise Agreement in accordance with Section 16.

## **8. TRAINING**

### **8.1 Franchisee Training**

Franchisor will provide a training program (the “**Franchisee Training Program**”) for Franchisee and will make available other training programs as it deems appropriate. Franchisee (or if Franchisee is a business entity, any and all owners or Principals of the entity who are or will be responsible for fulfilling the full-time requirement in Section 6.20 of this Agreement, in whole or in part, at any time during the term) shall attend and successfully complete, to Franchisor’s satisfaction. The Franchise Training Program will begin after Franchisee has received the building permit (or similar governmental approval) for the Franchise Location. Franchisee acknowledges and agrees that the purpose of the Franchisee Training Program is to develop a basic working knowledge of the operational techniques necessary to operate the Franchised Business.

### **8.2 Director Training**

Franchisor will provide a training program (the “**Director Training Program**”) for the initial Director retained by Franchisee. Prior to the Opening Date, Franchisee’s initial Director must complete to Franchisor’s satisfaction the Director Training Program. Any subsequent Directors retained by Franchisee shall attend the Director Training Program, such training to be scheduled at the convenience of Franchisor, but in any event, shall be completed within three months of the date on which a newly hired Director employment begins at the Franchised Business. Franchisor reserves the right to charge a fee for training subsequent Directors if more than one Director per year is enrolled in the Director Training Program outside of the Franchisor’s normal training schedule.

### **8.3 Refresher Training and Completion**

Franchisor, in its sole discretion, may require that Franchisee (or if Franchisee is a business entity, any or all owners or Principals of the entity) and/or the Director to attend and complete refresher training courses, seminars, and other training programs.

### **8.4 Training Cost and Location**

All training contemplated by this Section 8 will be conducted at or near Franchisor’s corporate offices in Abingdon, Maryland, at the Franchised Business, on-line or at another location as Franchisor may specify. Franchisor will provide instructors and training materials for all required training programs. Franchisor reserves the right to assess Franchisee a reasonable per diem training fee and collect Franchisor’s out-of-pocket expenses for (a) any refresher training programs and (b) any training programs which are provided to Franchisee or its Directors either outside of Franchisor’s normal training schedule or not at Franchisor’s usual training facilities. All fees to be paid by Franchisee pursuant to this Section 8.4 shall be due and payable to Franchisor upon the provision of the services contemplated herein. Franchisee will be responsible for all expenses incurred by Franchisee and its employees in connection with any and all training programs, including without limitation transportation, lodging, meals and wages.

## **8.5 Training Assistance**

It will be solely Franchisee's responsibility to ensure that it trains all new and current employees to perform their duties in a proper manner at the Franchised Business. Franchisee shall implement and maintain an employee training program for such purpose, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by the Franchisor; provided, however, that at Franchisee's request, Franchisor will assist Franchisee's development of employee training programs on topics related to the Kiddie Academy System. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations. All of Franchisee's employees must satisfy all continuing educational training requirements as may be specified by applicable laws, regulations. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's Director and employees upon Franchisee's request, Franchisee hereby releases, indemnifies and holds harmless Franchisor and its affiliates, agents, and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's Director and employees as set forth herein. Furthermore, Franchisee acknowledges and agrees that any such training shall be provided at Franchisee's sole discretion and shall not constitute an act of control or any other indicia of joint employment of such employees by Franchisee and Franchisor.

## **9. MARKS**

### **9.1 Franchisor Rights in and to the Marks**

Franchisor's affiliate, Essential Brands, Inc. (the "**Trademark Owner**"), is the owner of all right, title, and interest in and to the Marks. Trademark Owner has granted Franchisor the right to use and to license others to use the Marks. Franchisor has taken and will take all steps reasonably necessary, in Franchisor's discretion, to preserve and protect the validity of the Marks. Franchisor will permit Franchisee and other franchisees to use the Marks, but only in accordance with the Kiddie Academy System and the standards and specifications attendant to the Marks which underlie the goodwill associated with and symbolized by the Marks.

### **9.2 License and Use of Marks**

Franchisee shall only use the Marks as designated by Franchisor and in the manner authorized by Franchisor, commencing on the date that Franchisee has paid the Second Installment of the Initial Fee, Franchisee and Franchisor have executed Exhibit A, and Franchisee has entered into a lease or purchase agreement for the Franchise Location. Franchisee will use the Marks only in connection with the marketing and operation of the Franchised Business or in advertising specifically used to promote the Franchised Business in the geographic region in which the Franchised Business is located. Franchisee will not use the Marks as part of its corporate or other legal name. Franchisee shall not use the Marks in such a manner that leads the public to believe that Franchisee is authorized to represent or be the agent for Franchisor or the Franchised Kiddie Academy System. Unless otherwise authorized or required by Franchisor, Franchisee will operate and advertise the Franchised Business only under the name "Kiddie Academy" or "Kiddie

Academy Educational Child Care.” Franchisee’s use of the Marks does not provide Franchisee (or anyone associated with Franchisee) any ownership or other interest in, or any rights to, the Marks other than as specified in this Agreement.

### **9.3 Protection of Marks**

The Marks are valid and serve to identify the Kiddie Academy System and those who are licensed to operate Kiddie Academy Franchises. During the Term, Franchisee will give notice that Franchisee is the owner of the Franchised Business in conjunction with any use of the Marks, including without limitation on invoices, order forms, receipts and contracts, and otherwise as Franchisor may designate in writing. The form and content of that identification will comply with standards set forth in the Kiddie Academy Manuals or as otherwise set forth in writing by Franchisor. Franchisee’s right to use the Marks is limited to the uses authorized under this Agreement, and any unauthorized use of the Marks will constitute an infringement of Franchisor’s rights and a material breach of this Agreement. Franchisee will not use the Marks to incur any obligation or indebtedness on behalf of Franchisor. Franchisee will comply with Franchisor’s instructions in filing and maintaining requisite trade name or fictitious name registrations and will execute any documents deemed necessary by Franchisor or its legal counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

### **9.4 Litigation Involving the Marks**

9.4.1 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, and any claims or causes of action filed against Franchisee or the Franchised Business related to the Marks or the Franchisee’s use thereof. Franchisee acknowledges that Franchisor has the sole right to direct and control any and all administrative proceedings or litigation involving the Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor shall defend Franchisee against any third-party claim, suit or demand arising out of Franchisee’s use of the Marks.

9.4.2 If Franchisor, in its sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be Franchisor’s responsibility.

9.4.3 If Franchisor, in its sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, Franchisee shall indemnify Franchisor for the cost of such defense, including the cost of any judgment or settlement.

9.4.4 Franchisor shall have the right to control all litigation involving the Marks. In the event of such litigation, Franchisee shall cooperate fully with the Franchisor with respect to the litigation and execute any and all documents and do such acts as may be, in the opinion of Franchisor, necessary to carry out such defense or prosecution, and, if necessary, be a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee’s use of the Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs.

9.4.5 Without affecting Franchisee's duty to defend and indemnify Franchisor as set forth above, Franchisor may also elect to retain its own counsel at Franchisee's cost to represent Franchisor or other indemnified parties. Franchisor's exercise of control over such litigation shall not affect its rights to indemnification under this Section.

## **9.5 Acknowledgments**

Franchisee expressly understands and acknowledges that the Trademark Owner is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Marks. The Marks are valid and serve to identify the Kiddie Academy System and those who are authorized to operate within the Kiddie Academy System. Franchisee will not directly or indirectly contest the validity of the Marks, Franchisor's interests in the Marks and Franchisor's ownership of all items and materials containing, displaying or utilizing the Marks. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement. Any and all goodwill arising from Franchisee's use of the Marks will inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license granted by this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Kiddie Academy System or the Marks, and all items and materials containing, displaying or utilizing the Marks, including without limitation all signs in and around the Franchised Business, shall be exclusively the property of Franchisor.

## **9.6 Nonexclusive Grant of Marks**

The right and license of the Marks granted by this Agreement to Franchisee is nonexclusive, and Franchisor has and retains the right, among others, to use the Marks in connection with selling products and performing services; to grant other licenses for the Marks in addition to those licenses already granted to existing Franchisees; and to develop and establish other systems using the same and similar Marks, or any other proprietary Marks, as well as to grant licenses or franchises to those other systems and Marks without providing any rights in those systems or Marks to Franchisee.

## **9.7 Substitution of Marks**

Franchisor reserves the right to substitute or add different Marks for use in identifying the Kiddie Academy System and the Franchised Business if the current Marks can no longer be used, or if Franchisor, in its sole discretion, determines that substituting or adding different Marks will be beneficial to the Kiddie Academy System. All costs associated with and/or arising from such substitution or addition shall be Franchisee's responsibility.

## **10. KIDDIE ACADEMY MANUALS**

### **10.1 Kiddie Academy Manuals Located On Intranet**

Franchisor may, in its sole discretion, maintain and make the Kiddie Academy Manuals available through KARES in addition to, or in lieu of, providing hard copies to the Franchisee.

### **10.2 Operation in Conformity with Kiddie Academy Manuals**

In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee will conduct all aspects of its business in accordance with the Kiddie Academy Manuals. Franchisee acknowledges and agrees that the Kiddie Academy Manuals are designed to protect the Franchisor's standards, systems and Marks, and not to control the day-to-day operation of the Franchised Business.

### **10.3 Confidentiality of Kiddie Academy Manuals**

Franchisee will at all times treat the Kiddie Academy Manuals (including the entire Kiddie Academy Curriculum), any other teaching, training or instructional materials created for or approved for use in the operation of the Franchised Business, and the information contained in the Kiddie Academy Manuals (including the Kiddie Academy Curriculum) as confidential, and Franchisee will use all reasonable efforts to maintain that information as secret and confidential. Except as approved in writing by Franchisor, Franchisee will not at any time copy, duplicate, record, or otherwise reproduce such materials, in whole or in part, or otherwise make the materials available to any unauthorized person.

### **10.4 Ownership of Kiddie Academy Manuals**

The Kiddie Academy Manuals (including the entire Kiddie Academy Curriculum) will at all times remain solely the property of Franchisor and be kept in a secure place at the Franchised Business. Franchisee shall promptly return the Kiddie Academy Manuals (including the entire Kiddie Academy Curriculum) to Franchisor upon the expiration or other termination of this Agreement and in such case, Franchisee shall not retain any copies of the Kiddie Academy Manuals (including the Kiddie Academy Curriculum) or any parts or portions thereof and Franchisee shall confirm deletion of any electronically stored information related thereto. Franchisee shall pay to Franchisor \$2,000 for each and every volume of the Kiddie Academy Manuals or part thereof (including the Kiddie Academy Curriculum) that is not returned to Franchisor upon the expiration or other termination of this Agreement, in addition to all other remedies available to Franchisor.

### **10.5 Revisions of Kiddie Academy Manuals**

Franchisor may revise the contents of the Kiddie Academy Manuals (including the Kiddie Academy Curriculum) as the Franchisor deems to be appropriate and Franchisee shall comply with each new or revised standard or requirement. Franchisee will at all times ensure that its copies of the Kiddie Academy Manuals (including the Kiddie Academy Curriculum) are kept current and up to date. In the event of any dispute as to the contents thereof, the terms of the master copies of the Kiddie Academy Manuals (including the Kiddie Academy Curriculum) maintained by Franchisor at its offices will be controlling. Franchisee acknowledges and agrees that the Kiddie Academy Manuals are designed to protect the Franchisor's standards, Kiddie Academy System and Marks, and not to control the day-to-day operation of the Franchised Business.

## **10.6 Replacement of Kiddie Academy Curriculum Binders**

Should one or more volumes of the Kiddie Academy Curriculum binders required to be on display at the Franchised Business become lost or stolen, or, in the Franchisor's opinion, become materially damaged, unusable or destroyed, Franchisor will provide Franchisee with replacement volumes for each lost, stolen, or damaged volume. Franchisor reserves the right to charge the Franchisee a fee in amount of \$500 for each replacement volume provided by Franchisor to Franchisee.

## **11. CONFIDENTIAL INFORMATION**

### **11.1 Definition**

“**Confidential Information**” as used herein shall include any and all information, knowledge, know-how, or training concerning the methods of administration and operation of the Franchised Business or the Franchisor which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business, including, without limitation, the Kiddie Academy Manuals, knowledge of specifications for and suppliers of certain goods, services, equipment, materials and supplies, pricing, accounting methods, including both paper and electronic spreadsheets, knowledge of the operating results and financial performance of other Kiddie Academy businesses, Client List, customer accounts, and customer information, whether developed by Franchisor or Franchisee independently or with Franchisor's assistance, management tools, advertising which may be communicated to Franchisee, and any other information, knowledge, know-how, training and techniques that Franchisor designates as confidential or is otherwise legally protectable. Franchisor shall retain all right, title and interest in and to all Confidential Information and all legally protectable elements and derivative works thereof, including, without limitation, reproductions, notes, memoranda, summaries, files, reports, lists, plans and specifications, and all other documents pertaining to and/or relating to the Confidential Information.

### **11.2 Prohibition**

Franchisee, its Principals and the Guarantors will not, during the Term or upon or after its expiration or termination, communicate, divulge, or use for the benefit of itself, its business, or any other person, persons, partnership, association, limited liability company, corporation or business, any Confidential Information except as required by law. This prohibition shall survive the termination or expiration of this Agreement.

### **11.3 Transmittal to Personnel**

Franchisee, its Principals and the Guarantors will divulge Confidential Information only to personnel, if any, who must have access to it in order to operate the Franchised Business. Further, Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement, as described in Section 18.10, requiring them to maintain the confidentiality of information they receive in connection with their employment at the Kiddie Academy Franchise. Those agreements will be in a form satisfactory to Franchisor, including without limitation, specific identification of Franchisor as a third-party beneficiary of such

agreements, with Franchisor having an independent right to enforce them. Franchisee may also divulge Confidential Information to Franchisee's attorneys and accountants, but only to the extent necessary to receive legal or financial advice. In seeking such advice, Franchisee shall provide a copy of this Agreement to the attorneys and accountants, and Franchisee shall direct such attorneys and accountants and their respective employees to comply with these confidentiality and nondisclosure provisions.

#### **11.4 Ownership of Inventions and Ideas**

All inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the Kiddie Academy (collectively referred to as "**Inventions and Ideas**") developed by the Franchisee, its Principals and/or any of the Guarantors, either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. Franchisee, its Principals and the Guarantors hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title, and interest in such Inventions and Ideas.

#### **11.5 Client Lists**

Franchisee shall maintain a current list of the names, home addresses, work addresses, email addresses and telephone numbers of the families enrolled, dis-enrolled and inquired about enrollment at any time from the Franchised Business in the format prescribed by Franchisor (the "**Client List**"). Franchisee shall maintain the Client List in format prescribed by Franchisor and shall store and provide the Client List to the Franchisor as required in the Kiddie Academy Manuals and upon request. The Client List shall be the property of Franchisor. Franchisee shall not disclose the Client List to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity, without the express prior written consent of Franchisor.

### **12. REPORTING AND RECORDS**

#### **12.1 Information Systems**

No later than 15 days after Franchisee's receipt of a building permit or similar document issued by the appropriate governmental authority, Franchisee will purchase a designated package of computer software and a prescribed package of accounting software to be used on a daily basis to maintain information regarding the operations, enrollment and financial status of the Franchised Business and to report such information to Franchisor or its designee, as specified by Franchisor in the Kiddie Academy Manuals or otherwise (the "**Required Software**"). Franchisee will also purchase and maintain all required technical support and maintenance subscriptions for the Required Software. Franchisee will be solely responsible for all costs related to and/or arising

from the purchase, installation and maintenance of the Required Software, as well as the annual technical support subscriptions for the Required Software. Franchisee will use the Required Software only as specified by Franchisor in the Kiddie Academy Manuals or otherwise. Franchisee will timely submit to Franchisor or its designee, as specified by Franchisor, information relating to the operations, enrollment and financial status of the Franchised Business compiled through use of the Required Software. Such information shall be submitted to Franchisor or its designee electronically as prescribed by Franchisor in the Kiddie Academy Manuals or otherwise. Franchisor and Franchisee acknowledge and agree that to the extent any labor cost percentage calculations, scheduling software, or scheduling algorithms are contained in the Required Software, Franchisee's use of such items is optional and not required.

## **12.2 Computer Software, Hardware, and Networking Requirements**

Franchisor will provide Franchisee with the computer software and hardware specifications required to operate the Required Software. The software, hardware, and networking specifications may be upgraded from time to time, at Franchisor's option. All costs related to and/or arising from the purchase, installation, maintenance and upgrading of all computer software, hardware, and networking shall be the responsibility of the Franchisee. Franchisee must maintain and upgrade the computer hardware, software, and networking equipment used in the Franchised Business in accordance with and pursuant to the Kiddie Academy Manuals and any future notifications received from Franchisor, in Franchisor's discretion.

## **12.3 Forms**

Franchisee will use only such forms, including, without limitation, those used in and generated by the Required Software, as are approved by Franchisor in the Kiddie Academy Manuals or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the Required Software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to the Franchisee all or a portion of such forms on KARES in addition to, or in lieu of, providing hard copies to the Franchisee.

## **12.4 Maintenance of Records**

Franchisee will record and preserve in the Required Software personal information relating to each child enrolled at the Franchised Business, as well as daily attendance and Gross Revenues of the Franchised Business. During the entirety of the Term and for at least a period of seven years from the date of preparation, Franchisee must maintain full, complete and accurate books, records, accounts, tax returns and payroll records regarding and relating to the Franchised Business in accordance with generally accepted accounting principles (GAAP) and in the form and manner prescribed in the Kiddie Academy Manuals or otherwise in writing.

## **12.5 Payroll Service**

Franchisee will use a payroll service currently designated by Franchisor, or another service approved in writing by Franchisor, at Franchisor's discretion, which will include as part of its service the impounding and payment of all employee withholding taxes payable to the Internal Revenue Service and state and local taxing authorities. Franchisee will be responsible for all charges related to the payroll service.

## **12.6 Acknowledgment of Franchisee**

Franchisor does not warrant or guarantee the accuracy or completeness of the Business Management System and Franchisor shall not be liable for any costs, expenses, or damages incurred by Franchisee as a result of Franchisee's use of the Business Management System. Franchisor is not responsible for the preparation of Franchisee's books and records, financial reports, tax returns or financial statements. Franchisee agrees that any information provided by Franchisor shall not be exclusively relied upon by Franchisee or its independent accountant, as that person may choose, in preparing Franchisee's books and records, financial reports, financial statements and tax returns.

## **12.7 Weekly Reports and Financial Information**

After the Opening Date, Franchisee will submit to Franchisor electronically, no later than Monday of each week during the Term, all enrollment agreements, enrollment rosters, weekly marketing summary reports and other completed forms which may be required by Franchisor, which accurately reflect the Gross Revenues and other information concerning the operations and financial status of the Franchised Business during the preceding week, in accordance with the Kiddie Academy Manuals or as otherwise specified in writing from time to time by Franchisor.

## **12.8 Monthly and Periodic Reports and Financial Information**

After the Opening Date, Franchisee will deliver to Franchisor electronically, no later than the 10th day of each month during the Term, a copy of Franchisee's accounting software database that Franchisee utilizes for the Franchised Business, as required by the Kiddie Academy Manuals, or as otherwise specified in writing from time to time by Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of Franchisee's Principals or the Guarantors (if any) under this Agreement.

## **12.9 Annual Tax Returns and Financial Statements**

Franchisee will deliver to Franchisor copies of its signed annual state and federal income tax return(s) and any amended state and/or federal income tax return on the same date they are submitted to the Internal Revenue Service. Franchisee shall also submit, within 60 days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement and cash flow report prepared and certified by a certified public accountant which cover the previous 12 months of operations of the Franchised Business.

## **12.10 Other Reports Required by Franchisor**

Franchisee will submit to Franchisor, in addition to the forms, documents, records, information and data required elsewhere in this Section 12, such forms, reports, records, information and data as Franchisor may reasonably designate, including, without limitation, all documents evidencing debts incurred by Franchisee, Franchisee's Principals and the Guarantors, if any, related to and/or arising from the Franchised Business, in the form and at the times and places reasonably required by Franchisor.

### **12.11 Franchisor's Right to Audit**

From the Effective Date until three years following the expiration or termination of this Agreement, Franchisor or its designated agents will have the right, upon 48 hours prior notice to Franchisee, to examine and copy, the books, records, and tax returns of Franchisee and of the Franchised Business. Franchisor shall also have the right, to have an independent audit made of the books and records of the Franchised Business. Franchisee will cooperate fully with Franchisor and/or its representatives and agents in connection with such an audit or inspection. If an inspection reveals that any payments have been understated in any report to Franchisor, Franchisee shall immediately pay to Franchisor the amount understated, plus interest on such amount from the date such amount was due until paid at an interest rate which is two points above the prime rate as published in the Wall Street Journal on the date payment was due (or, if the due date was not a business day, the next business day that follows), or the maximum rate permitted by law, whichever is less, calculated on a daily basis. Further, if an inspection discloses an understatement in any payments made to Franchisor from Franchisee of an amount that is 3% or more of the amount owed, in addition to the collection of interest on such amount(s) as described above, Franchisee shall pay to Franchisor a fee equal to \$10,000 or the actual cost of the audit, whichever sum is greater, plus an amount that is equal to 10% of the amount owed. In the event Franchisor undertakes such an audit after Franchisee has been notified of default of the Franchise Agreement for failing to provide all required financial and related documentation, and Franchisee has failed to cure such default in timely fashion, Franchisee shall pay to Franchisor the actual cost of the audit, even if such inspection does not disclose any understatement in payments made to Franchisor from Franchisee. This audit remedy is in addition to any other remedy Franchisor. All amounts owed to Franchisor hereunder shall be collected via electronic bank transfer as provided for in Section 7.6 of this Agreement. These remedies will be in addition to any other remedies Franchisor may have at law, equity or otherwise.

### **12.12 Data**

All data provided by Franchisee, uploaded to Franchisor's system from Franchisee's system, and/or downloaded from Franchisee's system to Franchisor's system, is, and will be owned exclusively by Franchisor and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the Term, and following termination or expiration of this Agreement. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the Term and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

### **12.13 Privacy**

Subject to commercial standards of reasonableness based upon local business practices, Franchisor may, from time-to-time, specify in the Manual (or otherwise in writing) the information that Franchisee shall collect and maintain on the Required Software, and Franchisee shall provide

to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Franchised Business (including, without limitation, data pertaining to or otherwise about customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free non-exclusive license to Franchisee to use said data during the Term. Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

#### **12.14 Online Use of the Marks and Email Solicitations**

Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the Kiddie Academy System as part of any email address, domain name, and/or other identification of Franchisee in any electronic medium, except as set forth in the Manual. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such email advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to emails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003.

#### **12.15 PCI Compliance and Data Breach**

Franchisee shall use its best efforts to protect clients of the Franchised Business against a data breach; cyber-event, identity theft, hacking; or theft of personal information (collectively, a "**Cyber Event**") which is in any way related to the Franchised Business, and shall immediately notify Franchisor if any Cyber Event or any suspected Cyber Event occurs. Franchisee must at all times be in compliance with (a) the Payment Card Industry Data Security Standards (as they may be modified from time to time or as successor standards are adopted), (b) the Fair and Accurate Credit Transactions Act;(c) regional, national, and local laws and regulations relating to data and personal privacy, data security, security breaches, and electronic payments, (d) the operating rules and regulations of all credit card, debit card and/or ACH processors and networks that are utilized in the Franchised Business, and (e) Franchisor's security policies and guidelines, all as may be amended from time to time. If a Cyber Event occurs, regardless of whether such event affects only the Franchised Business, Franchisor reserves the right to perform and/or control all aspects of the response to such event including, without limitation, the investigation, containment and resolution of the event and all communications with the Kiddie Academy System, other franchisees, vendors and suppliers, members, law enforcement agencies, regulatory authorities, and the general public and Franchisee. Franchisee shall promptly indemnify Franchisor for all costs, expenses and damages it incurs related to any actions taken pursuant to this provision or otherwise in response to or remediation of any Cyber Event or related to claims or actions brought by third parties, whether or not such Cyber Event was caused directly or indirectly by any action or inaction of Franchisee.

## 13. ADVERTISING

### 13.1 Advertising Expenditures

During the Term, Franchisee will make expenditures for advertising, marketing, public relations, and promotions as follows:

13.1.1 During the period commencing with the receipt of your building permit for the Franchise Location, and ending on the date of Franchisee's Grand Opening Celebration, as defined herein, Franchisee will execute an initial advertising and marketing plan for the Franchised Business which shall be approved by Franchisor (the "**Start-Up Marketing and Advertising Investment Program**"). In addition, no more than 60 days after the Opening Date, Franchisee will conduct grand opening advertising consisting of materials and events approved by Franchisor (the "**Grand Opening Celebration**"). The combined cost of the Start-Up Marketing and Advertising Investment Program (including the Grand Opening Celebration) shall be at least \$35,000, to be paid by the Franchisee.

13.1.2 Franchisee shall aggressively advertise and promote the Franchised Business on a local basis by promoting and marketing the Franchised Business through local advertising, marketing, and promotional programs. Franchisee will spend during each year of the Term an amount equal to at least 2% of the Gross Revenues generated by the Franchised Business or \$10,000.00, whichever is greater, on local and community-based advertising and marketing programs that are specific to the Franchised Business (the "**Local Annual Advertising Expense**"). The Local Annual Advertising Expense shall be paid according to an advertising and promotional plan and schedule prescribed annually by Franchisor.

13.1.3 The Start-Up Marketing and Advertising Investment Program, Local Annual Advertising Expense, employee recruitment advertising, and the Brand Building Fund (as described in Section 13.7 below) are separate obligations to be paid by Franchisee.

13.1.4 Franchisee will submit to Franchisor proof of all expenditures for the Start-Up Advertising Promotion, Grand Opening Celebration, and Local Annual Advertising Expense, which will include, without limitation, invoices, contracts, and canceled checks documenting the expenses incurred in satisfying each requirement.

### 13.2 Franchisor Website; Email

Franchisor shall maintain a website (the "**Website**"), that may include, without limitation, any account, page or other presence on its own sites or on a social and business networking media sites and apps (including but not limited to Facebook, Twitter, LinkedIn) and online blogs and forums ("**Networking Media Site**") in order to promote the Marks, or any or all of the Franchised Businesses within the Kiddie Academy System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website at any time without notice to Franchisee. Franchisor may require that the Franchisee maintain and utilize a specific email account in connection with Franchised Business.

### **13.3 Franchisee Website**

The Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, Internet addresses, blogs, forums, mobile apps, computer programs or Networking Media Sites, except in accordance with Franchisor's standards for Franchisee's use of the Marks, which may be changed from time to time at Franchisor's sole discretion. Franchisee will not (1) post any information to a Networking Media Site relating to the Franchisor, the Kiddie Academy System, the Marks, or the Franchised Business that (a) does not comply with the Franchisor's then-current social media use guidelines described in the Kiddie Academy Manuals or otherwise in writing from time-to-time, (b) is derogatory, disparaging, or critical of the Franchisor, the Kiddie Academy System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the Kiddie Academy System and/or the Marks, or (2) establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which Franchisor may create; provided however, that Franchisee shall not prohibit or restrict any social media communications or activity by Franchisee's employees which prohibition or restriction violates their employees' right to engage in protected concerted activity under the National Labor Relations Act. Franchisee specifically acknowledges and agrees that, except for Networking Media Site postings (which will be subject to this Section 13.3), any Website will be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under Sections 13.1 above and 13.4 below.

### **13.4 Submission of Advertising Samples and Approval Procedure**

All advertising, marketing, public relations and promotional materials and methods used by Franchisee in any manner or medium will be conducted in an appropriate manner and will conform to such standards and requirements as are specified by Franchisor and in accordance with the Kiddie Academy Manuals. Franchisee will submit to Franchisor for its prior approval (except with respect to prices to be charged) samples of all advertising and promotional plans and materials that Franchisee desires to use and that have not been previously approved by Franchisor. If Franchisee does not receive written disapproval of those samples and/or materials from Franchisor within 30 days of the date of receipt by Franchisor, Franchisor will be deemed to have given the required approval. Franchisee will not use any advertising or promotional plans or materials that Franchisor has disapproved. Franchisee will display the Marks in the manner prescribed by Franchisor in the Kiddie Academy Manuals or otherwise in writing on all signs and all other advertising and promotional materials used in connection with the Franchised Business. Franchisee shall not use in conjunction with the Franchised Business, in any advertising or communications, whether on-line or otherwise, any materials that Franchisor have not provided to Franchisee as part of the Kiddie Academy System or otherwise approved (including, without limitation, materials owned or copyrighted by a third party).

### **13.5 Advertising Materials Provided by Franchisor**

Franchisor will, from time to time, offer to provide to Franchisee such approved advertising and promotional plans and materials as Franchisor deems advisable. Franchisor expressly disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any

warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor.

### **13.6 Compliance with Laws**

Franchisee will be solely responsible for compliance with all relevant local, state, and federal laws which apply to advertising and promotional plans and materials used by Franchisee, whether approved and/or provided by Franchisor or not.

### **13.7 Advertising and Brand Building Fund**

Franchisor has established an advertising and brand building fund (the “**Brand Building Fund**”) to be used for all or portions of the Kiddie Academy System. Franchisee shall contribute to the Brand Building Fund on a weekly basis in an amount equal to 2% of Franchisee’s Gross Revenues generated during the week ending nine days earlier. All contributions to the Brand Building Fund shall be collected by Franchisor or an affiliate of Franchisor through automatic electronic bank transfer as specified in Section 7.6 of this Agreement. Franchisee acknowledges that the Brand Building Fund is not a trust or an asset of Franchisor and that Franchisor is not a fiduciary to Franchisee with respect to or a trustee of, the Brand Building Fund or the monies therein. The Brand Building Fund shall be maintained and administered pursuant to the following:

13.7.1 Franchisor and its designees shall have complete and absolute control of all advertising, promotional and brand building programs and shall have absolute discretion over all creative concepts, materials, media, placement, and locations of such programs. Franchisee agrees to participate in all national, local, and regional advertising, promotional and brand building programs as Franchisor determines to be appropriate and most effective for the benefit of the Kiddie Academy System. Franchisee acknowledges and agrees that the Brand Building Fund is intended to maximize general public recognition and acceptance of the Marks, the Kiddie Academy brand and the services provided at Kiddie Academy Franchises for the benefit of all or a portion of the Kiddie Academy System, and that Franchisor and its affiliates and designees will undertake no obligation in maintaining and administering the Brand Building Fund in such manner to make expenditures for Franchisee which are equivalent or proportionate to its contribution to the Brand Building Fund, or to insure that any particular franchisee, Kiddie Academy Franchise, or group of Kiddie Academy Franchisees benefit directly or pro-rata from the use or placement of advertising or marketing materials. Franchisor reserves the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the development and/or implementation of advertising, marketing, public relations and promotional programs.

13.7.2 Franchisee acknowledges and agrees that the Brand Building Fund may be used by Franchisor or its designees to meet any and all costs of maintaining, administering, directing and preparing advertising, including, without limitation, the costs of designing, developing, preparing and conducting advertising and promotions via radio, television, newspaper, magazine, direct mail and internet advertising campaigns and other public relations and marketing activities; utilizing Networking Media Sites and other emerging media or promotional tactics; developing, maintaining, and updating any Website(s) on the Internet; market research activities;

employing advertising agencies to assist with, design and/or implement such campaigns and activities; and providing franchisees and prospective franchisees with promotional brochures and other marketing materials. All sums paid by the Franchisee to the Brand Building Fund shall be maintained in an account that is separate and apart from other accounts in which Franchisor keeps other sums. Up to 10% of the sums paid to the Brand Building Fund may be used to defray any or all of Franchisor's general operating and/or overhead expenses, including such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration, maintenance and direction of the Brand Building Fund and advertising campaigns/programs, including, without limitation, collecting and accounting for assessments for the Brand Building Fund.

13.7.3 A report for the Brand Building Fund will be prepared annually by an independent, certified public accountant selected by Franchisor, which will be available within 90 days of the end of Franchisor's fiscal year, and which will be made available to Franchisee upon written request.

13.7.4 Although the Brand Building Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Brand Building Fund at any time, in its sole discretion. The Brand Building fund will not be terminated, however, unless all of the monies in the Brand Building Fund have been expended on advertising, marketing or promotional purposes, the administration, maintenance or direction of the Brand Building Fund, or returned to contributors on the basis of their respective contributions, at Franchisor's discretion.

### **13.8 Cooperative Advertising**

Franchisor may periodically designate a local, regional, or national advertising, promotional and brand awareness coverage area in which Franchisee's Franchised Business and at least one other Kiddie Academy Franchise is located, for the purpose of developing a cooperative local or regional advertising, promotional or brand awareness program. Franchisee agrees to participate in and contribute its share to such program in Franchisee's coverage area(s). The cost of the program shall be allocated among Franchisees located in such coverage area(s) and each Franchisee's share shall be in proportion to its Gross Revenues during the preceding 12 month period or portion of such period, but the aggregate of each Franchisee's contribution during the period of the program shall not exceed 1% of Franchisee's Gross Revenues during such period. Contributions by Franchisee to cooperative advertising, promotional and brand awareness programs under this Section 13.8 shall be credited toward the Local Annual Advertising Expense so that all contributions by Franchisee to cooperative advertising, promotional and brand awareness programs under this Section 13.8 shall be a part of and not in addition to the Local Annual Advertising Expense. Should the individual Franchisees subject to an individual cooperative advertising, promotional and brand awareness program be unable to agree with regard to the required expenditures of the program, Franchisor shall have the right to determine the amount and form of the expenditures to be made on account of such program. In addition, nothing contained in this Section 13.8 shall in any way limit or supersede any obligation on the Franchisee's part to contribute to a local, regional, or other cooperative advertising program not covered by this Section 13.8 of which such Franchisee is a part.

## **14. INSURANCE**

### **14.1 Requirement**

Franchisee shall, at its expense, procure at least 30 days prior to the Opening Date, an insurance policy or policies protecting Franchisee and Franchisor, and their respective members and affiliates (including, without limitation, Franchisor's parent company, Essential Brands, Inc.), principals, officers, directors, shareholders, partners, members, attorneys, and employees, against any demand, claim or cause of action with respect to personal injury, death, property damage, business interruption, intentional tort or any loss, liability, cost, debt, expense or obligation whatsoever arising or occurring upon or in connection with the Franchised Business. Such policies shall provide "occurrence based" coverage, and expressly provide that they are primary to the Franchisor's coverage and that the insurer shall not seek contribution from any other insurance available to Franchisor. Franchisee shall maintain all such policies for the entirety of the Term, shall comply with the terms and conditions of the policies, and shall take no action or inaction that may adversely impact Franchisor's or its affiliates' interests in the policies or coverage thereunder

### **14.2 Minimum Coverage**

Such policy or policies will: (1) be written by an insurance company that is satisfactory to Franchisor, in accordance with standards and specifications set forth in the Kiddie Academy Manuals or otherwise in writing, and which has a rating of no less than A- from the A. M. Best Company, Inc., (2) be commercially reasonable and shall be comparable to the insurance generally maintained within the child care industry, as determined by Franchisor, (3) name Franchisor and its affiliates as an additional named insured parties in each such liability policy or policies (except worker's compensation and student accident policies), (4) contain such endorsements, types and minimum amounts of coverage (including cross liability coverage), exclusions and maximum deductibles which meet minimum standards, coverages, and limits and insure Franchisee against the insurable risks as prescribed in the Kiddie Academy Manual and as may be modified at Franchisor's discretion; and (5) provide additional insurance and types of coverage as may be required under the terms of any lease for the Franchised Business, or as may otherwise be required by the Franchisor from time to time in the Kiddie Academy Manuals or otherwise in writing.

### **14.3 Effect of Insurance Coverage**

Franchisee's obligation to obtain and maintain the policy or policies of insurance in the amounts specified from time to time will not be limited in any way by reason of any insurance which may be maintained by Franchisor, and Franchisee's performance of that obligation will not relieve it of liability under the indemnity provisions set forth in Section 21.2 of this Agreement.

### **14.4 Certificates of Insurance**

At least 30 days prior to the time any insurance is first required to be carried by Franchisee, and at least 30 days prior to the expiration of any such policy, Franchisee will deliver to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement. All Certificates will expressly provide that at least 30 days prior written notice will be given to Franchisor in the event of any material alteration to, or cancellation of, the

coverage evidenced by the Certificates of Insurance. Franchisee shall immediately notify Franchisor of any changes to Franchisee's insurance coverages.

#### **14.5 Franchisor's Remedy upon Franchisee's Failure to Insure**

Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will, in addition to the right to assess a fee for non-compliance pursuant to Section 7.7 above, have the right and authority, and Franchisee must fully cooperate with Franchisor in Franchisor's effort, to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic electronic bank transfers as provided for in Section 7.6 of this Agreement.

### **15. TRANSFER OF INTEREST**

#### **15.1 Transfer by Franchisor**

Franchisor shall have the right to freely transfer or assign this Agreement, either in whole or in part, or any or all of Franchisor's rights or obligations herein, to any person or legal entity without the consent of the Franchisee. Upon such transfer or assignment, the designated assignee of Franchisor shall become solely responsible for all obligations and enjoy all benefits of Franchisor under this Agreement from the date of assignment. Franchisee shall execute such documents of attornment or otherwise as Franchisor shall request.

#### **15.2 Transfer by Franchisee**

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement in reliance on the business skill, aptitude, financial capacity and personal character of Franchisee and Franchisee's Principals, if any. Neither: (1) Franchisee; (2) a Principal; (3) any immediate or remote successor to any part of Franchisee's or a Principal's interest in the Franchised Business; nor (4) any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in the Franchised Business, the Franchisee or any assets utilized in the operation of the Franchised Business, shall, "**Transfer**" such interest without the prior written consent of Franchisor and without satisfying the conditions as set forth in Section 15.3 of this Agreement. For purposes of Sections 15.2 through 15.12 of this Agreement, the term "**Transfer**" includes all of the following: selling, assigning, transferring, conveying, giving away, pledging, mortgaging, or otherwise encumbering the Franchised Business, this Agreement, the Franchisee, any interest in Franchisee, or any portion or part thereof, including any agreement purporting or attempting to convey such interests at some date after the expiration of this Agreement. Franchisor will not unreasonably withhold its consent to any Transfer hereunder. Any purported Transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section or done prior to satisfying the conditions as set forth in Section 15.3, will be null and void, have no legal effect, and will constitute a material breach of this Agreement for which Franchisor may then immediately terminate this Agreement without providing the Franchisee an opportunity to

cure. Such termination will have no effect whatsoever on Franchisor's right to enforce its legal and equitable rights under this provision or otherwise.

### **15.3 Conditions of Transfer by Franchisee**

Prior to any Transfer hereunder, Franchisor may, in its sole discretion, require any or all of the following be satisfied as a condition of its approval:

15.3.1 All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor or its affiliates, and all other outstanding obligations incurred in connection with the Franchised Business, including without limitation to suppliers, employees, and landlords, have been satisfied. Franchisor may conduct an investigation and audit pursuant to Section 12.11, at Franchisee's expense, in order to determine the extent of any accrued obligations.

15.3.2 Franchisee and all affiliates of the Franchisee are not in default or breach of any provision of this Agreement, any amendment to or successor of this Agreement, any other agreement between Franchisee and Franchisor or one or more of its affiliates, or any lease entered into for the Franchise Location.

15.3.3 Franchisee, Franchisee's Principals and the Guarantors, if any, execute a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders and employees, in their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the Transfer becomes effective.

15.3.4 Within the time specified by Franchisor, Franchisee or transferee if with Franchisor's express permission, at its expense, shall refurbish the Franchised Business, as necessary, to conform the Franchised Business to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, size, color, trade dress, presentation of the Marks, fixtures, educational materials, technology materials, administrative materials and forms, flooring, carpeting, installed equipment, signage, and outdoor play areas.

15.3.5 Transferee, or if the transferee is an entity, one or more principals of the transferee, demonstrate to Franchisor's satisfaction that he/she/they meet(s) Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the Franchised Business as may be evidenced by prior related business experience or otherwise; and has adequate financial resources and capital to purchase and operate the Franchised Business and that, if the proposed transferee or one or more of its owners is an existing Kiddie Academy franchisee, we have determined, in our sole and absolute discretion, that such sale or transfer would not lead to an impermissible concentration of Franchised Businesses in a particular franchisee or owner that may be detrimental to the Kiddie Academy System.

15.3.6 The consideration or payment terms offered by a proposed transferee shall not be excessive or unreasonable, based on the gross revenues of the Franchised Business and sale

prices of other Kiddie Academy businesses, as determined by Franchisor, in its reasonable business judgment.

15.3.7 Transferee (including, if an entity, all members, managers, shareholders, officers, directors and partners of the transferee) shall enter into the form franchise agreement then being offered to new franchisees and such other related agreements as Franchisor may require for the Franchised Business, (including a Personal Guaranty signed by the spouse of transferee, if an individual, or, if an entity, each owner of the transferee entity and their respective spouses), the terms of which agreements may differ from the terms of this Agreement, including without limitation a higher percentage royalty rate, higher fees, and/or a different Brand Building Fund, and Local Annual Advertising Expense; provided, however, that the royalty rate, Brand Building Fund and Local Annual Advertising Expense payable by the transferee will not be increased to an amount which is greater than that which is required to be paid system-wide by Franchisor's new franchisees and the Exclusive Territory of the Franchised Business, as designated in this Agreement, will remain the same.

15.3.8 Transferee must satisfy all applicable child care licensing requirements of the municipality, county, and State in which the Franchised Business is located and attend an Orientation Day at Franchisor's Corporate Offices prior to the date the Transfer becomes final.

15.3.9 Within the time specified by Franchisor, the transferee shall commit in writing to the Franchisor to complete all of Franchisee Training Program, as specified in Section 8.1 of this Agreement, to Franchisor's satisfaction.

15.3.10 Franchisee shall remain liable for all of the obligations to Franchisor in connection with the Franchised Business prior to the date on which the Transfer becomes final and will execute any and all instruments reasonably requested by Franchisor to evidence such liability. Franchisor, at its sole discretion, reserves the right to require that the Franchisee and the Guarantors, remain as personal guarantor(s) under the new Franchise Agreement entered into by the transferee. Franchisee shall continue to be bound by the agreements and covenants set forth in Section 10.2, Section 11.2, and Sections 18.3 through 18.10 (inclusive) of this Agreement, which agreements and covenants shall survive any Transfer of this Agreement and/or the Franchised Business.

15.3.11 Transferee shall pay to Franchisor an administrative fee of \$50,000 (the "**Administrative Fee**"). The Administrative Fee shall be reduced to \$25,000 if, as of the Transfer Date, transferee is a party to one or more agreements with Franchisor for the development or operation of another Franchised Business. The Administrative Fee is payable on the earlier of the Transfer Date or the date transferee begins the Franchisee Training.

15.3.12 If Franchisor refers the transferee to Franchisee, Franchisee shall pay to Franchisor on the date of Transfer an amount equal to the lesser of \$75,000 or 5% of the gross sales price of the Franchised Business (with a minimum of \$10,000) (the "**Referral Fee**"). Franchisee shall pay the Referral Fee if Franchisee sells the Franchised Business to an existing or former Kiddie Academy Franchisee, or Kiddie Academy franchise applicant or a Director of an existing academy. In addition, all costs of advertising the sale of the Franchised Business will be the responsibility of Franchisee.

15.3.13 Franchisee shall provide to Franchisor, at Franchisee's expense, a current and complete lien search showing all (if any) judgments and/or liens that have been filed against Franchisee, Franchisee's Principals, the Franchised Business and/or the Guarantors during the Term.

15.3.14 If Franchisee or any Principal proposes to transfer this Agreement, any interest in Franchisee, or the assets of Franchisee to any trust, a condition of Franchisor's approval of such transfer (if any) is that Franchisor (and our external legal counsel, if necessary) shall review any trust documents, at Franchisee's expense, and shall have the right to require, as a condition of any such transfer that the material terms of such trust have been approved by us;

15.3.15 Franchisee acknowledges and agrees that each condition which must be met by the transferee is necessary to assure the Transferee's full performance of the obligations under this Agreement.

15.3.16 Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts and the proposed transfer with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests shall not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold its consent to questionable transactions. Franchisee waives on behalf of itself and each of its owners any claim that action taken by Franchisor in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships. Notwithstanding any other provisions hereof, Franchisee shall not transfer this Agreement or any interest in Franchisee or the assets of the Franchised Business to a private equity fund or transferee in which such a fund owns any interest.

#### **15.4 Transfer by Franchisee for Convenience of Ownership**

If Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual Principals of Franchisee or Guarantors; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual Principals of Franchisee or Guarantors; (3) Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents, a complete copy of the new legal entity's operating or management agreement, and documentation of the ownership structure and shares of ownership each individual has in the entity; and (4) Franchisee and the new legal entity enter into a written Assignment and Assumption Agreement with Franchisor in a form prescribed by Franchisor, pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement and grants a general release to Franchisor.

### **15.5 Communications with Proposed Transferee**

Franchisee authorizes the Franchisor to communicate with any prospective buyer(s) of the Franchised Business regarding the business operations, financial condition, contracts and history of the Franchised Business under Franchisee's ownership, or any other matter that the Franchisor deems to be appropriate with respect to the proposed Transfer, without liability to the Franchisee.

### **15.6 Right of First Refusal**

Any party holding any interest in Franchisee or the Franchised Business who desires to accept any bona fide offer from a third party to purchase that interest will notify Franchisor in writing of each offer immediately upon receipt thereof and will provide Franchisor with the information and documentation relating to the offer that Franchisor may require. Franchisor will have the right and option, exercisable within 60 days after receipt of the written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that Franchisor elects to purchase the seller's interest, closing on that purchase must occur within 90 days from the date of notice to the seller of the election to purchase by Franchisor. Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this subsection will not constitute a waiver of any other provision of this Agreement with respect to a proposed Transfer.

### **15.7 Appraisal of Third-Party Offer**

In the event the form of consideration, or the terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same form of consideration, on the same terms and/or conditions, Franchisor may purchase the interest in Franchisee or the Franchised Business for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser will be designated jointly by Franchisee and Franchisor, the costs of whom shall be shared equally, and the appraiser's determination will be binding.

### **15.8 Acceptance of Offer by Franchisee**

If Franchisor does not exercise the right of first refusal set forth in Section 15.6, the offer may be accepted by Franchisee, subject to the prior written approval of Franchisor, as provided for in this Section 15. If any such proposed Transfer is not consummated within 90 days of the date of the initial written offer, Franchisor will again have the right of first refusal as described in Section 15.6. Any transferee will also be subject to Franchisor's right of first refusal set forth in Section 15.6.

### **15.9 Transfer upon Death or Incapacity**

Upon the death or mental or physical incapacity of any person with an interest in the Franchisee or Franchised Business, the guardian, executor, administrator or personal representative of that person's estate must Transfer the interest to a third party approved by Franchisor within nine months after the date of death or determination of mental or physical incapacity. Franchisor shall have the right to determine, in its reasonable business judgment, the

mental or physical incapacity of Franchisee or of any individual holding an interest in the Franchisee. In the event of such a determination of mental or physical incapacity, the holder of such interest or any duly appointed guardian must promptly decide whether to retain the interest in the Franchised Business and, if necessary, select a qualified manager to direct its operation. The persons with such interest or such guardian may then apply to Franchisor for the right to retain that interest for the duration of the Term and any renewals of this Agreement. Franchisor will approve that application upon the fulfillment of all of the conditions for a Transfer set forth in Section 15.3 of this Agreement, except that no transfer fee will be required. The nine-month period stated above will not be extended, whether or not the guardian applies for a right to retain the interest in Franchisee or the Franchised Business.

#### **15.10 Transfer to Heir**

In the case of a death, if the heir or successor wants to retain the decedent's interest in the Franchised Business, the heir or successor must promptly apply to Franchisor for that right for the duration of the Term and any renewals of this Agreement. Franchisor will approve that application upon the fulfillment of all of the conditions for a Transfer set forth in Section 15.3 of this Agreement, except that no transfer fee will be required. If a proper and timely application is filed and rejected by Franchisor, the nine-month period stated in Section 15.9 will be extended by the amount of time between the date of death and the date of the notice of rejection. The successor or personal representative must Transfer a decedent's interest in the Franchised Business in compliance with the provisions of Section 15 in the case of a death where no heir or successor wants to retain that interest, or when it is Franchisor's judgment that the heir(s) or successor(s) is (are) clearly unable to meet the conditions of Section 15.3.

#### **15.11 Termination after Nine Months**

In the event that the interest in the Franchised Business is not Transferred within the nine-month period provided in Section 15.9 (or as extended by Section 15.10), Franchisor may terminate this Agreement and upon such termination Franchisor shall have all rights specified in this Agreement.

#### **15.12 Non-Waiver of Claims**

Franchisor's consent to a Transfer of any interest in Franchisee or the Franchised Business granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

### **16. DEFAULT AND TERMINATION**

#### **16.1 Termination upon Notice**

Upon the occurrence of any of the following events, each of which Franchisee and the Guarantors hereby agree shall constitute "good cause" for termination of this Agreement, Franchisee will be deemed to be in default and Franchisor may, at its option and as permitted by applicable law, terminate this Agreement and all rights granted under this Agreement without affording Franchisee any opportunity to cure the default. Said termination will be effective

immediately upon Franchisee's receipt of notice from Franchisor of termination, or, in any event, within 2 business days from the date on which such notice is mailed, if:

16.1.1 Franchisee or any other signatory to this Agreement or to the Personal Guaranty at any time ceases to operate or otherwise abandons the Franchised Business, or loses the right to possession of the Franchised Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if any such loss of possession results through no fault of Franchisee, and the Franchised Business is damaged or destroyed, then Franchisee will have 30 days after such event in which to apply for Franchisor's approval to reconstruct or replace the Franchised Business, which approval will not be unreasonably withheld;

16.1.2 Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, any Principal of Franchisee) or any other signatory to this Agreement or to the Personal Guaranty is found to have made a material misrepresentation or omission in the application for the franchise;

16.1.3 Franchisee or any Guarantor becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee or Guarantor(s) or against Franchisee or Guarantor(s) and not opposed by Franchisee or Guarantor(s);

16.1.4 Franchisee or any Guarantor(s) is adjudicated as bankrupt or insolvent, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee, Guarantor(s), or other custodian for Franchisee's or Guarantor's business or assets is filed and consented to by Franchisee or Guarantor, or if a receiver or other permanent or temporary custodian of Franchisee's or Guarantor's assets or property, or any part of its assets or property, is appointed by any court of competent jurisdiction, or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee or Guarantor;

16.1.5 A final judgment is entered against Franchisee or the Franchised Business which remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed), or Franchisee is dissolved, or a suit to foreclose any lien or mortgage against the Franchised Business or its equipment is instituted against Franchisee and not dismissed within 30 days, or if execution is levied against Franchisee's business or property, or if the real or personal property of the Franchised Business will be sold after levy upon Franchisee's real or personal property by any sheriff, marshal or constable;

16.1.6 Franchisee (or its affiliates, if any), a Principal, a Guarantor, or any employee of Franchisee (who Franchisee knows or has reason to know) has been engaged in, convicted of or pleaded nolo contendere to a felony or any other criminal misconduct, any offense involving moral turpitude, found to have committed a regulatory violation, by act or omission, permits a continued violation of any applicable law, ordinance or regulation or is subject to any order or determination issued by a court of competent jurisdiction which Franchisor deems relevant to the operation of the Franchised Business or which may have a potential adverse effect on the Franchised Business, Kiddie Academy System, the Marks, or any child enrolled in the Academy;

16.1.7 Franchisee, an affiliate of Franchisee or any one or more of the Guarantors of this Agreement misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated with the Marks or Franchisor's rights in the Marks;

16.1.8 Franchisee, an affiliate of Franchisee or any one or more of the Guarantors of this Agreement contests in any court or proceeding the validity of, or Franchisor's rights in, any of the trademarks, service marks, or other rights licensed under this Agreement;

16.1.9 Franchisee, an affiliate of Franchisee or any one or more of the Guarantors of this Agreement, is in breach of Section 11.2 of this Agreement;

16.1.10 Franchisee, an affiliate of Franchisee or any one or more of the Guarantors of this Agreement fails to comply with and/or breaches the in-term covenants in Section 18 of this Agreement;

16.1.11 Franchisee or any partner, shareholder, member, manager or personal guarantor of Franchisee, as the case may be, purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Franchised Business to any third party without Franchisor's prior written consent, contrary to the terms of Section 15.2 of this Agreement;

16.1.12 Franchisee or any partner, shareholder, member, manager or personal guarantor of Franchisee, as the case may be, fails to complete an approved transfer within a reasonable time, as required by Section 15.9 of this Agreement, following such party's death or mental or physical incapacity;

16.1.13 Franchisee or any personal guarantor of Franchisee operates, or fails to maintain, the Franchised Business in such a fashion that it becomes a threat or danger to public health or safety, the reputation or goodwill associated with the Marks and/or a threat to the health and wellbeing of the children enrolled at the facility, including a failure to comply with Franchisor's quality assurance requirements;

16.1.14 Franchisee or any personal guarantor of Franchisee fails to maintain any license required by law to provide child care or other services contemplated under this Agreement;

16.1.15 Franchisee maintains false books or records, or knowingly submits any false reports to Franchisor;

16.1.16 Franchisee submits to Franchisor on two or more separate occasions at any time during the Term or any renewal hereof, any reports or other data, information or supporting records which understate the Gross Revenues of the Franchised Business, the royalty fees and/or any other sums owed to Franchisor for any period of, or periods aggregating, three or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.1.17 Franchisee fails to comply with the provisions of Section 20 of this Agreement;

16.1.18 Franchisee, after curing a default pursuant to Section 16.2 of this Agreement, commits the same act of default again within six months;

16.1.19 Franchisee is in default under Section 16.2 of this Agreement more than twice in any calendar year or more than three times during any three-year period for failure to substantially comply with any of the requirements imposed by this Agreement; or

16.1.20 Franchisee or an Affiliate of Franchisee commits any default under any other agreement between Franchisor or its Affiliates as one party, and Franchisee or any of its Affiliates as the other party, that permits Franchisor or its Affiliates to terminate such other agreement.

## **16.2 Termination after Notice and Opportunity to Cure**

Except as provided in Section 16.1 of this Agreement, or as otherwise specified below, Franchisee will have 30 days after its receipt from Franchisor of a written notice of default within which to remedy any default under this Agreement (or, if the default cannot reasonably be cured within such 30 days, to initiate within that time substantial and continuing action to cure the default), and to provide evidence of an attempt to remedy the default to Franchisor. If any such default is not cured within that time (or, if appropriate, substantial and continuing action to cure the default is not initiated within that time), or such longer period as applicable law may require, Franchisor, at its option, may terminate this Agreement, effective immediately upon Franchisee's receipt of Franchisor's notice of such termination, or, in any event, within five days from the date such notice is mailed. The defaults will include, without limitation, the occurrence of any of the following, each of which Franchisee agrees constitutes "good cause" for termination of this Agreement, if:

16.2.1 Franchisee or any affiliate of Franchisee (including any entity owned or controlled by Franchisee or one or more of the Guarantors) fails, refuses or neglects promptly to pay when due any monies owing to Franchisor or one or more of its affiliates under this Agreement or any other agreement between such parties, or fails, refuses, or neglects promptly to submit the financial or other information and reports required by Franchisor or one of its affiliates under this Agreement or any other agreement to which Franchisor or one of its affiliates and either the Franchisee or one or more of Franchisee's affiliates are parties (Franchisee shall have 15 days to cure such default);

16.2.2 Franchisee or one or more of Franchisee's affiliates (including any entity owned or controlled by Franchisee or one or more of the Guarantors) fails to maintain or comply with any of the standards, requirements or procedures prescribed by Franchisor in this Agreement or any other agreement to which Franchisor or one or more of its affiliates and either Franchisee or one or more of Franchisee's affiliates are parties, or the Kiddie Academy Manuals, or if Franchisee or an affiliate of Franchisee fails to comply with any provision of this Agreement or any other agreement to which Franchisor or one or more of its affiliates and either the Franchisee or one or more of Franchisee's affiliates are parties (Franchisee shall have 15 days to cure such default);

16.2.3 Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement (Franchisee shall have 15 days to cure such default);

16.2.4 Franchisee fails, refuses, or neglects to use, maintain and/or upgrade the Business Management System as required by Franchisor;

16.2.5 Franchisee fails to submit to Franchisor any of the periodic reports or other information that Franchisee is required to submit to Franchisor, as specified herein or in the Kiddie Academy Manuals (Franchisee shall have 15 days to cure such default);

16.2.6 Franchisee or an affiliate of Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Marks;

16.2.7 Franchisee fails to refurbish the Franchised Business in accordance with Sections 3.2, 6.18 and 6.17 of this Agreement;

16.2.8 Franchisee fails to strictly comply with the terms of an "action plan" presented by Franchisee concerning ongoing operational, reporting and/or financial issues at the Franchised Business (Franchisee shall have 15 days to cure such default);

16.2.9 Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services;

16.2.10 Franchisee fails to obtain execution of the covenants required under Sections 11.3 and 18.10 of this Agreement;

16.2.11 Franchisee fails to attend and complete to Franchisor's satisfaction the training program, as required under Section 8 of this Agreement;

16.2.12 Franchisee fails to send to Franchisor copies of all inspection reports issued by applicable governmental authorities, as required by Section 6.18 of this Agreement (Franchisee shall have 15 days to cure such default);

16.2.13 Franchisee fails to maintain any insurance requirements set forth in Section 14 of this Agreement (Franchisee shall have seven days to cure such default);

16.2.14 Franchisee fails to deliver to Franchisor a copy of Franchisee's annual state and federal income tax returns and any amended state or federal income tax return as specified in Section 12.9 of this Agreement;

16.2.15 Franchisee or one or more of the Guarantors defaults or otherwise fails to perform any material term under any lease, contract (including, without limitation, contracts with insurance companies and/or insurance brokers for the provision of insurance coverage for the Franchised Business, and contracts with states and/or local government agencies), financing agreement or similar agreement in connection with the Franchised Business regardless of whether Franchisee has been notified by its landlord or another party of such default or failure to perform;

16.2.16 Franchisee fails, refuses or neglects promptly to pay when due any monies owing to Franchisee's landlord (unless as a result of a bona fide dispute with the landlord, subject, however, to Franchisee's payment, into escrow, of all disputed rentals), regardless of whether Franchisee has been notified by its landlord of such failure to pay; or

16.2.17 Except for those defaults specified in Section 16.1 above, Franchisee fails to satisfy any of the other covenants of this Agreement or to comply substantially with any of the other requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Kiddie Academy Manuals, or to carry out the terms of this Agreement in good faith.

### **16.3 Franchisor's Authority to Notify Creditors**

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer or landlord of the Franchisee or Franchised Business upon the occurrence of any default under Section 16, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under Section 16, and to otherwise communicate with such lenders, creditors, customers or landlords with respect to any such default, or any such event or circumstance.

## **17. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement, will terminate, and:

### **17.1 Cessation of Operations**

The operations of the Franchised Business, as a child care facility, school, summer camp or similar business, under the Kiddie Academy name or any other name, by Franchisee, and any Guarantors hereunder, anyone affiliated with Franchisee or such Guarantors, or anyone else, shall immediately and permanently cease, and Franchisee and any Guarantors hereunder, shall not, after that time, directly or indirectly represent to the public that they are Kiddie Academy franchisees or hold themselves out as present or former franchisees of Franchisor.

### **17.2 Discontinue Use of Marks**

Franchisee and the Guarantors shall immediately and permanently cease use, in any manner whatsoever, of any and all Confidential Information, forms, methods, procedures, techniques and training associated with the Kiddie Academy System; the Mark "KIDDIE ACADEMY"; and all other Marks and distinctive forms, slogans, signs, symbols, public relations and promotional materials, displays, stationary, domain names and devices associated with the Kiddie Academy System. This Section does not apply to the operation by Franchisee of any other franchise under the Kiddie Academy System which may be granted by Franchisor to Franchisee. Franchisee will take such action as may be necessary to cancel or assign to Franchisor or Franchisor's designee any assumed name or equivalent registration which contains the Mark "KIDDIE ACADEMY" or any other service mark or trademark of Franchisor, and Franchisee will furnish Franchisor with proof of compliance with this obligation within 30 days after termination or expiration of this Agreement.

### **17.3 Assignment of Lease**

Franchisee will, at Franchisor's option and election, assign to Franchisor or its designee any interest which Franchisee has in any lease related to the Franchised Business. Any such lease

entered into by Franchisee will contain a clause specifying the title holder's consent to assign that lease to Franchisor or its assigns if this Agreement is terminated. In the event Franchisor does not elect to exercise its option to acquire the lease, Franchisee will make such modifications or alterations to the Franchised Business (including without limitation changing the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent the operation of any business on the Franchise Location by itself or others in derogation of Section 17 and will make such specific additional changes to the Franchise Location as Franchisor may reasonably request for that purpose, including without limitation removal of all distinctive physical and structural features identifying the Kiddie Academy System. If Franchisee fails or refuses to comply with the requirements of Section 17, Franchisor will have the right to enter upon the Franchise Location without being liable for trespass or any other tort, for the purpose of making or causing to be made such changes at the expense of Franchisee, which expenses Franchisee, agrees to pay upon demand.

#### **17.4 Lease Option**

If the Franchise Location is owned by the Franchisee, then, upon termination of this Agreement, whether it is terminated by the Franchisee or by the Franchisor, the Franchisor shall have the option to enter into a lease for the Franchise Location for a term of not less than 15 years. All of Franchisor's rights hereunder shall be fully assignable to a third party, at Franchisor's sole discretion.

#### **17.5 Operation of Another Business**

Franchisee and the Guarantors shall not use any reproduction, counterfeit, copy, or colorable imitation of the Marks, either in connection with that another business or the promotion of another business, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the Marks. Franchisee and the Guarantors shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

#### **17.6 Payment of All Monies Due**

Franchisee will promptly pay all sums owing to Franchisor and its affiliates. In the event this Agreement is terminated prior to the end of the Term as a result of the Franchisee's default hereunder, sums owing to Franchisor will include all damages due hereunder and costs and expenses, including reasonable accounting, attorneys' and experts' fees related to and/or arising from any suits, claims or causes of action brought by Franchisor, as well as defenses asserted by Franchisor to any counterclaims or cross-claims brought by Franchisee, incurred by Franchisor. This obligation will give rise to a lien in favor of Franchisor against all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee and located in and around the Franchised Business operated pursuant to this Agreement at the time of default, which lien shall remain open and unpaid until all such sums are paid in full.

#### **17.7 Liquidated Damages**

In the event this Agreement is terminated prior to the end of the Term due to Franchisee's default hereunder, in addition to the amounts set forth in Section 17.6 above, Franchisee shall

promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to the present value of the royalty fees and Brand Building Fees Franchisee would have paid, which shall be calculated as (a) the average weekly royalty fees and Brand Building Fees payable by Franchisee under Sections 7.4 and 13.7 above over the 156 weeks immediately preceding the date of termination (or such shorter time period if the Franchised Business has been open less than 156 weeks), (b) multiplied by the lesser of (i) 156 weeks, or (ii) the number of weeks then remaining in the then-current Term. If Franchisee has failed to provide all required financial records, Franchisor may estimate these sums based upon Franchisor's records. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light of the damages Franchisor will incur for Franchisee's pre-mature termination of this Agreement. This lump sum payment shall be in lieu of any damages Franchisor may incur for lost future royalty fees or Brand Building Fees as a result of Franchisee's default, but it shall be in addition to all amounts provided above in Sections 17.6 and 17.7 and any attorneys' fees and other costs and expenses to which Franchisor is entitled under the terms of this Agreement, including but not limited to, Section 17.8 below. Franchisee's payment of this lump sum shall not affect Franchisor's right to obtain relief for its other rights under this Agreement, including without limitation, appropriate injunctive relief and remedies to enforce this Section 17, the covenants set forth in Sections 11 and 18, and its trademark rights under Section 9.

#### **17.8 Cost of Enforcement**

Franchisee will pay to Franchisor all damages, costs and expenses, including, without limitation, reasonable attorneys' fees, accounting fees, court and related litigation costs, expert witness costs, defense costs (related to or arising from any and all defenses, counterclaims and/or cross-claims asserted by Franchisee), expert witness fees and travel expenses, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement, including without limitation Sections 9, 11, 17 and/or 18.

#### **17.9 Return of Kiddie Academy Manuals and Curriculum**

Franchisee will immediately return to Franchisor all documents, including, without limitation, the Kiddie Academy Manuals, the Kiddie Academy Curriculum, all records, files, instructions, correspondence, brochures, agreements, disclosure statements, invoices, and forms, as well as all computer files, computer disks, computer software and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies of those documents and materials. Franchisee shall also erase and/or destroy all computer files containing any and all such documents and information. Franchisee shall not retain any copies or records of any of these documents and materials, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee is required by law.

### **17.10 No Removal of Property**

In the event this Agreement is terminated as a result of the Franchisee's default hereunder, Franchisee will not, without the prior written consent of Franchisor, remove from the Franchised Business any furniture, fixtures, signs, equipment or other property or leasehold improvements for a period of 30 days following the date of termination.

### **17.11 Forfeiture of Signs/Property**

Franchisee acknowledges and agrees that Franchisor has acquired all right, title and interest in and to any sign, sign faces and other property and materials bearing the Marks through the parties' execution of this Agreement. Franchisor has the right to access the Franchise Location during the Term and Franchisee's lease agreement should Franchisor elect to take possession of the signs, sign faces or other property and materials bearing Franchisor's Marks. If the Franchisee shall fail to make or cause to be made any such access, then the Franchisor shall have the right to enter upon the Franchise Location, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal or alterations of the sign, sign faces and other property and materials bearing the Marks at the reasonable expense of the Franchisee, which expense the Franchisee shall pay Franchisor upon demand. Franchisee acknowledges and agrees that this Section 17.11 shall survive termination of this Agreement.

### **17.12 Purchase Option**

Within 30 days from the date of termination or expiration of this Agreement, Franchisee and Franchisor may arrange for an inventory to be made, at Franchisor's cost, of all the personal property, equipment and inventory of Franchisee, including without limitation any and all items bearing the Marks (the "Assets"), which must be completed within 90 days of the date of termination. Franchisor will have the option, to be exercised within 30 days after the inventory is completed, to purchase from Franchisee any or all of the Assets (excluding the Kiddie Academy Manuals, the Kiddie Academy Curriculum, signs and other Kiddie Academy® materials bearing the Marks which are acknowledged to be Franchisor's property) at fair market value. If the parties cannot agree on fair market value within a reasonable time, an independent appraiser selected by Franchisor will be designated, and his or her determination will be binding. If Franchisor elects to exercise any option to purchase as provided, it will have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment for the Assets.

### **17.13 Survival**

All obligations and covenants undertaken and agreed to by the Franchisee in this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, including without limitation, Sections 10, 11, 17, and 18, will continue in full force and effect after such expiration or termination until they are satisfied or by their nature expire.

## **18. COVENANTS**

### **18.1 Best Efforts**

Franchisee covenants that during the Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by Franchisee under the Kiddie Academy System.

### **18.2 Acknowledgment**

Franchisee and the Guarantors specifically acknowledge that, pursuant to this Agreement that 1) Franchisor will devote time, effort, and resources to assist Franchisee in its efforts to identify Prospective Sites that may be suitable for the Business 2). the information that will be developed during these efforts constitutes valuable, confidential trade secrets of Franchisor and 3) Franchisee will receive valuable specialized training and Confidential Information, including without limitation information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the Kiddie Academy System.

### **18.3 Covenants of Non-Competition and Non-Disparagement**

During the Term and for a continuous uninterrupted period commencing upon the expiration, termination (regardless of the cause), or transfer (in an arm's length transfer to an entirely unaffiliated third party with Franchisor's consent) of this Agreement, and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, Franchisee will not, either directly or indirectly, through, on behalf of, or in conjunction with any person, persons, or legal entity:

18.3.1 Divert or attempt to divert any business or client of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is potentially injurious or prejudicial to the goodwill associated with Franchisor's Marks and the Kiddie Academy System;

or

18.3.2 Own, maintain, operate, engage in, be employed by, provide consulting services to, have any interest in or assist (including, without limitation, as the landlord which premises are being leased to) any person or legal entity in any business other than a Kiddie Academy Franchise which provides, intends to provide, or will provide in the future, in any respect, educational and/or daytime child care services to children ages six weeks through 12 years or services similar in scope to the services offered by the Franchised Business and which is, or is intended to be, located or operated within the United States of America or Canada (the "**Restricted Area**"). Notwithstanding the foregoing, upon such termination, expiration, or transfer of this Agreement, the Restricted Area shall be reduced to include (i) any location inside or within 20 miles of Franchisee's Exclusive Territory or within the Designated Search Area in Section 1.1 of this Agreement, (ii) any location within 20 miles of any other Kiddie Academy location, and (iii) the primary market area served by any business operated by the Franchisor, one or more of its affiliates, or any entity that owns, controls, or operates a Franchised Business under the Marks.

18.3.3 Disparage Franchisor, its members, officers, directors, partners, or employees; the products, Marks, services, or programs offered, provided or to be provided by Franchisor; the business affairs, operation, management, or the financial condition of Franchisor; Franchisee's or Guarantor's relationship with Franchisor (including, without limitation, any termination thereof); or any of Franchisor's other Franchisees. "Disparage" shall include any negative, critical, harmful, or detrimental statement or communication, oral or written, to any person or entity.

18.3.4 If Franchisee is an entity, each of its owners, members, principals, shareholders, and affiliates, and each of the Guarantors, shall execute the Confidentiality and Non-Competition Agreement attached hereto as Exhibit C, pursuant to which they shall agree to the restrictions set forth above in this Section 18.

#### **18.4 Covenant Not to Use Confidential Information After Termination**

Franchisee and the Guarantors acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets set forth in Sections 10.3 and 11 of this Agreement will apply throughout the Term and after the expiration or termination of this Agreement, without limitation as to time or geographic scope. Franchisee covenants that upon termination or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the Kiddie Academy System.

#### **18.5 Public Corporation Exclusion**

This Section 18 will not apply to Franchisee's ownership of less than a 5% beneficial interest in the outstanding equity securities of a publicly held corporation offering early childhood learning services or care.

#### **18.6 Severability**

The parties agree that each of the foregoing covenants in Section 18 will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction, in an unappealed or unappealable final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and a part of Section 18.

#### **18.7 Scope of Covenant**

Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 18.3 and 18.4 of this Agreement, or any portion of any covenant in Sections 18.3 and 18.4 without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice of that reduction; and Franchisee agrees that it will comply with any covenant as so modified, which will be fully enforceable.

## **18.8 Cost of Enforcement**

Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in Section 18. Franchisee agrees to pay all reasonable costs and expenses, including, without limitation, reasonable attorneys', and accounting fees (including all fees arising from or related to counterclaims or cross claims asserted by Franchisee), court costs and out-of-pocket expenses incurred by Franchisor arising from and/or connected to the enforcement of Section 18.

## **18.9 Injunctive Relief**

Franchisee acknowledges that Franchisee's violation of the terms of Section 18 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee agrees that Franchisor may seek to obtain the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of Section 18.

## **18.10 Confidentiality Agreements**

Franchisee shall require and obtain execution of covenants as prescribed in the Kiddie Academy Manuals from any personnel employed by Franchisee who have received or will receive training under the Kiddie Academy System or will otherwise have access to Franchisor's Confidential Information. Failure by Franchisee to obtain execution of a covenant required by this Section 18.10 will constitute a default under Section 16.2 of this Agreement.

## **19. CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY COMPANY**

### **19.1 Franchisee Corporation**

If Franchisee is a corporation, Franchisee shall comply with the following requirements:

19.1.1 Franchisee shall be newly organized, and its charter shall at all times provide that its activities are confined exclusively to operating the Franchised Business

19.1.2 Franchisee shall at all times be validly existing and in good standing under the laws of the jurisdiction of its organization and have full legal right, power and authority to carry on the Franchised Business;

19.1.3 Copies of Franchisee's Articles of Incorporation, Bylaws and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be promptly furnished to Franchisor;

19.1.4 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Franchisee shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 19.1.4 shall not apply to a publicly-held corporation; and

19.1.5 Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Franchisee and shall furnish the list to Franchisor upon request.

## **19.2 Franchisee Partnership**

If Franchisee is a partnership, Franchisee shall comply with the following requirements:

19.2.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Business;

19.2.2 Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto;

19.2.3 The partnership agreement shall at all times note conspicuously that partnership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement; and

19.2.4 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in Franchisee.

## **19.3 Franchisee Limited Liability Company**

If Franchisee is a limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its operating agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Business;

19.3.2 Franchisee shall furnish Franchisor with a copy of its articles of organization and operating agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto;

19.3.3 The articles of organization or operating agreement shall at all times note conspicuously that membership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement; and

19.3.4 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all members in Franchisee.

## **19.4 Disclosure of Principals**

If Franchisee is a corporation, partnership, or limited liability company, then Franchisee shall complete and execute the Disclosure of Principals form attached hereto as Exhibit D, which Franchisee represents and acknowledges is a complete and accurate description of the Principals of Franchisee. Franchisee acknowledges and agrees that any proposed change in the Principals listed in Exhibit D shall require Franchisor's prior written consent, subject to Section 15.2 hereof, and shall promptly update and provide such form to Franchisor in the event of any change in the Principals.

## **19.5 Personal Guaranty**

If Franchisee is a corporation, partnership, or limited liability company, or if any successor to or assignee of Franchisee is a corporation, partnership or limited liability company, then all of the principals of Franchisee, and their spouses, shall execute the Personal Guaranty.

## **20. TAXES, PERMITS AND INDEBTEDNESS**

### **20.1 Payment of Taxes**

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, employer's portion of employment-related taxes (FICA, Medicare, and unemployment taxes) and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any federal, state, or local taxes, including, without limitation, sales, use, service, occupation, employment related, excise, gross receipts, income, property or other taxes (not including income taxes payable by Franchisor to its home state taxing authorities), that may be imposed on Franchisor as a result of Franchisor's receipt or accrual of the Initial Fee, Royalty Fees, Brand Building Fees, and all other fees that are referenced in this Agreement, whether assessed against Franchisee through withholding or other means or whether paid by Franchisor directly, unless the tax is credited against income tax otherwise payable by Franchisor. In such event, Franchisee shall pay to Franchisor (or to the appropriate governmental authority) such additional amounts as are necessary to provide Franchisor, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that Franchisor would have received or accrued had such withholding or other payment, whether by Franchisee or by Franchisor, not been required.

### **20.2 Disputed Tax Liability**

In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. In no event, however, will Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the assets of the Franchised Business.

### **20.3 Permits**

Franchisee will comply with all federal, state and local laws, rules and regulations, and obtain any and all permits, certificates or licenses necessary required for the Franchised Business in a timely manner, including without limitation licenses to do business, child care facility permits and licenses, driver's licenses, fictitious name registrations, sale tax, zoning and occupancy permits, and fire clearances.

### **20.4 Notice of Investigation, Claim, or Litigation**

Franchisee shall immediately notify Franchisor of the commencement of any action, investigation, claim, suit or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, any of which may relate to or adversely affect the operation or financial condition of the Franchised Business.

## **20.5 Grant of Security Interest**

Franchisee will not grant a security interest in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor will have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee. In addition, for purposes of securing its obligations under this Agreement, Franchisee hereby grants Franchisor a security interest in all of the personal property relating to and arising from the operation of the Franchised Business of every kind and nature now owned or hereinafter acquired by the Franchisee, including, without limitation, all signs bearing any of the Marks, and all inventory, equipment, trade fixtures, furnishings, furniture, materials, educational tools and accounts, together without all proceeds therefrom (the “**Security Agreement**”). Any event of default by Franchisee or any affiliates of Franchisee under this Agreement or any other Agreement to which Franchisor is a party shall be a breach of the Security Agreement. Franchisee covenants to execute and deliver to Franchisor any and all instruments, documents and filings that Franchisor may reasonably request that Franchisee sign from time to time in order to perfect the security interest granted herein, including, without limitation, UCC-1 financing statements.

## **21. INDEPENDENT CONTRACTOR; INDEMNIFICATION**

### **21.1 Independent Contractor Status**

The parties acknowledge and agree that this Agreement does not create a fiduciary relationship and that Franchisee is an independent contractor; and that nothing in this Agreement is intended to constitute either party as an agent, fiduciary, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. The parties hereto agree that Franchisor is not the employer or joint employer of Franchisee’s employees and shall have no liability or responsibility for any action or inaction by Franchisee in any matter related to employees of the Franchised Business, whether deemed to be the direct or joint employer of such employees; that Franchisee only has authority to make employment decisions as to the employees of the Franchised Business as described in Section 6.15 hereof, and that Franchisee has no authority to make any employment related decisions for, or on behalf of, Franchisor. Franchisee acknowledges and agrees that Franchisor does not operate Kiddie Academy child care facilities and that its usual business is offering and selling rights to operate Kiddie Academy Educational Child Care facilities using the Kiddie Academy System and the Marks, developing enhancements to the Kiddie Academy System, and providing assistance to Kiddie Academy franchisees, and, accordingly, Franchisor’s usual business is different from Franchisee’s usual business of operating a retail Kiddie Academy Educational Child Care Franchise. During the Term and any renewal of this Agreement, Franchisee will hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise granted by Franchisor. Franchisee agrees to take such action as may be necessary to evidence this franchise relationship, including without limitation exhibiting a notice of that fact in a conspicuous place in the Franchised Business and on all forms, stationery or other written materials, the content and form of which Franchisor reserves the right to specify.

## **21.2 Indemnification**

Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name. Franchisor will in no event assume liability for or be deemed liable under this Agreement as a result of, any such action by Franchisee; nor will Franchisor be liable by reason of any act or omission of Franchisee or Franchisee's employees in their conduct in operating the Franchised Business (whether Franchisor is deemed to be the direct or joint employer of such employees) or for any claim or judgment arising from the operation of the Franchised Business. Franchisee will indemnify and hold Franchisor and Franchisor's members, managers, officers, directors and employees harmless against and from any and all claims arising either directly or indirectly from, as a result of, or in connection with the operation of the Franchised Business (including claims of Franchisor negligence), as well as the costs, including attorneys' fees, of defending against them. This provision and all of its parts shall survive the termination or expiration of this Agreement

## **22. APPROVAL**

Whenever this Agreement requires the prior approval, acceptance, or consent of Franchisor, Franchisee will make a timely written request to Franchisor for that approval, acceptance, or consent and the Franchisor will only notify the Franchisee of such approval, acceptance, or consent in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, acceptance, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

## **23. NONWAIVER**

No failure of Franchisor to exercise any power reserved to it in this Agreement, or to insist upon compliance by Franchisee with any obligation or condition in this Agreement, and no custom of practice of the parties at variance with the terms of this Agreement, will constitute a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement. Waiver by Franchisor of any particular default will not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor will any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants of this Agreement affect or impair Franchisor's rights; nor will same constitute a waiver by Franchisor of any rights under this Agreement or rights to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payments due to it will not be deemed to be a waiver of any preceding breach by Franchisee of any term, covenant or condition of this Agreement.

## **24. NOTICES**

Any and all notices, demands and requests required or permitted under this Agreement will be in writing and will be personally delivered with a receipt or mailed by United States certified or registered mail, return receipt requested, postage paid, or sent by a nationally recognized overnight courier service which provides evidence of receipt, to the respective parties at the

following addresses. Either party may, by written notice sent in accordance with the requirements of this Section, change the address to which notices shall be sent.:

Notices to Franchisor: Kiddie Academy Domestic Franchising, LLC  
3415 Box Hill Corporate Center Drive  
Abingdon, Maryland 21009-1201  
ATTN: President

Notices to Franchisee: [ENTITY c/o NAME or INDIVIDUAL(S)]  
[ADDRESS]

All notices delivered in the foregoing manner will be deemed to have been given at the time the return receipt is executed, and, in any event, no more than five business days after the notice is mailed.

## **25. ENTIRE AGREEMENT**

This Agreement and the attachments to this Agreement constitute the entire, full and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersede all prior agreements. No other representation has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not in this Agreement, which are of any force or effect with reference to this Agreement or otherwise. Except for those permitted to be made unilaterally by Franchisor under this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document the Franchisor furnished to Franchisee.

## **26. SEVERABILITY AND CONSTRUCTION**

### **26.1 Severability**

Except as expressly provided to the contrary in this Agreement, each portion, section, part, term and/or provision of this Agreement will be considered severable; and if for any reason a portion, section, part, term and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, that will not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties of this Agreement; and the invalid portions, sections, parts and/or provisions will be deemed not to be a part of this Agreement.

## **26.2 No Rights to Other Parties**

Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by Section 15 of this Agreement.

## **26.3 Franchisee's Agreement to be Bound**

Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

## **26.4 Captions**

All captions in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

## **26.5 Gender**

All references in this Agreement to the masculine, neuter or singular will be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations in this Agreement made or undertaken by Franchisee will be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

## **26.6 Counterparts**

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of Agreement may be executed and delivered by facsimile or other electronic signature by any of the parties to any other party and the receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

## **27. DISPUTE RESOLUTION**

### **27.1 Applicable Law**

This Agreement and all of its provisions will be governed, interpreted and construed pursuant to the law of the State of Maryland, which law will prevail in the event of any conflict of law; and the law of Maryland shall be used to enforce any and all rights and duties conferred by and which arise under this Agreement, provided, however, that if any of the provisions of this Agreement or the sale of the franchise rights hereunder are not subject to the law of the State of Maryland, those provisions will be interpreted and construed under the law of the State in which the Franchise Location is located.

## **27.2 Consent to Forum**

The parties to this Agreement and the Guarantors of Franchisee agree that any cause of action by either party against the other must be filed in a court of competent jurisdiction for Harford County, Maryland, and the parties and the Guarantors hereof do hereby waive all questions of personal and subject matter jurisdiction or venue for the purpose of carrying out this provision; provided, however, if Franchisor moves its corporate offices to another state, the United States District Court for the judicial district to which the corporate offices are moved, and the state courts in the county to which the corporate officers are moved, shall replace the court of competent jurisdiction for Harford County, Maryland for purposes of this Section 27.2.

## **27.3 Cumulative Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

## **27.4 Injunctive Relief**

Nothing in this Agreement will bar Franchisor's right to apply for injunctive relief in any court of competent jurisdiction against threatened or actual conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Should Franchisor obtain a restraining order or preliminary injunction against Franchisee, Franchisee shall be liable for all of Franchisor's attorneys' fees and costs that are related to and/or arise from obtaining such relief.

## **27.5 Costs of Enforcement and Collection**

Franchisee shall pay all costs and expenses, including attorneys' fees and costs, incurred by Franchisor, its affiliates, and its successors and assigns in connection with (a) any defaults of Franchisee, or any violation of any term or condition, under this Agreement, including Franchisor's notification of Franchisee of such defaults; (b) Franchisor's enforcing, or Franchisor's seeking to enforce through any notice hereunder, any of Franchisor's rights under this Agreement; (c) effecting termination of this Agreement; and (d) collecting any amounts due under this Agreement, including but not limited to, withholding any monies owed to Franchisor in the absence of a court order permitting the withholding of such monies. These costs shall include, but not be limited to, court costs and fees, accounting costs and fees, expert witness costs and fees, reasonable attorneys' fees, the reasonable value of Franchisor's employees' time, witness fees and travel expenses incurred by Franchisor. The recovery of the costs and fees specified above shall include the recovery of all costs and fees incurred by Franchisor relating to or arising from any and all defenses, counterclaims and/or cross-claims asserted by Franchisee or the Guarantors. This obligation will give rise to and remain a lien in favor of Franchisor against any and all of the personal property, goodwill, cash, furnishings, equipment, signs, fixtures and inventory owned by Franchisee and located on and around the Franchise Location operated pursuant to this Agreement until Franchisee is in full compliance with this Agreement and any amounts owed are paid in full.

All costs to be collected by Franchisor pursuant to this provision shall be collected via electronic bank transfer as specified in Section 7.6 of this Agreement.

#### **27.6 WAIVER OF PUNITIVE DAMAGES**

NO COURT WILL HAVE AUTHORITY TO AWARD PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES, WHICH RIGHTS THE PARTIES AGREE HAVE BEEN FREELY AND VOLUNTARILY WAIVED HEREBY.

#### **27.7 WAIVER OF RIGHT TO JURY TRIAL**

THE PARTIES HEREBY WAIVE ANY RIGHT THEY MIGHT HAVE TO A TRIAL BY JURY. FURTHER, FRANCHISEE MAY ONLY SEEK DAMAGES AND ANY OTHER REMEDIES, IN LAW OR EQUITY, AGAINST FRANCHISOR'S BUSINESS ENTITY; FRANCHISOR'S AFFILIATES, MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS SHALL NOT BE LIABLE FOR ANY DAMAGES OR OTHER REMEDIES, AND FRANCHISEE AGREES THAT THEY SHALL NOT BE NAMED AS PARTIES IN ANY LITIGATION INVOLVING OR ARISING FROM THIS AGREEMENT.

#### **27.8 LIMITATION OF CLAIMS**

27.8.1 ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR, OR FRANCHISEE'S OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY FRANCHISEE AGAINST FRANCHISOR, SHALL BE COMMENCED WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE BARRED.

27.8.2 IN THE EVENT FRANCHISEE FILES A COMPLAINT OR LAWSUIT, ALLEGES A CAUSE OF ACTION AND/OR MAKES A CLAIM OF ANY KIND AGAINST FRANCHISOR OR ONE OR MORE OF ITS OFFICER, DIRECTORS, EMPLOYEES OR AFFILIATES (THE "**KIDDIE ACADEMY PARTIES**") IN A COURT OR TRIBUNAL OR BEFORE AN ADMINISTRATIVE AGENCY, REGARDING, ARISING FROM OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S ACTIONS THEREUNDER PRIOR TO THE DATE THAT THE ACADEMY OPENS, IRRESPECTIVE OF THE OUTCOME OF THE COMPLAINT OR LAWSUIT, THE LIABILITY OF THE KIDDIE ACADEMY PARTIES AND EACH OF THEM TO FRANCHISEE SHALL BE LIMITED TO A REFUND OF THE ACTUAL FUNDS PAID TO FRANCHISOR BY FRANCHISEE PURSUANT TO THIS AGREEMENT AND THE KIDDIE ACADEMY PARTIES AND EACH OF THEM SHALL HAVE NO OTHER LIABILITY WHATSOEVER TO FRANCHISEE REGARDLESS OF FRANCHISEE'S ALLEGATIONS. A COURT MAY AWARD INJUNCTIVE RELIEF, BUT FRANCHISEE HEREBY WAIVES FRANCHISEE'S RIGHT TO COLLECT AND WILL HAVE NO AUTHORITY TO COLLECT PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES.

## **27.9 NO CLASS ACTIONS**

NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND MAY NOT BE BROUGHT AS A CLASS OR GROUP ACTION.

## **27.10 NO LIMITATION ON MARYLAND FRANCHISE LAW**

NO LIMITATION OR WAIVER SET FORTH IN THIS SECTION 27 SHALL CONSTITUTE A WAIVER OR RELEASE BY FRANCHISEE OF ANY RIGHT, CLAIM OR CAUSE OF ACTION ARISING UNDER THE MARYLAND FRANCHISE LAW.

## **27.11 NO DISCLAIMER OF RELIANCE**

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

## **28. ACKNOWLEDGMENTS**

### **28.1 Independent Investigation**

Franchisee has conducted an independent investigation of the Franchised Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received, any warranty or guarantee, express or implied as to the potential volume, profits, earnings or success of the business venture contemplated by this Agreement.

## **28.2 Real Estate Acceptance**

28.2.1 Franchisee hereby acknowledges and agrees that Franchisor's acceptance of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's acceptance of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's acceptance of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site accepted by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

28.2.2 Franchisee hereby acknowledges and agrees that Franchisor's review and/or acceptance of a lease or purchase agreement for a Prospective Site is solely for the determination by Franchisor of whether such lease or purchase agreement contains the required provisions to protect Franchisor's interests. Franchisee further acknowledges and agrees that Franchisor's review and/or acceptance of a lease or purchase agreement does not constitute an assurance, representation, legal advice, or warranty of any kind, express or implied, as to such document and/or the contents therein. Franchisee hereby further acknowledges and agrees that it will retain independent legal counsel to review any lease or purchase agreement as well as any proposed changes or modifications negotiated by Franchisor.

## **28.3 Receipt of Disclosure**

Franchisee acknowledges that it received Franchisor's current Franchise Disclosure Document at least 14 calendar days prior to the date on which this Agreement was executed or Franchisee paid any money to Franchisor. In the event that the Franchisor made any material and unilateral changes to this Agreement, any attachments hereto, or any other related agreements attached to the Franchise Disclosure Document, Franchisee further acknowledges that it received a complete copy of this Agreement, the attachments hereto, and all related agreements attached to the Franchise Disclosure Document, and that Franchisee waited at least seven calendar days prior to executing them.

## **28.4 Anti-Terrorism**

Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "**Order**"), Franchisor is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. "Specially Designated National" or "Blocked Person" shall mean (1) those persons designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a person engaged in, or

aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the Internet website address, [www.treasury.gov](http://www.treasury.gov). Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is a Specially Designated National or Blocked Person, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Franchisee agrees that Franchisee shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this Section 28.4 incorrect.

### **28.5 Opportunity to Consult**

Franchisee has read and understands each and every provision, obligation and covenant of this Agreement, the attachments hereto, and any agreements relating hereto. Franchisee hereby agrees that this Agreement contains all of the pages, in the proper order, included in Franchisor's standard Franchise Agreement. Further, Franchisee acknowledges that Franchisor has accorded Franchisee ample time and opportunity to consult with professional advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties to this Agreement have duly executed and delivered this Agreement on the dates set forth below, which shall be effective.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**

**Exhibit A to Franchise Agreement –  
Franchise Location; Exclusive Territory; Opening Date**

1. The location of the Franchised Business (the “**Franchise Location**”) is:

[Insert Address]

2. The **Exclusive Territory** is defined as the following geographic area:

A circle having a radius of \_\_\_\_\_ mile(s) with the Franchise Location at the circle’s center, as set forth in the map depicted below.

[Insert Map]

*\*\*In the event of a discrepancy between the written description of the Exclusive Territory and the map depicting the Exclusive Territory, the written description of the Exclusive Territory shall be controlling.*

3. The **Opening Date** of the Franchised Business (which shall be added by Franchisor after the Franchised Business opens) is \_\_\_\_\_.
4. The “**Expiration Date**” of the Franchise Agreement (which shall be added by Franchisor after the Franchised Business opens in accordance with Section 2 of the Franchise Agreement) is \_\_\_\_\_.
5. At all times during the Term, the Franchised Business shall be known as the “Kiddie Academy® of \_\_\_\_\_.”

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties have duly executed this Exhibit A on dates indicated below with intention that it be effective on the date executed by the Franchisor. (The “**Exhibit A Date**”).

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**

**Exhibit A-1 to Franchise Agreement**  
**(Transfer/Renewal)**

1. The location of the Franchised Business (the “**Franchise Location**”) is:

[Insert Address]

2. The Exclusive Territory is defined as the following geographic area:

A circle having a radius of \_\_\_\_\_ mile(s) with the Franchise Location at the circle’s center, as set forth in the map depicted below.

[Insert Map]

*\*\*In the event of a discrepancy between the written description of the Exclusive Territory and the map depicting the Exclusive Territory, the written description of the Exclusive Territory shall be controlling.*

3. Check one:

The Franchised Business is an existing Academy being purchased from an existing Franchisee. The date of the Transfer is \_\_\_\_\_, (the “**Transfer Date**”).

The Franchised Business is an existing Academy, and the Franchisee has elected to continue operating the Franchised Business pursuant to a Successor Agreement. The Successor Agreement is effective (or shall become effective) on \_\_\_\_\_, (the “**Renewal Date**”).

4. The “**Expiration Date**” of the Franchise Agreement (which shall be added by Franchisor after the Transfer Date in accordance with Section 2 of the Franchise Agreement) is \_\_\_\_\_.

5. At all times during the Term, the Franchised Business shall be known as the “Kiddie Academy® of \_\_\_\_\_.”

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties have duly executed this Exhibit A-1 on dates indicated below with intention that it be effective on \_\_\_\_\_, (The “**Exhibit A Date**”).

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

## KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC

### Exhibit B to Franchise Agreement – Personal Guaranty

In consideration of, and as an inducement to, the execution and delivery by Kiddie Academy Domestic Franchising, LLC (“**Franchisor**”) of the Franchise Agreement dated \_\_\_\_\_, the undersigned (each a “**Guarantor**” and collectively, the “**Guarantors**”) have executed this Personal Guaranty (the “**Guaranty**”) and hereby personally and unconditionally, jointly and severally, (1) guarantee to Franchisor and its successors and assigns, for the term of the franchise and thereafter as provided in the Franchise Agreement, that Franchisee shall punctually pay all monies payable to Franchisor and its affiliates under the Franchise Agreement and any other agreement between Franchisee and its affiliates and Franchisor or any of its affiliates and perform each and every obligation, undertaking, agreement and covenant set forth in the Franchise Agreement, of which this Guaranty forms a material part, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, provision, agreement and covenant contained in the Franchise Agreement, as if Guarantor(s) was/were the original Franchisee thereunder, including, but not limited to, Section 11 (Confidential Information) and Section 18 (Covenants) of the Franchise Agreement.

Each of the Guarantors waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed hereby; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed hereby; (4) any right to require that an action be brought against the Franchisee, another Guarantor or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution or an performance under this Guaranty by the undersigned; (6) any setoff, defense or counterclaim of Franchisee and (7) any and all other notice and legal or equitable defenses to which Guarantor may be entitled. On the occurrence of Franchisee's default in the performance of its obligations under the Franchise Agreement or any other agreement between Franchisee and Franchisor, and so long as the default continues, Franchisor may, in its sole discretion, proceed directly against Guarantor (or any one of them if more than one) to collect and recover the amount of Franchisee's indebtedness or to enforce any other obligations owed to Franchisor, without first proceeding against any other Guarantor. Franchisor will have the exclusive right to determine the application of payments and credits, if any, from the Guarantor(s) on account of any indebtedness. No payment by a Guarantor will entitle the Guarantor, by subrogation or otherwise, to any rights against Franchisee or any other Guarantor prior to payment or performance in full of all obligations owing to Franchisor under this Guaranty.

Without affecting the obligations of any Guarantor under this guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of the Franchisee, or settle, adjust, or compromise any claims against the Franchisee. The Guarantor(s) waive(s) notice of amendment of the Franchise Agreement and notice of demand for payment by the Franchisee, and agree to be bound by any and all such amendments and changes to the

Franchise Agreement. Guarantor(s) expressly agree(s) that if Franchisee's obligation to pay any other sums to Franchisor ceases to exist by operation of law, or if Franchisee is not liable because the act of creating the obligation is ultra vires, or the officers creating the obligation acted without authority, that fact will in no manner affect the liability under this Guaranty, and Guarantor(s) will be liable under this Guaranty to the same extent as Guarantor(s) would have been if the obligation had been fully enforceable against Franchisee.

Each of the undersigned consents and agrees that: (1) any direct and immediate liability hereunder shall be joint and several not only as to the Franchisee, but also between and among the undersigned; (2) Guarantor(s) shall render any payment or performance required under this Agreement upon demand if Franchisee fails or refuses under any and all circumstances to do so; (3) the cessation from any cause whatsoever of liability of the Franchisee, including, without limitation, any failure, negligence or omission by Franchisor in enforcing its claims against the Franchisee shall not be a defense to Franchisor's enforcement of this Guaranty; and (4) the written acknowledgement of Franchisee, accepted in writing by Franchisor, or the final judgment of any court of competent jurisdiction establishing the amount due from Franchisee shall be conclusive and binding on the undersigned as guarantors.

If Franchisor asserts a claim for amounts owed by Franchisee to Franchisor hereunder, or if Franchisor enforces this guaranty, Franchisor shall be entitled to reimbursement of its costs and expenses, including, without limitation, reasonable accountants, attorneys, arbitrators and expert witness fees, costs of investigation and proof of facts, court costs, all other litigation expenses (including all costs related to and/or arising from asserting defenses to cross claims and/or counter-claims asserted by Franchisee), and travel and living expenses arising from or related to such investigation, proof of facts and/or litigation, whether incurred prior to, in preparation for, during or in contemplation of the filing and pursuit of such proceeding. If Franchisor engages outside legal counsel as a result of one or more of the undersigned failing to comply with this guaranty, all of the undersigned shall be liable, jointly and severally, for the reimbursement to Franchisor for all of the costs, expenses and fees incurred by Franchisor related to and/or arising from such engagement.

This is a continuing Guaranty. Guarantor's liability under this Guaranty will not be impaired by Franchisor's actions from time to time, without notice or demand.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, each of the undersigned has affixed his/her signature on and delivered this Agreement on the day and year written below. This Guaranty shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**GUARANTOR(S):**

---

[NAME]  
[ADDRESS]  
Date: \_\_\_\_\_

## KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC

### Exhibit C to Franchise Agreement - Confidentiality and Non-Competition Agreement

In consideration of, and as an inducement to, the execution and delivery by Kiddie Academy Domestic Franchising, LLC (“**Franchisor**”) of the Franchise Agreement dated \_\_\_\_\_ with the Franchisee, and One Dollar, and other valuable consideration, the receipt and adequacy of which is acknowledged, I hereby acknowledge and agree that:

1. Franchisor has expended time, skill, effort and money in developing and owns a specialized system and associated trademarks for the development and operation of educational child care centers that offer academic and social enrichment, as well as educationally-based child care services for children six weeks to 12 years old (the “**Kiddie Academy System**”)

2. I acknowledge that I will receive valuable confidential information which is beyond the present skills and experience possessed by me, disclosure of which would be detrimental to the Franchisor and the Franchisee, such as the Kiddie Academy Manuals, knowledge of specifications for and suppliers of certain goods, services, equipment, materials and supplies, pricing, accounting methods, including both paper and electronic spreadsheets, knowledge of the operating results and financial performance of other Kiddie Academy businesses, customer lists, customer accounts, and customer information, whether developed by Franchisor or Franchisee independently or with Franchisor’s assistance, management tools, advertising which may be communicated to Franchisee, and other information, knowledge, know-how, training and techniques which Franchisor designates as confidential or which is otherwise legally protectable (“**Confidential Information**”). This list of confidential matters is illustrative only, and does not include all matters considered confidential by the Franchisor and the Franchisee.

3. I agree to hold in strict confidence all Confidential Information. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of the Franchisee, or as otherwise provided by law. My undertaking not to disclose Confidential Information is a condition of my position with the Franchisee, and continues even after I cease to be in that position.

4. While I am affiliated in any way with the Franchisee, and for two years thereafter, I will not do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Kiddie Academy System, such as:

(a) Divert or attempt to divert any business or client of the Franchisee’s Kiddie Academy business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Kiddie Academy System;

or

(b) Own, maintain, operate, engage in, be employed by, provide consulting services to, have any interest in or assist (including, without limitation, as the landlord which leases premises to) any person or legal entity in any business other than a Kiddie Academy business which provides, intends to provide, or will provide in the future, in any respect, educational and/or daytime child care services to children ages six weeks through 12 years or services similar in scope to the services offered by the Franchisee's Kiddie Academy business and which is, or is intended to be, located or operated within the United States of America or Canada (the "**Restricted Area**"). Notwithstanding the foregoing, upon expiration, termination, or transfer of the Franchise Agreement, which terms I acknowledge have been described to me, the Restricted Area shall be reduced to include (i) any location inside or within 20 miles of Franchisee's Exclusive Territory or within the Designated Search Area in the Franchise Agreement, which I acknowledge has been described to me, (ii) any location within 20 miles of any other Kiddie Academy location, and (iii) the primary market area served by any business operated by the Franchisor, one or more of its affiliates, or any entity that owns, controls or operates a Kiddie Academy business operating under the Kiddie Academy System.

5. The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisor and/or the Franchisee may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay the Franchisor and the Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisor and the Franchisee, any claim I have against the Franchisor or the Franchisee is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to me.

6. The Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

7. This Agreement shall be construed under the laws of the State of Maryland. The only way this Agreement can be changed is in a writing signed by both the Franchisee and me.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Agreement on the day and year written below.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**INDIVIDUALS**

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**

**Exhibit D to Franchise Agreement -  
Disclosure of Principals**

1. Date: \_\_\_\_\_

2. Franchisee Principals. The undersigned Franchisee agrees and acknowledges that the following is a complete list of all of the shareholders, partners, or members (each a “Principal”) of the Franchisee and the percentage interest held by each Principal:

NAME	POSITION/TITLE	INTEREST %
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

3. Change in Principals. Franchisee acknowledges and agrees that any proposed change in the Principals listed in Section 2, above, shall require Franchisor’s prior written consent.

4. Designated Representative The individual named below (the “**Franchisee Representative**”) has full legal authority to bind the Franchisee in all matters related to the Franchised Business and to represent the Franchisee in all business related to the Franchise Agreement. The Franchisee Representative shall be entitled to receive all information related to the Franchised Business and to respond to the Franchisor on its behalf. Franchisee acknowledges that Franchisor shall rely on these representations for all purposes related to the Franchise Agreement. The Franchisee Representative shall retain all aforementioned powers and authority unless Franchisee designates a successor Franchisee Representative by written notice to Franchisor.

Franchisee Representative:

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

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

[5. *Franchisee, the Designated Representative (if applicable), or one or more Principals or Guarantors shall maintain full time residence at a location that is within a \_\_\_\_-mile radius or a 60-minute drive time (at 8:00 a.m. Monday - Friday) of the Franchised Business. Such full-time residence must be established no later than the scheduled date for commencement of construction of the Academy.*]

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Disclosure of Principals on the day and year written below.

**FRANCHISEE:**  
[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**

**Exhibit E to Franchise Agreement -  
Site Selection Addendum**

THIS ADDENDUM (the “**Site Selection Addendum**”) is attached to and made a material part of the Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) entered into by and between **Kiddie Academy Domestic Franchising, LLC**, a Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (the “**Franchisor**”), and \_\_\_\_\_, a[n] [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_,] [with offices at \_\_\_\_\_][with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”).

**1. LOCATING A SITE FOR THE BUSINESS**

1.1. Franchisee may search for a location that the Franchisee intends to use for the Franchised Business (the “**Prospective Site**”) within one or more zip codes. The following is the designated and agreed upon geographical area(s) in which you will search for a prospective site (the “**Designated Search Area**”):

**Zip Code(s):** [INSERT DESIGNATED SEARCH AREA DESCRIPTION]

1.2. Franchisee may search for a Prospective Site within the Designated Search Area for the period of time (the “**Site Selection Period**”) commencing on the Effective Date and ending on the earlier of 12 months from the Effective Date or the date on which all of the following have occurred: (i) Franchisee executes a lease or purchase agreement for a Prospective Site that has been accepted by Franchisor; (ii) Franchisee has paid the Second Installment of the Initial Fee; and (iii) Franchisee and Franchisor have executed Exhibit A to the Franchise Agreement. In the event that Franchisee does not execute a lease or purchase agreement for a Prospective Site within the Site Selection Period, including any extensions thereof, the Franchise Agreement shall automatically expire without the need for any further action by Franchisor and be of no further effect.

1.3. Prior the expiration of the Site Selection Period, Franchisee may request in writing that the Site Selection Period be extended for an additional period of six months. Franchisor will not unreasonably withhold consent for the first requested extension, provided that Franchisee is diligently pursuing a Prospective Site for the Business and is communicating with Franchisor on a regular basis about those efforts. Additional extensions may be permitted by Franchisor at its sole discretion.

1.4. Franchisor may suspend the Site Selection Period if, in Franchisor’s sole discretion, Franchisee is unable to diligently search for a Prospective Site. In such event Franchisee shall be permitted to cease all site selection activities, and such cessation shall not be deemed to be an event of default under this Addendum or the Franchise Agreement. Franchisor shall determine, in its

sole discretion, when Franchisee is required to resume site selection activities and shall inform Franchisee in writing of its determination. Upon receipt of such written notice by Franchisee, the Site Selection Period shall resume and be extended by an amount of time equal to the duration of the Site Selection Period suspension.

1.5. Franchisee shall select a Prospective Site that is acceptable to Franchisor for the development and operation of the Business within the Designated Search Area. The Designated Search Area will not necessarily be exclusive to Franchisee. Franchisee is solely responsible for identifying and procuring a Prospective Site. The Prospective Site must be accepted by Franchisor in writing pursuant to the terms described in Section 4 below, prior to Franchisee entering into a lease for the Prospective Site, or Franchisee or a related party entering into a purchase agreement for the Prospective Site. Notwithstanding anything to the contrary contained herein or otherwise, Franchisor's acceptance of the Prospective Site shall be at its sole discretion.

**2. SITE LOCATION ASSISTANCE BY FRANCHISOR.** Franchisor will provide the following assistance in Franchisee's efforts to identify a Prospective Site for the Business as follows:

2.1. Franchisor will review sites proposed by the Franchisee for the Business in accordance with Franchisor's current screening criteria and relevant demographic and other information;

2.2. Franchisor may refer Franchisee to one or more real estate brokers/agents to assist Franchisee in Franchisee's search for a site, though Franchisee is under no obligation to utilize that or any other real estate broker/agent;

2.3. Franchisor will consult with Franchisee, and at the request of the Franchisee, may consult with lenders, real estate brokers/agents, landlords and/or developers, in connection with the Franchisee's efforts to identify, analyze, and procure a Prospective Site;

2.4. Franchisor will review, at Franchisor's discretion, sites that appear to meet Franchisor's general requirements after Franchisor's initial screening of such sites have been completed;

2.5. Franchisor will assist Franchisee in its efforts to obtain a lease or purchase agreement for a Prospective Site that is accepted both by Franchisee and Franchisor, and will review such agreements prior to Franchisee's execution to determine if they include provisions required by Franchisor; and

2.6. Franchisor will, upon Franchisee's request, provide names of potential lenders to Franchisee to obtain third-party financing for the Business and may provide limited assistance and guidance to Franchisee in the application process. The provisions of this Section notwithstanding, Franchisee acknowledges and agrees that it is Franchisee's sole responsibility under the Franchise Agreement to locate a Prospective Site and obtain the requisite financing for the Business hereunder, and notwithstanding any guidance or assistance from Franchisor in connection therewith, all decisions related thereto are those of the Franchisee alone.

**3. SITE DEVELOPMENT MANUAL**

Franchisor will provide Franchisee with a Site Development Manual containing site selection information, which may include, among other items, Franchisor's current site selection criteria; strategies and guidelines; letter of intent templates for a lease and purchase agreement; sample site analysis reports; and outdoor play area information. All of the materials described herein are proprietary to Franchisor and Franchisor reserves the right to modify or remove such documents from the Site Development Manual.

#### **4. ACCEPTANCE OF PROSPECTIVE SITE BY FRANCHISOR**

4.1. Prior to Franchisor's review and acceptance of a Prospective Site, Franchisee must submit to Franchisor, the following:

4.1.1. A written proposal consisting of a description of the Prospective Site;

4.1.2. A non-binding letter of intent that sets forth all pertinent business and legal terms for a lease or purchase agreement to be entered into by the Franchisee for a Prospective Site;

4.1.3. A draft lease containing Franchisor's required clauses as specified in Section 4.1.3 of the Franchise Agreement;

4.1.4. Updated financial information on Franchisee and, if Franchisee is an entity, all individuals with an ownership interest in Franchisee, as requested by Franchisor; and

4.1.5. Proof that Franchisee (or one or more Principals) has established a principal residence at a location that is within a 60-minute drive time of the Prospective Site or will establish such principal residence prior to commencement of construction.

4.2. Franchisee shall only propose to Franchisor Prospective Sites that Franchisee reasonably believes conform to Franchisor's site selection criteria. Franchisor will notify Franchisee of its acceptance or non-acceptance of a Prospective Site proposed by Franchisee within 30 days after receiving from Franchisee all items set forth in 4.1 hereof. Franchisee must receive Franchisor's prior acceptance of a Prospective Site before entering into a lease or purchase agreement for such Prospective Site. Franchisor's acceptance of a Prospective Site will be made on the basis that the Prospective Site meets the standards and criteria established by Franchisor, which Franchisor may modify as it deems appropriate and in its sole discretion. Franchisor, in its sole discretion, may decide to accept or reject Franchisee's request to develop a Prospective Site, regardless of where the Prospective Site is located in relation to the exclusive territory of another franchisee, as long as the Prospective Site is outside of the other franchisee's exclusive territory. Such acceptance or rejection will not expand or otherwise modify the other franchisee's Exclusive Territory. In the event that the Franchisee fails to execute a lease or purchase agreement within a reasonable amount of time after receiving acceptance from Franchisor of a Prospective Site, Franchisee acknowledges and agrees that Franchisor shall have the right to refer the Prospective Site to another Franchisee of Franchisor's or otherwise develop such site as a company owned business.

4.3. Franchisor may withdraw its acceptance of a Proposed Site Franchisor at any time prior to issuance of a building permit and all other approvals required to commence remodeling or construction of the Proposed Site if Franchisor discovers or learns of material information which, in its good faith judgement, would indicate that the operation of a Franchised Business at the Prospective site would be detrimental to or inconsistent with the goodwill or reputation associated with the Marks or the Kiddie Academy System.

4.4. Franchisor's acceptance of a lease for a Prospective Site will be conditioned upon the Franchisee's and landlord's execution of the then-current form of Kiddie Academy Lease Rider, or inclusion of terms in the lease as set forth in Section 4.1.3 of the Franchise Agreement.

4.5. If Franchisee proposes to lease a Prospective Site from any owner, member, manager, partner, director, officer or other principal of Franchisee, or from any person or entity related to or affiliated with Franchisee, or one or more of Franchisee's owners, partners, directors, officers or other principals (the "**Related Party**"), Franchisor may require the Related Party to sign the Franchise Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of the Franchise Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement with the Related Party that is acceptable to Franchisor and deliver a copy to Franchisor.

4.6. Franchisee hereby acknowledges that the lease or purchase agreement for any Prospective Site accepted by Franchisor is likely to be subject to contingencies such as zoning and/or community approvals, financing and/or a building permit. The obligation to satisfy such contingencies is solely the responsibility of Franchisee, landlord, and/or seller, and Franchisor is not responsible or liable for any failure to satisfy any or all of such contingencies.

## **5. GENERAL**

5.1. All terms not defined herein shall have the meaning set forth in the Franchise Agreement.

5.2. This Site Selection Addendum may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of Site Selection Addendum may be executed and delivered by facsimile or other electronic signature by any of the parties to any other party and the receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

5.3. Except as set forth in this Addendum, all other terms of the Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Site Selection Addendum on the day and year written below.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT C**

**ADDENDUM TO FRANCHISE AGREEMENT (MULTI-UNIT)**

## ADDENDUM TO FRANCHISE AGREEMENT

### (Multi-Unit)

THIS ADDENDUM to FRANCHISE AGREEMENT (Multi-Unit) (the “**Addendum**”) is attached to, and made a material part of the Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) entered into by and between **Kiddie Academy Domestic Franchising, LLC**, Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (“**Franchisor**”), and \_\_\_\_\_, a[n] [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_,] [with offices at \_\_\_\_\_] [with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”).

A. Initial Fee Reduction. Section 7.1 of the Franchise Agreement is hereby deleted and replaced with the following [*select one*]:

*[Franchisee will pay us a fee of \$80,000 (the “**Initial Fee**”), which is payable in installments. The amount of \$15,000 is due when Franchisee signs the Franchise Agreement (the “**First Installment**”). The amount of \$20,000 is due when a Prospective Site has been accepted by the Franchisor and Franchisee signs a lease or purchase agreement for the Franchised Business (the “**Second Installment**”). The amount of \$20,000 is due when the building permit or other certificate or permit authorizing construction of the Franchised Business is issued, the actual commencement of construction, or when Franchisee’s loan has been funded, whichever occurs first (if the loan is permitted to be used for this purpose) (the “**Third Installment**”). The amount of \$25,000 is due when Franchisee’s loan has been funded (if the loan is permitted to be used for this purpose) or when Franchisee receives documentation permitting occupancy of the Franchise Location, whichever occurs first (the “**Fourth Installment**”).]*

*[Franchisee will pay us a fee of \$65,000 (the “**Initial Fee**”), which is payable in installments. The amount of \$15,000 is due when Franchisee signs the Franchise Agreement (the “**First Installment**”). The amount of \$15,000 is due when a Prospective Site has been accepted by the Franchisor and Franchisee signs a lease or purchase agreement for the Franchised Business (the “**Second Installment**”). The amount of \$15,000 is due when the building permit or other certificate or permit authorizing construction of the Franchised Business is issued, the actual commencement of construction, or when Franchisee’s loan has been funded (if the loan is permitted to be used for this purpose), whichever occurs first (the “**Third Installment**”). The amount of \$20,000 is due when Franchisee’s loan has been funded (if the loan is permitted to be used for this purpose) or when Franchisee receives documentation permitting occupancy of the Franchise Location, whichever occurs first (the “**Fourth Installment**”).]*

B. Franchisee acknowledges and agrees that: 1) Franchisee has entered into a franchise agreement, or is concurrently entering into an additional franchise agreement with Franchisor for an Academy that has not yet been developed (the “**New Academy**”); and 2) it is the intention of

the parties that the reduced Initial Fee, as described in Paragraph A above, shall not apply to the franchise agreement for New Academy (the “**New Franchise Agreement**”). Therefore, if Franchisor approves the Prospective Site and Franchisee executes a lease or purchase agreement for the Academy prior to doing so for the New Academy, this Addendum shall become null and void and the Initial Fee shall be the amount set forth in the Franchise Agreement or any applicable Vet Fran Addendum or First In Market Addendum.

*[Use the following Section C if Franchisee or an affiliate is a party to an existing Kiddie Academy Franchise Agreement for which the Franchise Location is not yet operational.]*

C. [Intentionally Omitted] or [Section 1.2 of Exhibit E to Franchise Agreement - Site Selection Addendum is hereby deleted and replaced with the following:

Franchisee may search for a Prospective Site within the Designated Search Area for the period of time (the “**Site Selection Period**”) commencing on the Effective Date and ending on the earlier of 24 months from the Effective Date or the date on which all of the following have occurred: (i) Franchisee executes a lease or purchase agreement for a Prospective Site that has been accepted by Franchisor; (ii) Franchisee has paid the Second Installment of the Initial Fee; and (iii) Franchisee and Franchisor have executed Exhibit A to the Franchise Agreement. In the event that Franchisee does not execute a lease or purchase agreement for a Prospective Site within the Site Selection Period, including any extensions thereof, the Franchise Agreement shall automatically expire without the need for any further action by Franchisor and be of no further effect.]

D. In the event that the New Franchise Agreement expires or is terminated by the franchisee party prior to the expiration of the Site Selection Period (as defined in the New Franchise Agreement) and prior to the Franchisee’s execution of a lease and/or a purchase agreement for a Prospective Site (as defined in the First Franchise Agreement), the Franchise Agreement shall thereupon concurrently terminate in its entirety immediately upon notice from Franchisor.

E. Except as set forth in this Addendum, all other terms of the Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Addendum on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT D**

**ADDENDUM TO FIRST FRANCHISE AGREEMENT (ROYALTY REDUCTION)**

## ADDENDUM TO FIRST FRANCHISE AGREEMENT

### (Royalty Reduction)

THIS ADDENDUM to FIRST FRANCHISE AGREEMENT (Royalty Reduction) (the “**Addendum**”) is attached to, and made a material part of the Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) entered into by and between **Kiddie Academy Domestic Franchising, LLC**, Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (“**Franchisor**”), and \_\_\_\_\_, a[n] [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_, [with offices at \_\_\_\_\_][with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”).

**WHEREAS**, Franchisor currently offers a temporary reduced royalty rate (the “**Royalty Reduction**”) to any new Kiddie Academy franchisees that execute a franchise agreement on such franchisee’s scheduled “Orientation Day”; and

**WHEREAS**, Franchisee has qualified for and desires to receive the Royalty Reduction.

**NOW THEREFORE**, in consideration of the mutual benefits contained herein, Franchisor and Franchisee agree as follows:

A. The Franchise Agreement is hereby modified as follows:

1. Section 7.4 of the Franchise Agreement is hereby deleted in its entirety, and the following new Section 7.4 is inserted in its place:

*During the Term, except as otherwise set forth herein, Franchisee will pay to Franchisor each week a royalty fee equal to 7% of Gross Revenues (as defined in Section 7.5 of this Agreement) (“Royalties”), generated by the Franchised Business during the preceding week. Franchisee shall pay all royalty fees in accordance with Section 7.6 of this Agreement. Notwithstanding the above, during the first six months of the Term, Franchisee will pay to Franchisor each week a royalty fee equal to 3.5% of Gross Revenues generated by the Franchised Business during the preceding week in accordance with Section 7.6 of this Agreement.*

B. Except as set forth in this Addendum, all other terms of the first Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties to this Agreement have duly executed and delivered this Agreement on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT E**

**ADDENDUM TO FRANCHISE AGREEMENT (VET\*FRAN PROGRAM)**

**ADDENDUM TO FRANCHISE AGREEMENT**

**(Vet\*Fran Program)**

THIS ADDENDUM to FRANCHISE AGREEMENT (Vet\*Fran Program) (the “Addendum”) is attached to, and made a material part of the Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) entered into by and between **Kiddie Academy Domestic Franchising, LLC**, Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (“**Franchisor**”), and \_\_\_\_\_, a[n] \_\_\_\_\_ [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_,] [with offices at \_\_\_\_\_][with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”).

A. In recognition of the “**Reduced Initial Fee Program for Veterans**” contained in the Franchisor’s Franchise Disclosure Document and to acknowledge the status of \_\_\_\_\_ as a Veteran who has met all of the requirements of such program, the Franchise Agreement is hereby modified as follows:

1. Section 7.1 of the Franchise Agreement is hereby deleted in its entirety and the following new Section 7.1 is inserted in its place:

**7.1 Initial Fee**

*Franchisee will pay us an initial license fee of \$120,000 (the “**Initial Fee**”) which is payable in installments. The amount of \$25,000 is due when Franchisee signs this Agreement (the “**First Installment**”). The amount of \$50,000 is due when a Prospective Site has been accepted by the Franchisor and Franchisee signs a lease or purchase agreement for the Franchised Business (the “**Second Installment**”). The amount of \$20,000 is due when the building permit or other certificate or permit authorizing the construction of the Franchised Business is issued or the actual commencement of construction, whichever occurs first (the “**Third Installment**”). The amount of \$25,000 is due when Franchisee’s loan has been funded (if the loan is permitted to be used for this purpose) or when Franchisee receives documentation permitting occupancy of the Franchise Location, whichever occurs first (the “**Fourth Installment**”).*

B. Except as set forth in this Addendum, all other terms of the Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Addendum on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT F**

**ADDENDUM TO FRANCHISE AGREEMENT (RENEWAL)**

## ADDENDUM TO FRANCHISE AGREEMENT

### (Renewal)

THIS ADDENDUM to FRANCHISE AGREEMENT (Renewal) (the “**Renewal Addendum**”) is attached to and made a material part of the Successor Franchise Agreement (the “**Successor Agreement**”) to be entered into by and between **Kiddie Academy Domestic Franchising, LLC**, a Delaware limited liability company (“**Franchisor**”), and \_\_\_\_\_, a[n] [corporation] [limited liability company] [partnership] [other business entity] [formed pursuant to the laws of \_\_\_\_\_] [with offices at \_\_\_\_\_] [individual] [two individuals] [whose principal place of residence at \_\_\_\_\_] ( [collectively referred to as] the “**Franchisee**”), pertaining to the open and operational Kiddie Academy Educational Child Care Franchise located at \_\_\_\_\_ and doing business as Kiddie Academy® of \_\_\_\_\_ (the “**Franchised Business**”). This Addendum will become effective on the date when all parties have signed it.

A. The Successor Agreement is hereby modified as follows:

1. The sixth “Recital” appearing on page 1 of the Successor Agreement is hereby deleted in its entirety and the following clause is inserted in its place:

***WHEREAS**, Franchisee desires to continue the business of operating a Kiddie Academy Educational Child Care Franchise pursuant to Franchisor’s Kiddie Academy System and to maintain a franchise from Franchisor for that purpose, as well as to continue to receive the training and other assistance and to utilize the Kiddie Academy System provided by Franchisor in connection with the operations and maintenance of the Franchised Business;*

2. Section 1.1 is hereby deleted in its entirety.
3. Section 1.2 is hereby deleted in its entirety and the following new Section 1.2 is inserted in its place:

#### **1.2 Franchised Business**

*Franchisor grants to Franchisee, upon the terms and conditions contained in this Agreement, the right, license, and privilege, and Franchisee undertakes and accepts the obligation, to operate the Franchised Business at the location (the “Franchise Location”) set forth in Exhibit A-1, attached hereto and made a part hereof (“Exhibit A-1”). Franchisee shall use solely in connection with the Franchised Business the Marks and the Kiddie Academy System, as they may be periodically changed and further developed by Franchisor in its discretion.*

4. Section 2.1 is hereby deleted in its entirety and the following new Section 2.1 is inserted in its place:

## **2.1 Successor Agreement**

*Unless sooner terminated in accordance with the terms hereof, this Agreement will commence on the Renewal Date, as set forth in Exhibit A-1 and expire on [DATE] (the “Term”). In the event that the Franchise Location is ever owned by the Franchisee or an affiliate on or subsequent to the Effective Date, the Term will automatically be extended so that it shall expire on the date which is 25 years from the Renewal Date, and no further subsequent ownership changes of the Franchise Location shall affect the Term.*

5. Section 2.2 is hereby deleted in its entirety and the following new Section 2.2 is inserted in its place:

## **2.2 Term of Lease**

*Prior to or concurrent with the execution of this Agreement, Franchisee shall possess a leasehold interest in the Franchise Location, even if Franchisee owns the Franchise Location, and the lease term must be for the entirety of the term set forth in the Successor Agreement.*

6. Section 2.3 is hereby deleted in its entirety.
7. Section 4.1.2 is hereby deleted in its entirety.
8. Section 4.2 is hereby deleted in its entirety.
9. Section 4.9 is hereby deleted in its entirety.
10. Section 5.1 is hereby deleted in its entirety.
11. Section 5.2 is hereby deleted in its entirety.
12. Section 5.3 is hereby deleted in its entirety.
13. Section 5.4 is hereby deleted in its entirety.
14. Section 5.6 is hereby deleted in its entirety.
15. Section 5.7 is hereby deleted in its entirety.
16. Section 6.6 is hereby deleted in its entirety.
17. Section 6.7 is hereby deleted in its entirety.
18. Section 6.8 is hereby deleted in its entirety.
19. Section 6.9 is hereby deleted in its entirety.
20. Section 6.26 is deleted in its entirety and the new Section 6.26 is inserted in its place:

*Franchisee will begin the accreditation process through a National accreditation organization approved through the Kiddie Academy Education Department (“**National Accreditation**”) within 1 year of the Effective Date. The Franchised Business will achieve National Accreditation within 3 years of the Effective Date and will maintain National Accreditation through the Term.*

21. Section 7.1 is hereby \_\_\_\_\_.
22. Section 7.2 is hereby deleted in its entirety.
23. Section 7.3 is hereby deleted in its entirety.
24. Section 8.1 is deleted in its entirety.
25. Section 8.2 is deleted in its entirety and the new Section 8.2 is inserted in its place:

### **8.2 Director’s Training**

*Any subsequent Directors retained by the Franchisee shall attend the training program provided by the Franchisor (the “**Director Training Program**”) which will comprise approximately five business days of instruction in the day-to-day management and operation of a Kiddie Academy Franchise at the Franchisor’s corporate offices or at any other location Franchisor may specify. Subsequent Directors retained by the Franchisee shall attend and complete the Director Training Program within 3 months of the date on which a newly hired Director’s employment begins at the Franchised Business. Franchisor reserves the right to charge a fee for training subsequent Directors if more than one Director per year is enrolled in the Director Training Program outside of the Franchisor’s normal training schedule.*

26. The first sentence of Section 12.1 is hereby deleted in its entirety and replaced with the following sentence:

*Franchisee shall purchase and maintain a designated package of computer software and a prescribed package of accounting software to be used on a daily basis to maintain information regarding the operations, enrollment, and financial status of the Franchised Business and to report such information to Franchisor or its designee, as specified by Franchisor in the Kiddie Academy Manuals or otherwise (the “**Required Software**”).*

27. Section 13.1.1 is hereby deleted in its entirety.
28. The terms “**Start-Up Marketing and Advertising Investment Program**” are hereby deleted from Section 13.1.3.
29. All references herein to the term “Franchise Agreement” shall be deemed to refer to the “Successor Agreement”.
30. All references herein to the term “Opening Date” shall be deemed to refer to the “Renewal Date”.

- B. Except as set forth in this Addendum, all other terms of the Successor Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this Addendum and the Successor Franchise Agreement, the terms of this Addendum will prevail.
- C. The terms and conditions of this Renewal Addendum and any discussions related thereto, are confidential and shall not be disclosed to any third party, except as shall be necessary to effectuate its terms. Any disclosure in violation of this section shall be deemed a material breach of the Successor Agreement.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Renewal Addendum on the day and year written below. This Renewal Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT G**

**ADDENDUM TO FRANCHISE AGREEMENT**

**(FIRST IN MARKET PROGRAM)**

**ADDENDUM TO FRANCHISE AGREEMENT**

**(First In Market Program)**

THIS ADDENDUM to FRANCHISE AGREEMENT (First In Market Program) (the “**Addendum**”) is attached to, and made a material part of the Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) entered into by and **between Kiddie Academy Domestic Franchising, LLC**, Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201 (“**Franchisor**”), and \_\_\_\_\_, a[n] \_\_\_\_\_ [corporation][limited liability company][partnership][individual][individuals][formed under the laws of] \_\_\_\_\_,] [with offices at \_\_\_\_\_][with a principal place of residence at \_\_\_\_\_] ([collectively referred to as] the “**Franchisee**”).

A. In recognition of the “First in Market” Incentive Program, the Franchise Agreement is hereby modified as follows:

1. Section 7.1 of the Franchise Agreement is hereby deleted in its entirety and the following new Section 7.1 is inserted in its place:

**7.1 Initial Fee**

*Franchisee will pay us an initial license fee of \$120,000 (the “Initial Fee”) which is payable in installments. The amount of \$25,000 is due when Franchisee signs the Franchise Agreement (the “First Installment”). The amount of \$50,000 is due when a Prospective Site has been accepted by the Franchisor and Franchisee signs a lease or purchase agreement for the Franchised Business (the “Second Installment”). The amount of \$20,000 is due when the building permit or other certificate or permit authorizing the construction of the Franchised Business is issued or the actual commencement of construction, whichever occurs first (the “Third Installment”). The amount of \$25,000 is due when Franchisee’s loan has been funded (if the loan is permitted to be used for this purpose) or when Franchisee receives documentation permitting occupancy of the Franchise Location, whichever occurs first (the “Fourth Installment”).*

B. Except as set forth in this Addendum, all other terms of the Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Addendum on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT H**

**COLLATERAL ASSIGNMENT OF LEASE**

## COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, THE UNDERSIGNED, [ENTITY NAME] (“**Assignor**”), a [corporation or general partnership or limited partnership or limited liability company] duly formed under the laws of [STATE] assigns, transfers and sets over to the KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC (“**Assignee**”), a Delaware limited liability company with offices at 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201, or its designee, all of the Assignor’s right, title and interest as tenant in, to and under the lease, a copy of which is attached hereto (the “**Lease**”), for the premises known as [ADDRESS] (the “**Leased Premises**”).

1. This Assignment is for collateral purposes only and except as specified herein, the Assignee, or its designee, will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, or from or in connection with the Lease, unless (i) the Assignee, or its designee, takes possession of the Leased Premises, as defined in the Lease subject to the Lease pursuant to the terms of this Assignment, and (ii) the Assignee, or its designee, assumes the obligations of the Assignor under the Lease. The Assignor agrees to indemnify and hold harmless the Assignee from and against all claims and demands of any type, kind or nature made by any third party which arise out of or are in any manner connected with the Assignor’s use and occupancy of the Leased Premises subject to the Lease. The Assignor represents and warrants to the Assignee that it has full power and authority to assign the Lease and its interest in the Lease.

2. Assignee and Assignor have entered into a Franchise Agreement for a Kiddie Academy Educational Child Care Franchise located at the Leased Premises (the “**Franchise Agreement**”). If the Assignor defaults under the Lease, Franchise Agreement, or upon expiration of the Franchise Agreement fails or refuses for any reason to continue to operate as a franchisee of the Assignee, the Assignee, or its designee, will have the right and is empowered to take possession of the Leased Premises subject to the Lease, expel the Assignor from those premises, and in that event, the Assignor will have no further right, title or interest in the Lease (for those defaults of the Franchise Agreement for which Assignor has a 30 day opportunity to cure, Assignee may exercise the rights described above only if such default is not cured within the aforesaid 30-day cure period). In such event, Assignor hereby agrees to execute and deliver such additional agreements as may be reasonably requested by Assignee for the purpose of effecting the Assignee’s right to possession of the premises. Upon the Assignor’s failure to execute and deliver such additional agreements, the Assignor appoints the Assignee as its true and lawful attorney-in-fact to execute such documents in the name, place and stead of the Assignor. The Assignor will reimburse the Assignee or its designee for the costs and expenses incurred in connection with any such retaking, including but not limited to, the payment of any back rent and other payments due under the Lease (whether the payments are made by a separate agreement with the lessor or otherwise), attorneys’ fees and expenses of litigation incurred in enforcing this Collateral Assignment of Lease, costs incurred in reletting the Leased Premises, and costs incurred for putting the premises in good working order and repair.

3. The Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of the Assignee. Throughout the term of the Franchise Agreement and any renewals of the Franchise Agreement or, at Assignee's request, upon Assignor's failure or refusal to renew the Franchise Agreement, the Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than 60 days prior to the last day that the option must be exercised, unless the Assignee otherwise agrees in writing (the "**Option Election Period**"). If Assignor fails to elect and exercise any such option within the Option Election Period, Assignee may in its sole and absolute discretion, elect to receive an assignment of the Lease and assume Assignor's obligations thereunder upon expiration of the Lease term. In such event, Assignor appoints the Assignee as its true and lawful attorney-in-fact to execute, at Assignee's discretion, such documents in the name, place and stead of the Assignor as are necessary to effectuate the exercise of the option.

4. The undersigned Landlord is a party to the Lease identified in this Collateral Assignment of Lease and hereby agrees as follows:

(a) The Landlord consents to the foregoing Collateral Assignment of Lease.

(b) The Landlord shall notify the Assignee in writing at Kiddie Academy Corporate Offices, 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009 of any default by the Assignor under the Lease at the same time and in the same manner as such notice is presented to Assignor.

(c) Landlord agrees that the Assignee has the right, but not the obligation, within 15 days after the date upon which Tenant's ability to cure such default as set forth in this Lease has expired, to cure such default and to take possession of the Leased Premises and become the assignee of the Assignor under the Lease.

(d) The Landlord agrees that the Assignee has the right, but not the obligation, upon expiration of the Franchise Agreement, to take possession of the Leased Premises and become the assignee of the Assignor under the Lease. If the Lease term expires with no option to renew or extend, Assignee shall have a right of first refusal to enter into a new lease with Landlord for the Leased Premises.

(e) The Landlord agrees that if the Assignee takes possession of the Leased Premises and becomes the assignee of the Lease pursuant to paragraph 4 (c) or tenant pursuant to paragraph 4(d) above, the Assignee may seek another franchisee to own and operate the Kiddie Academy Educational Child Care Franchise in the Leased Premises and when a new franchisee is selected and approved by the Assignee, such new franchisee shall be presented to Landlord for approval or disapproval. In the event Landlord approves such new franchisee, Landlord agrees that the new franchisee will become the tenant under the existing Lease upon assignment from Assignee to the new franchisee, and that from the date the new franchisee becomes the tenant under the existing Lease, Assignee will have no further liability or obligation under said Lease but shall remain liable for the period during which Assignee was the tenant under the Lease.

(f) The Landlord agrees that if the Assignee does not select a new franchisee within one year from the date of assignment of the Lease under paragraph (e) above, the Assignee will have no further liability or obligation under the Lease as of the end of that one year period (the "Period"); however, Assignor shall continue to be liable under said lease. Within the Period, Assignee, at its sole option, may assume the Lease for its duration and, if exercised, may also assume any options to renew.

**ASSIGNOR:**  
[ENTITY NAME]

**LANDLORD:**  
[ENTITY NAME]

By: \_\_\_\_\_  
[NAME, TITLE] Date

By: \_\_\_\_\_  
[NAME, TITLE] Date

**ACKNOWLEDGED AND AGREED:**

**ASSIGNEE:**  
KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

\_\_\_\_\_  
Date

**EXHIBIT H (1)**

**LEASE OPTION AGREEMENT**

## LEASE OPTION AGREEMENT

This Lease Option Agreement (the “**Agreement**”) is made as of \_\_\_\_\_, by and between \_\_\_\_\_ a [Corporation/Limited Liability Company] formed pursuant to the laws of [STATE] (“**Franchisee**”) and Kiddie Academy Domestic Franchising, LLC, a limited liability company formed pursuant to the laws of Delaware (“**Franchisor**”).

### RECITALS

- A. Franchisee and Franchisor have entered into a franchise agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) governing the operation of a Kiddie Academy Education Child Care franchise located at \_\_\_\_\_ (the “**Franchised Business**”).
- B. Franchisee owns certain real property known as \_\_\_\_\_ (the “**Academy Premises**”) where the Franchise Business is located and as described on Exhibit A attached hereto and made a part hereof.
- C. Franchisee is, or may be, the owner of the Academy Premises and is therefore unable to comply, or potentially unable to comply, with its obligation to enter into a lease for the Academy Premises, as required under the Franchise Agreement.
- D. In order to induce the Franchisor to waiving this non-compliance with the Franchise Agreement, Franchisee has agreed to grant to Franchisor an option (the “**Option**”) to lease the Academy Premises in the event of termination or expiration of the Franchise Agreement.
- E. Any undefined capitalized terms used in this Lease Option Agreement shall have the same definitions as set forth in the Franchise Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth in the Franchise Agreement and the forgoing recitals, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

### AGREEMENT

1. **Option for Lease of Academy Premises.** Franchisee hereby grants to Franchisor an irrevocable Option to lease the Academy Premises from Franchisee. The Option shall become exercisable within 15 business days of the occurrence of any the following events:
  - (a) the Franchise Agreement terminates, or Franchisee ceases to operate the Academy Premises as a Kiddie Academy educational child care business or represents to the Franchisor that the Franchisee intends to terminate the Franchise Agreement or cease operating the Academy Premises as a Kiddie Academy educational child care business at any time prior to the Expiration Date; or

- (b) the Franchisee commits a non-curable default of the Franchise Agreement or commits a curable default of the Franchise Agreement but fails to cure such default and the Franchisor elects to terminate the Franchise Agreement; or
  - (c) Franchisee declines to renew the Franchise Agreement upon its expiration.
2. **Lease Terms.** In the event that Franchisor exercises the Option, the parties shall enter into a lease (the “**Lease**”) attached hereto and made a part hereof as Exhibit B.
- (a) The Lease shall include, but shall not be limited to, the following terms and conditions:
    - (1) The term of the Lease shall be for a period of 15 years;
    - (2) The premises shall exclusively be used for the operation of a Kiddie Academy educational child care business and no other use shall be permitted without the express written consent of the Franchisor. Notwithstanding the foregoing, Franchisor shall have the right to not utilize or occupy the Academy Premises in the event Franchisor exercises the Lease Option, provided that Franchisor continues to pay rent to the Franchisee in accordance with the terms of the lease.
    - (3) Landlord must deliver the Academy Premises to Franchisor in broom clean and good condition, and with all trade fixture, trademarks, signs, trade dress, materials, curricula, customer lists, and student rosters and with the Academy Premises not damaged in any way, and with all utilities available for connection by Franchisor without any further work, and free of hazardous materials;
    - (4) Franchisor may, without Franchisee’s consent, at any time during the term of the Lease:
      - (A) Sublet the Academy Premises to another franchisee of the Franchisor, subject to Franchisee’s approval which shall not be unreasonably conditioned, withheld, or delayed;
      - (B) Assign this Lease to a franchisee of Franchisor, subject to the approval of the Franchisee which shall not be unreasonably withheld, conditioned, or delayed;
      - (C) Assign this Lease to any parent, subsidiary or affiliate of Franchisor; or
      - (D) If the Franchisor does not assign or sublet the Lease within one year of the Effective Date, Franchisor shall have the right, but not the obligation to

- (E) terminate the lease at any time thereafter and for any reason without the consent of the Franchisee on 90 days written notice to the Franchisee.
  - (b) Closing on such Lease shall occur within 60 days after notice from Franchisor to the Franchisee of the appraiser's determination of fair market value pursuant to Section 4 below.
  - (c) If the Franchisee enters into a bona fide lease agreement with a third party for the operation of the Academy Premises, whether or not such third party is an affiliate or related entity of the Franchisee, this Option shall automatically terminate on the effective date of such lease agreement and shall be of no further force and effect.
3. **No Liability of Franchisor.** In the event Franchisor exercises any of the rights enumerated in Section 2(a)(4) of this Agreement, Franchisee acknowledges and agrees that Franchisor shall have no liability or obligation of any kind or nature, whether arising before or after the exercise such rights, including but not limited to liabilities that may arise under the Lease, the Agreement, or the Franchise Agreement, except as those obligations of the Franchisor that expressly survive the termination of the Franchise Agreement.
4. **Rental Payments.**
- (a) If Franchisor exercises its Option to enter into a Lease for the Academy Premises, the rent shall be equal to the fair market rent for the Academy Premises ("FMR").
  - (b) To determine FMR, Franchisor and Franchisee and will jointly and reasonably appoint a real estate broker to determine the FMR. If Franchisor and Franchisee cannot jointly agree on a real estate broker to determine FMR, Franchisee and Franchisor shall each reasonably select a real estate broker meeting the qualifications set forth in this Section 4(a). These brokers shall then jointly and reasonably appoint a third, independent real estate broker to determine FMR. Any broker so selected under this paragraph shall be a licensed real estate broker who will have not less than 10 years' experience with respect to commercial leasing of comparable buildings within the submarket in which the Academy Premises is located, which person will not be regularly employed, directly or indirectly, during the past five years by either Franchisor and Franchisee. The broker shall determine the FMR based on the average annual rental rate (expressed in an amount per square foot of net rentable area) then being charged within the submarket in which the Academy Premises is located, for space comparable to the space for which the market rate is being determined taking into consideration the following non-exclusive factors: (a) use, location, floor level within the applicable building; (b) condition, quality, age, and location of applicable building, and systems; (c) rent concessions and other inducements given to the tenant, such as tenant improvement allowances; and (d) building services. The final decision of the broker shall be binding on Franchisor and Franchisee. Franchisor and Franchisee shall each be responsible for one-half of the costs, charges and expenses of the appointed broker.

5. **Validity of Obligation.** The parties agree that this writing is sufficient to constitute an interest in real property in accordance all requirements of the Uniform Commercial Code and Franchisee hereby waives any right contest the sufficiency, validity or enforceability of this Agreement based on any common law, equitable principles or applicable statutory law.
6. **No Obligation.** Nothing in this Agreement shall be construed as imposing any obligation upon Franchisor to exercise any rights hereunder or to enter into any agreement with Franchisee.
7. **Recitals.** The Recitals are incorporated herein by reference.
8. **Entire Agreement.** This Agreement, including all exhibits hereto, constitute the entire agreement between the parties and supersede any previous arrangement understanding or agreement between them relating to the subject matter they cover.
9. **Governing Law.** This Agreement and all of its provisions will be governed, interpreted and construed pursuant to the laws of the State of Maryland, which laws will prevail in the event of any conflict of law.
10. **No Assignment.** Franchisee may not, without the prior written consent of Franchisor, and whether by operation of law or otherwise, assign or transfer its rights or obligations under this Agreement.
11. **No Waiver.** The delay in exercising, failure to exercise, or partial exercise, from time to time, by Franchisor of any rights or remedies (or to insist upon strict performance) in any one or more provisions of this Agreement shall not constitute a waiver, or preclude full exercise or insistence upon strict performance, of any such provisions.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties have executed this agreement on the day and year above first written.

**Franchisee:**

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

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

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

**Franchisor:** Kiddie Academy Domestic Franchising, LLC.

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

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

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

**Exhibit A**

**Academy Premises**

**Exhibit B**

**Lease**

**LEASE AGREEMENT**

LEASE BETWEEN: **[INSERT ENTITY NAME]**  
\_\_\_\_\_  
(Landlord)

AND: **[INSERT ENTITY NAME]**  
\_\_\_\_\_  
(Tenant)

PREMISES: **[ADDRESS]**  
\_\_\_\_\_  
**[CITY, STATE ZIP]**  
\_\_\_\_\_

## LEASE AGREEMENT

**THIS LEASE AGREEMENT** (“Lease”), made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between **[INSERT ENTITY NAME]**, a [corporation or general partnership or limited partnership or limited liability company duly formed under the laws of the State of \_\_\_\_\_ ] (the “Landlord”), and **[INSERT ENTITY NAME]**, a [corporation or general partnership or limited partnership or limited liability company duly formed under the laws of the State of \_\_\_\_\_ ] (the “Tenant”).

For good and valuable consideration, the receipt of which is hereby acknowledged, and the performance of the covenants, terms and provisions contained in this Lease, Landlord and Tenant agree as follows:

### **1. LEASED PREMISES.**

(a) Landlord is the owner of a building containing a total of approximately \_\_\_\_\_ square feet of space (the “Building”), the address of which is ADDRESS. The separately subdivided lot on which the Building is located is hereinafter referred to as the “Land.” Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon the terms, covenants and conditions set forth below, for the purpose of operating a Kiddie Academy Educational Child Care business (the “Business”), the location of which is outlined on the preliminary site plan attached hereto as Exhibit A (the “Leased Premises”), which is incorporated herein as a material part of this Lease, together with the sidewalks, driveways and parking facilities provided for in Section 27 below. The Leased Premises shall also be deemed to include a certain portion of the Land that is adjacent to the Building, containing at least \_\_\_\_\_ square feet, for use as a fenced-in playground, as indicated on Exhibit A. The Building, together with the Land and any other buildings on the Land (if any), shall hereinafter be referred to as the “Project.”

### **2. USE.**

(a) During the Lease Term (as defined in Section 3), the Leased Premises shall be used only as a Kiddie Academy® Educational Child Care facility. No other use shall be permitted without the prior written consent of Landlord and Kiddie Academy Domestic Franchising, LLC (“Franchisor”).

(b) During the Lease Term, Tenant shall not use or permit the Leased Premises to be used in any manner that will constitute waste, nuisance, unlawful, immoral or objectionable activity. Tenant shall not use the Leased Premises for the preparation, manufacture or mixing of anything that might emit any odor or objectionable noises or lights. Tenant shall not use any machinery in or around the Leased Premises that will in any manner injure, vibrate or shake the Leased Premises or overload the electrical system. Tenant will not use the Leased Premises or permit anything to be done on or about the Leased Premises which will in any way conflict with the operations of the Business, [any other tenant within the Building/Project] or with any applicable law, ordinances or governmental regulations or rules, including fire insurance rating organizations and any similar bodies having jurisdiction over the Leased Premises.

(c) During the Lease Term or upon termination of this Lease, and for a period of one year after the termination of this Lease, neither Landlord, any individual related to Landlord, nor any of Landlord's affiliated legal entities, successors or assigns or any of their officers, directors, agents or employees may take control (either as the manager, director, operator or owner) of Tenant's child care business or operate another child care business within the Leased Premises (either as manager, director, operator or owner) without the express written authorization of Franchisor (provided, however, that this provision shall not preclude Landlord from leasing or selling to a childcare business after the termination of this Lease, provided that neither Landlord nor any of Landlord's affiliated legal entities, successors or assigns or any of their officers, directors, agents or employees own or control such childcare business). This provision shall survive the termination of this Lease.

### **3. LEASE TERM AND DELIVERY OF LEASED PREMISES.**

(a) The Lease shall be for an initial term of 15 years (the "Initial Term"), commencing on the Commencement Date, as hereinafter defined, and ending on the last day of the 15<sup>th</sup> Lease Year (as hereinafter defined) following the Commencement Date. Tenant shall have the option to renew this Lease for additional terms, each upon the terms and conditions set forth in Section 8 below.

(b) The term "Lease Year" shall mean the successive period of 12 full calendar months beginning on the Commencement Date, and each succeeding 12-month period thereafter except that if the Commencement Date occurs on any day other than the first day of a calendar month, then the first Lease Year shall also include, in addition to 12 successive full calendar months, the partial month remaining in the calendar month in which the Commencement Date occurs.

(c) The "Commencement Date" shall mean 30 days following: (i) substantial completion of the Leased Premises; (ii) Landlord's receipt of a Certificate of Occupancy or similar document from the appropriate governmental authority; (iii) Landlord's receipt of state and local fire marshal approval(s); and (iv) Tenant's receipt of keys for and possession of the Leased Premises. Within 10 days of the Commencement Date, Landlord shall provide to Tenant a signed Memorandum of Lease Confirmation, the form of which is attached hereto as Exhibit F. Upon receipt of the Memorandum of Lease Confirmation from Landlord, Tenant shall review same and if acceptable, within 10 days after receipt will countersign and return it to Landlord, with a copy to Franchisor.

(d) In the event the Commencement Date does not occur within 180 days after the date all necessary and appropriate approvals and permits have been obtained from each of the local governmental agencies having the requisite authority to permit Landlord to begin construction of the Leased Premises, subject to Excusable Delay, Tenant may, at its option, either (i) terminate this Lease upon written notice to Landlord, and upon such termination all monies paid by Tenant to Landlord shall be returned to Tenant and the parties shall have no further liability to each other under this Lease or otherwise, or (ii) elect to receive from Landlord a fixed sum of liquidated damages in the amount of \$1,000.00 for each and every day after the conclusion of the above-referenced 180 day period the Commencement Date does not occur. The foregoing Tenant termination rights are in addition to Tenant's right to terminate the Lease for Landlord's failure to

satisfy the contingency for obtaining all permits and governmental approvals as set forth in Section 36 of this Lease. "Excusable Delay" shall be defined as those instances which are beyond a party's control, including by way of example only, acts of God, strikes and severe shortages of labor, supplies or materials, any moratorium declared by any governmental or quasi-governmental authority directly affecting the development of the Kiddie Academy Educational Child Care Franchise or extremely inclement weather. In addition, within five days of the date upon which the installation of the drywall within the Leased Premises has been completed (i.e., all of the drywall has been screwed into place), Landlord shall notify Tenant and Franchisor of the projected date ("CO Date") upon which, based upon Landlord's own reasonable projected construction schedule, Landlord expects to receive the Certificate of Occupancy or similar document ("C of O") from the appropriate governmental agency permitting Tenant to obtain a license to operate the Leased Premises as a child care center. In the event Landlord does not receive a C of O on or by the CO Date, Landlord shall pay to Tenant, as liquidated damages, the sum of \$500.00 for each and every day after the CO Date the Landlord does not receive the C of O, subject to Excusable Delay as defined above.

(e) The term "Lease Term" shall mean the Initial Term and any renewal term(s), as applicable.

#### **4. ACCESS PRIOR TO TERM.**

Landlord shall provide open and complete access to the Leased Premises during normal business hours to Tenant and Tenant's agents and to Franchisor and Franchisor's agents during all periods of construction as described above to inspect the Land and the Building, as well as during the four-week period prior to the Commencement Date for installation of equipment and supplies for the Business.

#### **5. SECURITY DEPOSIT.**

Tenant shall deposit with Landlord a security deposit in the amount of \$\_\_\_\_\_ (the "Security Deposit") upon the Effective Date. Landlord shall place the Security Deposit in escrow with \_\_\_\_\_ ("Escrow Agent") and provide a receipt of such escrow deposit to Tenant within five days of Effective Date. The Security Deposit shall be held in escrow until the Lease has been terminated pursuant to Section 36, 37 or 40 described below. In the event the Lease is terminated as described above, the Escrow Agent shall return the Security Deposit to Tenant within five business days of its receipt of written notice. The Security Deposit, to the extent it has not been applied or exhausted by Landlord pursuant to the terms of this Section, shall be returned to Tenant within 30 days following the expiration or termination of the Lease Term.

#### **6. RENT.**

Attached hereto as Exhibit B is a Rent Schedule, which is incorporated by reference into this Lease. The Rent payment for the period from the Commencement Date through the last day of the calendar month in which the Commencement Date occurs shall be the amount set forth on Exhibit B times a fraction the numerator of which is the number of days from and including the Commencement Date to and including the last day of the month and the denominator of which is

the number of days in the month in which the Commencement Date occurs and shall be payable on the Commencement Date. All subsequent Rent payments are due on the 1<sup>st</sup> day of each month. In the event any installment of Rent (as defined on Exhibit B) is not paid to Landlord within five calendar days after its due date, a late charge equal to 3% per month of the then late payment ("Late Charge") shall be automatically due from Tenant to Landlord. Any payment of Rent which is not made within 20 calendar days of its due date shall incur an additional late charge equal to 5% per month of the then late payment and shall also accrue interest at a rate equal to the Prime Rate (hereinafter defined) plus 2% per annum (the "Interest Rate") from the date the late payment was due to the date payment is actually made. If, however, payment of interest at such rate by Tenant (or by the tenant then in possession having succeeded to Tenant's interest in accordance with the terms of this Lease) should be unlawful, *i.e.*, violative of usury statutes or otherwise, the Interest Rate shall be computed at the maximum lawful rate. The term "Prime Rate" shall mean the prime rate as published from time to time by the Wall Street Journal, Eastern Edition, for short term (90 day) unsecured loans. Tenant shall pay to Landlord interest at the Interest Rate on all sums due Landlord which are not paid by Tenant within 20 calendar days after their due date, such interest to be paid from the date on which the payment was due-. Notwithstanding the foregoing, Tenant shall not be obligated to pay any Late Charge on the first instance, if any, in which Rent is past due in any calendar year.

**\*\*\*\*\*FOLLOWING ARE TWO ALTERNATIVE "OPERATING EXPENSES AND REAL ESTATE TAXES" PROVISIONS: The first is for a single tenant building; the second is for a multi-tenant building. \*\*\*\*\***

**7. OPERATING EXPENSES AND REAL ESTATE TAXES {Single tenant building with no other buildings on property}.**

(a) Commencing on the Commencement Date, as defined in Section 3 of this Lease and throughout the Lease Term, Tenant shall be responsible for the payment of all "Operating Expenses" as defined below in this Section 7(a). The term "Operating Expenses" shall mean all amounts paid to operate, maintain and repair the Building, including, without limitation, cleaning, snow removal and treatment of ice, maintaining, repairing and restriping the parking area, replanting and replacing landscaping, maintaining and repairing utility lines, routine maintenance of the roof and the premiums for insurance policies maintained by Landlord related solely to the Leased Premises. Notwithstanding the foregoing, in no event shall Operating Expenses include: costs involved to repair or replace the roof, the foundation; and structural components of the bearing and exterior walls; costs incurred due to violations by Landlord of any of the terms and conditions of any leases in the Project; repairs and other work occasioned by fire, windstorm or other casualty for which Landlord is reimbursed by insurance; any costs, fines or penalties incurred due to violations by Landlord of any governmental rule or authority including costs attributable to any environmental cleanup not otherwise caused by Tenant; costs attributable to repairing items that are covered by warranties (to the extent such is recovered); or administrative and/or management fees.

(b) Commencing on the Commencement Date, as defined in Section 3 of this Lease and throughout the Lease Term, Tenant shall be responsible for the payment of all the "Real Estate Taxes", as defined below in this Section 7(b). The term "Real Estate Taxes" shall mean: all ad

valorem real estate taxes, which are imposed by governmental authorities and assessed against the Leased Premises, or any portion thereof, the improvements thereon, or any portion thereof; all water and sewer charges related solely to the Leased Premises; and any taxes, fees and charges imposed in lieu of or in addition to the foregoing due to a future change in the method of taxation. Real Estate Taxes shall include any special assessments which may affect the Leased Premises. Notwithstanding the foregoing, in no event shall Real Estate Taxes include any income, gross receipts, sales, transaction, franchise, personal property, profits, excise, devolution, estate, inheritance, gift, corporate, succession, capital levy, or business transfer taxes; nor does Real Estate Taxes include any special assessments to the extent such special assessments are for improvements and/or services that: (i) arise out of or relate to the initial construction of the Building or to the Leased Premises, (ii) do not specifically benefit the Leased Premises, or (iii) arise out of or relate to specific items of improvement (e.g., roads, sewer improvements, parking improvements, street lights, etc.) whether at the Leased Premises or located off site; nor does Real Estate Taxes include costs of challenging Landlord's tax bill or any portion thereof, nor any fine, penalty, cost or interest for any tax or assessment, or any part thereof, which Landlord should fail to timely pay.

**7. OPERATING EXPENSES AND REAL ESTATE TAXES {Multi-tenant building and/or multiple buildings on share property}.**

(a) For the purposes of determining Tenant's proportionate share of "Operating Expenses" and "Real Estate Taxes", the total square footage of Building shall be the numerator of the equation (deemed to be \_\_\_\_\_ square feet) and the total square footage of all other buildings within the Project but no less than the total amount contemplated on Exhibit A \_\_\_\_\_ square feet (to the extent such buildings receive Landlord's services comprising the Operating Expenses) shall be the denominator ("Proportionate Share").

(b) Commencing on the Commencement Date (as defined in Section 3), Tenant shall pay to Landlord Tenant's Proportionate Share of "Operating Expenses" as defined below. The term "Operating Expenses" shall mean all reasonable and customary amounts paid or incurred by Landlord to operate, maintain and repair the Building [Project], including, without limitation, cleaning, snow removal and treatment of ice, maintaining, repairing and restriping the parking area, maintaining, replanting and replacing landscaping (outside of the fenced-in playground), maintaining and repairing utility lines, water and sewerage charges, maintaining and repairing the gutters and downspouts of the Building [buildings within the Project], electricity and other utility charges for the common areas only, premiums for insurance policies maintained by Landlord related solely to the Building [Project], wages, salaries and worker's compensation of staff (excluding supervisory and executive personnel) performing services directly connected to and/or arising from the operation of the Building [Project], fees paid which are directly related to the operation of the Building [Project], traffic control, rental or depreciation on equipment used in connection with the operation and maintenance of the Building [Project], the cost of compliance with and/or contesting legal requirements relating to the Leased Premises which arise out of Tenant's specific use (as opposed to occupancy in general), license and permit fees for the Building [Project], personal property, sales, service and/or use taxes on material, equipment, supplies and services directly relating to and/or arising from the Building [Project], and other similar direct costs chargeable to the actual operation and maintenance of the Building [Project]. Tenant's

Proportionate Share of Operating Expenses shall be paid to Landlord in equal monthly installments of Landlord's estimate of Tenant's Proportionate Share of Operating Expenses for the current year, together with and in the manner prescribed for the payment of monthly Rent. After the end of each calendar year, Landlord shall furnish to Tenant a statement of Operating Expenses for such calendar year. Within 90 days after receipt of Landlord's statement, Tenant shall pay to Landlord any deficiency between the amount paid during such calendar year and the amount thereof as shown on Landlord's statement. If the amount of Operating Expenses paid by Tenant hereunder exceeds the actual amount of Tenant's Proportionate Share of Operating Expenses for said calendar year, such excess shall be credited against the next monthly installment or installments of Tenant's Proportionate Share of Operating Expenses due from Tenant to Landlord hereunder, or shall be refunded to Tenant within 30 days if such excess relates to the calendar year in which the Lease Term or any renewal term expires. After receipt of Landlord's statement, Tenant's Proportionate Share of Operating Expenses shall be paid based on Landlord's estimate of Operating Expenses anticipated during the then current calendar year, and Tenant shall, without demand, pay to Landlord 1/12th of the amount thereof, in advance, on or before the first day of each calendar month until the next statement of Operating Expenses is received from Landlord.

(c) Tenant reserves the right to audit Landlord's Operating Expenses. Any such audit must be requested within 2 years of Tenant's receipt of Landlord's statement and will be limited to the Lease Year set forth in such statement. In the event such audit reflects an overcharge to Tenant in excess of 3% or more, Landlord shall pay to Tenant (a) the amount of overcharge, plus 10% of such overcharge amount, and (b) Tenant's reasonable costs for such audit. Landlord shall make such information available to Tenant at Landlord's office within 20 days after Tenant's request. Notwithstanding the foregoing, Tenant's Proportionate Share of Operating Expenses (excluding common area utilities, snow removal and security) shall not increase by more than 5% for any one year over Tenant's Proportionate Share of the prior year's Operating Expenses on a non-cumulative basis. Further notwithstanding the foregoing, in no event shall Operating Expenses include: costs attributable to seeking and obtaining new tenants as well as retaining existing tenants, such as advertising, architectural, engineering, attorney's fees, renovations and improvements; costs involved in the repair and/or replacement of the roof, building facade and parking lot; costs that are reimbursable to the Landlord by other tenants as a result of provisions contained in their specific leases; administrative and/or management fees in cumulative excess of 10% of Operating Expenses; costs incurred due to violations by Landlord of any of the terms and conditions of any leases in the Project; any compensation paid to clerks, attendants or other persons for profit concessions operated by Landlord; all items and services for which other tenants reimburse Landlord or pay third persons or which Landlord provides selectively to one or more tenant without reimbursement; repairs and other work occasioned by fire, windstorm or other casualty for which Landlord is reimbursed by insurance; any costs, fines or penalties incurred due to violations by Landlord of any governmental rule or authority including costs attributable to any environmental cleanup not otherwise caused by Tenant; the cost of correcting any code violations (including "ADA" compliance) by Landlord or in the common areas of the Building and/or Project; costs attributable to repairing items that are covered by warranties (to the extent such is recovered); repairs and maintenance performed in another tenant's exclusive space and not in the common areas; capital expenses; and or reserve funds for future repairs.

(d) Commencing on the Commencement Date, as defined in Section 3 of this Lease and throughout the Lease Term, Tenant shall reimburse Landlord for Tenant's Proportionate Share

of "Real Estate Taxes," as defined below, assessed against and imposed upon the Leased Premises which accrue during the Term of this Lease. The term "Real Estate Taxes" shall mean: all ad valorem real estate taxes which are imposed by governmental authorities and assessed against the Leased Premises, or any portion thereof, the improvements thereon, or any portion thereof; taxes on all water and sewer charges related solely to the Leased Premises; and any taxes, fees and charges imposed in lieu of or in addition to the foregoing due to a future change in the method of taxation. Real Estate Taxes shall include any special assessments which may affect the Leased Premises, provided, however, if any Real Estate Taxes resulting from such special assessment may be paid in installments, Landlord shall pay such Real Estate Taxes in such installments and Tenant shall only be responsible for that portion of the Real Estate Taxes resulting from such special assessments which fall within any given Lease Year. Notwithstanding the foregoing, in no event shall Real Estate Taxes include any income, gross receipts, sales, transaction, franchise, personal property, profits, excise, devolution, estate, inheritance, gift, corporate, succession, capital levy, or business transfer taxes; nor does Real Estate Taxes include any special assessments to the extent such special assessments are for improvements and/or services that: (i) arise out of or relate to the initial construction of the Building or to the Leased Premises, (ii) do not specifically benefit the Leased Premises, or (iii) arise out of or relate to specific items of improvement (e.g., roads, sewer improvements, parking improvements, street lights, etc.) whether at the Leased Premises or located off site; nor does Real Estate Taxes include costs of challenging Landlord's tax bill or any portion thereof, nor any fine, penalty, cost or interest for any tax or assessment, or any part thereof, which Landlord should fail to timely pay.

(i) Real Estate Taxes shall be paid in accordance with the following:

(A) Tenant shall pay Tenant's Proportionate Share of Real Estate Taxes to Landlord in equal monthly installments, together with and in the manner prescribed for the payment of monthly Rent, in an amount reasonably estimated by Landlord to be equal to 1/12th of Tenant's Proportionate Share of Real Estate Taxes for the current or ensuing real estate fiscal tax year, as the case may be.

(B) Landlord shall pay the Real Estate Taxes (including any special assessments) prior to the date the same become delinquent, and after the end of each calendar year, shall furnish to Tenant a statement (which statement shall include a copy of the relevant Real Estate Tax bill or bills which have been paid by Landlord) of the actual amount of Tenant's Proportionate Share of Real Estate Taxes for the preceding calendar year. If the amount paid by Tenant hereunder is less than the actual amount of Tenant's Proportionate Share of Real Estate Taxes for said calendar year, Tenant shall, within 30 days after receipt of Landlord's statement, pay to Landlord the deficiency. If the amount of Tenant's Proportionate Share of Real Estate Taxes paid by Tenant hereunder exceeds the actual amount of Tenant's Proportionate Share of Real Estate Taxes for said calendar year, such excess shall be credited against the next monthly installment or installments of Tenant's Proportionate Share of Real Estate Taxes due from Tenant to Landlord hereunder, or shall be refunded to Tenant within 30 days if such excess relates to the calendar year in which the Lease Term or any renewal term thereof expires.

(ii) Any Real Estate Taxes for a real estate fiscal tax year which is only partly included within the Lease Term, shall be adjusted between Landlord and Tenant on the basis of a 365-day year as of the Commencement Date, or the date this Lease expires or is terminated, as the case may be, for the purpose of computing Tenant's Proportionate Share of Real Estate Taxes.

Landlord may elect to contest the amount or validity of assessed valuation or Real Estate Taxes for any real estate fiscal tax year, in which event the Real Estate Taxes shall be deemed to include any fees and/or expenses incurred by Landlord in contesting or appealing the Real Estate Taxes. If after Tenant shall have made a payment of Tenant's Proportionate Share of Real Estate Taxes, Landlord shall receive a refund or credit of any portion of the Real Estate Taxes on which such payment shall have been based, then Landlord shall, after deducting all expenses paid by Landlord, if any, incurred in obtaining such refund or credit, apply such net refund or credit against the next installment or installments of Tenant's Proportionate Share of Real Estate Taxes to be paid by Tenant, or shall refund such amount to Tenant within 30 days if such refund or credit is related to the calendar year in which this Lease Term or any renewal term thereof expires. With regard to the foregoing, Tenant shall only be responsible for the payment of any costs or expenses to contest the amount or validity of the assessed valuation or Real Estate Taxes should Tenant consent to such appeal or if such appeal is successful (regardless of whether Tenant has consented to same). Tenant shall reasonably cooperate with Landlord, execute any and all documents reasonably required in connection therewith and, if required by legal requirements, shall join with Landlord in the prosecution thereof. In addition to Tenant's Proportionate Share of Real Estate Taxes, Tenant shall pay, before delinquent: any and all taxes and assessments levied against fixtures; equipment; signs and personal property located or installed in, about or upon the Leased Premises; any rent, income or other payments received by Tenant or anyone claiming by, through or under Tenant; the use or occupancy of the Leased Premises and this transaction; or any document to which Tenant is a party creating or transferring an interest or estate in the Leased Premises.

## **8. OPTIONS TO RENEW.**

So long as no default as provided for in this Lease shall have occurred beyond any applicable cure period, Tenant shall have the right to renew this Lease for three renewal terms of five years each immediately following the expiration of the Initial Term or the preceding renewal term, as the case may be, on the same terms and conditions as are set forth herein except that the Rent, as defined in Section 6 above, payable by Tenant during the applicable renewal term shall be as set forth on Exhibit B hereto. A renewal term shall be exercised, if at all, by Tenant giving written notice to Landlord of its intention to renew this Lease no less than 180 days prior to the expiration of the Initial Term or the current renewal term, as the case may be.

## **9. UTILITIES.**

(a) As of the Commencement Date, Tenant shall contract for and pay, directly to the provider thereof, all periodic use charges for natural gas, electricity, water, telephone services, heat, sewer, garbage and trash collection, and all other utilities and services used or consumed at the Leased Premises, together with any taxes, excises or surcharges thereon. All applicable utilities and services are to be separately metered and billed to Tenant. Landlord shall maintain, from the Commencement Date forward until the termination of this Lease, including any renewal terms thereof, at Landlord's own expense and for Tenant's benefit, meters, which are easily accessible to Tenant, that measure Tenant's usage of natural gas, electricity, water and any other form of utility service for which Tenant shall pay a periodic fee to a third-party provider. The cost of installing the initial utilities (including, without limitation, the installation of meters) shall rest with

Landlord including any tap or connection fees. All other utility bills shall be paid by Tenant when due.

(b) Landlord shall not cause any interruption in any utility service to the Leased Premises unless (i) such interruption is necessitated by the need to make emergency repairs, or (ii) Landlord schedules any necessary repair work with Tenant at the Leased Premises at least 72 hours in advance. Notwithstanding anything to the contrary or in conflict contained in this Lease, if Landlord fails hereunder to cure a utility interruption caused by or on behalf of Landlord (or which is Landlord's responsibility to cure hereunder) within 48 hours after the same occurs, Rent shall abate until such interruption is cured by Landlord. Landlord shall give immediate notice to Tenant of any pending utility interruption of which Landlord has knowledge. In no event shall the Landlord be responsible for utility interruptions which are not caused by the Landlord.

## **10. MAINTENANCE AND REPAIR OF PREMISES.**

(a) Commencing on the Commencement Date, as defined in Section 3(c) above, and for the remainder of the Lease Term ("Tenant's Maintenance Period"), Tenant shall assume responsibility for maintaining the interior of the Leased Premises, including all windows and doors and the frames and moldings thereof. However, Landlord shall be responsible for the repair and/or replacement of the following: the foundation; structural components of the bearing and exterior walls; all parts and materials of the roof and supports therefor; and all structural components of the Building for the Lease Term.

(b) Throughout Tenant's Maintenance Period, Tenant shall secure and maintain a full-service contract on the heating and/or air conditioning equipment ("HVAC") servicing the Leased Premises with a reputable company approved by Landlord.

(c) Notwithstanding paragraph (b) above, Landlord warrants that for the first full year after the Commencement Date, as defined in Section 3(c) above, all work performed by Landlord or Landlord's agents and all equipment, parts, fixtures and/or appliances installed by Landlord or Landlord's agents, including, without limitation, the HVAC systems and all parts and materials thereof, shall be in good working order during such period and during such period Landlord shall be solely responsible for all repairs and replacements of such equipment, parts, fixtures and/or appliances. Any and all warranties to which Landlord is entitled that arise from and/or relate to the construction of the Leased Premises are hereby assigned by Landlord to Tenant and Tenant shall have the right to enforce the same.

(d) If Landlord refuses or neglects to fulfill its repair obligations as defined hereunder and to the reasonable satisfaction of Tenant, then, following written notice to Landlord and a 30 day opportunity to cure (provided, however, that if more than 30 days is reasonably required for such cure, then the 30 day cure period shall be extended for whatever period is reasonably required, so long as Landlord commences the cure within 10 days of Tenant's written notice to Landlord and diligently prosecutes such cure to completion), Tenant may make such repairs and shall have the right to set off any reasonable expense incurred thereby against any Rent or other payment due or to become due to Landlord hereunder. Additionally, in the event the repair is of a nature that immediate action is necessary to prevent further damage to the Kiddie Academy Franchise and/or injury to the children or staff in the Kiddie Academy Franchise and the Landlord refuses or neglects

to make such repair within 24 hours after receiving written notice of the existence of the necessary repair, Tenant may make the repair and shall have the right to offset from the Rent all reasonable expenses Tenant incurs.

(e) If Tenant refuses or neglects to fulfill its repair obligations as defined hereunder and to the reasonable satisfaction of Landlord, then, following written notice to Tenant and a 30 day opportunity to cure (provided, however, that if more than 30 days is reasonably required for such cure, then the 30 day cure period shall be extended for whatever period is reasonably required, so long as Tenant commences the cure within 10 days of Landlord's written notice to Tenant and diligently prosecutes such cure to completion), Landlord may make the repair and Tenant shall reimburse Landlord all reasonable expenses incurred by Landlord within 30 days of receipt of a statement therefor from Landlord.

(f) Tenant shall be responsible for all landscaping within the fenced-in playground.

## **11. REQUIREMENTS OF LAW.**

As of the Commencement Date, Landlord covenants that the Leased Premises, including the fixtures and appurtenances thereto (except those installed by Tenant), do conform, or that Landlord will promptly cause them to conform, to every applicable requirement of law and of any fire insurance rating bureaus or similar organizations, and the requirements of the carriers of all insurance on or relating to the Leased Premises or the Building, whether such insurance be furnished by Landlord or Tenant, and that Landlord will, at its sole risk and expense, at all times during the Lease Term promptly comply with all such requirements. Upon the Commencement Date, as defined herein, Tenant shall comply with all applicable statutes, ordinances, rules and regulations of federal, state and municipal governments and all applicable rules and regulations of any fire insurance rating bureaus as such statutes, ordinances, rules and regulations pertain to Tenant's particular use of the Leased Premises. Landlord shall also comply with all applicable city, county, state and federal statutes, ordinances and regulations in effect from time to time with respect to facilities and areas for the handicapped in the Leased Premises and the Building including all requirements imposed by the Americans with Disabilities Act. Landlord shall make any modifications as required by this Section to the Building and/or the Leased Premises.

## **12. ALTERATIONS, CHANGES AND ADDITIONS.**

No structural changes, alterations or additions shall be made by Tenant to the Leased Premises without the prior written consent of Landlord and Franchisor, which consents shall not be unreasonably withheld, conditioned or delayed. The foregoing restriction shall not prohibit Tenant from painting or making other decorative or non-structural changes to the Leased Premises without Landlord's prior consent. However, Tenant must receive Franchisor's consent for such decorative and non-structural changes, which consent shall not be unreasonably withheld. Tenant may further install, at its expense, trade fixtures, playground equipment, supplies, toys, movable partitions, furniture, equipment and other personal property but only with Franchisor's consent. Such items shall remain the sole property of the Tenant and may be removed by Tenant at any time prior to or upon the termination of this Lease. Under no circumstances will any such items

become the property of the Landlord and Landlord shall never obtain the right to possess, retain or dispose of such items unless and until Tenant fails and refuses to remove such items from the Leased Premises within 15 days after the date of termination of this Lease.

### **13. ENTRY BY LANDLORD.**

Landlord shall have the right, on not less than 48 hours' prior notice to Tenant, which may be verbal (except in the event of an emergency when no prior notice need be given), to enter the Leased Premises to make repairs as required hereunder; provided, however, in the event Landlord's entry occurs during Tenant's business hours, Landlord must be escorted by Tenant or Tenant's representative for security reasons. In the event Tenant is disrupted during any period of Landlord's access of the Leased Premises other than to escort Landlord, or as a result of the foregoing, including, but not limited to, Landlord's repairs to the Building or the Leased Premises, all Rent shall abate until such time as such disruption ceases.

### **14. ASSIGNMENT, SALE AND SUBLETTING.**

(a) In the event of a sale or transfer of the Business to a new franchisee of the Franchisor. Tenant may, with Landlord's consent (which may not be unreasonably withheld) sublet or assign this Lease to such new owner. From the date of such Assignment, Tenant will have no further liability or obligation under this Lease.

(b) Tenant may, without Landlord's consent, at any time during the Lease Term:

(i) Sublet the Leased Premises to another franchisee of the Franchisor, subject to Tenant's approval which shall not be unreasonably conditioned, withheld, or delayed;

(ii) Assign the Lease to a franchisee of Franchisor, subject to the approval of the Franchisee which shall not be unreasonably withheld, conditioned, or delayed;

(iii) Assign this Lease to any parent, subsidiary or affiliate of Franchisor; or

(c) If the Franchisor does not assign or sublet the Lease within one year of the Effective Date, Franchisor shall have the right, but not the obligation to terminate the lease at any time thereafter and for any reason, upon 90 days written notice to Landlord.

### **15. DEFAULT AND REMEDIES.**

(a) The occurrence of any one or more of the following events shall constitute a "Default" by Tenant of this Lease:

(i) the failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of 30 days after receipt of written notice thereof by Tenant from Landlord;

(ii) the failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease where such failure shall continue for a period of 30 days after Tenant's receipt of written notice from Landlord, provided, however, that if the nature of Tenant's default is such that it cannot be cured solely by payment of money and that more than 30 days

may be reasonably required for such cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within such 30 day period and shall thereafter diligently prosecute such cure to completion;

(iii) the making of any general arrangement or any assignment by Tenant for the benefit of creditors; the filing by Tenant of a petition to have Tenant adjudged a bankrupt or a petition of reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, such petition is dismissed within 90 days or such a longer period as the court may take to decide whether to dismiss or not.); the appointment of a trustee or receiver to take possession of all or substantially all of Tenant's assets; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets.

(b) Should a Default by Tenant occur under this Lease, Landlord may pursue any one or all of the following remedies:

(i) Landlord may terminate this Lease by giving written notice of such termination to Tenant with notice or demand (and notice to Franchisor in the same form and at the same time as such is provided to Tenant) and with process of law, and thereafter pursue monetary and other damages against the Tenant; provided, however, in no event shall Landlord accelerate any Rent nor shall Landlord seek consequential, indirect or punitive damages;

(ii) Landlord may proceed to recover possession of the Leased Premises under and by virtue of the provisions of the laws of the state in which the Leased Premises are located or by such other proceedings, including re-entry and possession, as may be applicable, and thereafter pursue monetary damages against the Tenant (in no event, however, shall Landlord have the right to change or alter the locks of the Leased Premises without judicial order);

(iii) Should this Lease be terminated by Landlord before the expiration of the Lease Term, as the case may be, by reason of Tenant's Default as provided in this Lease, or if Tenant abandons or vacates the Leased Premises before the expiration or termination of the Initial Term or any renewal term without having paid the full rental for the remainder of such term, Landlord may relet the Leased Premises for such rent and upon such terms as are not unreasonable under the circumstances (with Landlord having an affirmative duty to mitigate its damages, notwithstanding any applicable laws to the contrary or in conflict). Tenant shall not be entitled to any surplus accruing as a result of any reletting. If the full Rent shall not be realized by Landlord as a result of reletting the Leased Premises, Tenant shall be liable for all damages sustained by Landlord, including, without limitation, deficiency of Rent, brokerage fees and expenses of placing the Leased Premises in their original condition, including, without limitation, all alterations and improvements thereto, or as otherwise incurred by Landlord in connection with the recovery of possession of the Leased Premises, including redecorating, altering, dividing, consolidating and preparing the Leased Premises for reletting.

(c) If Landlord shall breach any warranty or fail to perform any covenant required to be performed by Landlord under the terms of this Lease and such breach or failure shall continue for a period of 30 days after receipt by Landlord of written notice from Tenant (provided, however, only telephonic notice shall be required in case of an emergency in order to protect persons or property and is followed by written notice as soon as reasonably practical) or such further time

period provided Landlord is diligently pursuing a cure (but in any event not to exceed 90 days), or, if Landlord shall fail to pay any sums due to Tenant hereunder and such failure shall continue for a period of 30 days after receipt by Landlord of written notice from Tenant, then Tenant may, in addition to any of Tenant's other rights set forth in this Lease, at law or in equity: (i) cure any default or breach of warranty of Landlord hereunder, and perform any covenants which Landlord has failed to perform, and any sums expended by Tenant in curing such default or breach of warranty and performing such covenants shall be offset against future payments of Rent and shall bear interest at the Interest Rate (such interest to be calculated from the date of demand, calculated daily); and/or (ii) bring a suit to recover from Landlord all sums due Tenant from Landlord together with interest at the Interest Rate (such interest to be calculated from the date of demand, compounded daily); and/or (iii) declare this Lease to be terminated, in which event Tenant shall have no further liability hereunder. In addition to all other remedies, Tenant is entitled to the restraint by injunction of all violations, actual, attempted or threatened of any covenant, condition or provision of this Lease.

(d) Notwithstanding anything to the contrary contained in this Lease, Landlord acknowledges that if at any time during the Lease Term Tenant defaults with regard to Tenant's obligations hereunder, Franchisor, at its option, shall have the right (but not the obligation) to cure such default within 15 days after the date upon which Tenant's ability to cure such default as set forth in this Lease has expired.

#### **16. INSURANCE, MUTUAL WAIVER OF SUBROGATION, HOLD HARMLESS.**

(a) Tenant shall at all times during the Lease Term (and from the time Landlord receives building permits), and at its sole expense, keep in effect a policy of public liability insurance, naming Landlord its designees and any mortgagee as an additional insured, with respect to the Leased Premises and the business of Tenant at the Leased Premises. Tenant's insurance shall have a limit of liability of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate, plus umbrella coverage of not less than \$6,000,000. Tenant shall deliver a certificate evidencing such insurance policy to Landlord and Franchisor at the inception of each policy and renewal thereof. All such insurance maintained by Tenant shall be written by an insurance company licensed to do business in the state in which the Leased Premises are located.

(b) Landlord at its sole expense, shall maintain commercial building property insurance coverage at full replacement value for the Building listing Landlord, its designees and any mortgagee as an additional insured and sole loss payee.

(c) Tenant as its sole expense shall maintain property contents insurance covering all of Tenant's business and trade fixtures, equipment, movable partitions, furniture, merchandise and other personal property within the Leased Premises.

(d) Landlord and Tenant each hereby waive all rights of recovery against the other and against the managers, members, officers, employees and agents of the other, on account of loss or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended coverage insurance policy which the waiving party may have in force at the time of the loss or damage. Tenant and Landlord shall give notice to their respective insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

(e) Tenant shall hold harmless the Landlord, its managers, members, officers, agents and employees, from and against any and all claims, damages or causes of action for damages on account of any injury to or death of any person or any loss of damage to property occurring in, on or about the Leased Premises, the Building or the Project at any time during the Lease Term which is not caused by the gross negligence or intentional misconduct of Landlord, its managers, members, officers, agents or employees. This indemnification provision shall survive the termination or expiration of this Lease.

## **17. HAZARDOUS SUBSTANCES.**

Landlord covenants, warrants and represents to Tenant that the Leased Premises (including the Land and the Building) do not contain any Hazardous Substance, as hereinafter defined, of any kind. "Hazardous Substance" means (i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended from time to time and regulations promulgated thereunder; (iii) any infectious or medical waste as defined under federal, state or local law or regulation; (iv) asbestos or contamination of any kind (including, but not limited to, transformers containing PCBs); or (v) any other substance, the presence of which on the Leased Premises would be prohibited, regulated or restricted by any law or regulation similar to those set forth in this definition. Landlord agrees to indemnify and defend Tenant (with legal counsel reasonably acceptable to Tenant) from and against any costs, fees or expenses (including, without limitation, environmental assessment, investigation and environmental remediation expenses and third party expenses) incurred by Tenant if any Hazardous Substances whatsoever are subsequently found (and which were not introduced to the Project by the Tenant or its agents or employees subsequent to the Commencement Date of this Lease), and Tenant shall have the right and option to terminate this Lease and thereafter be released from all liability hereinafter in such event, and shall have a cause of action against Landlord for any and all losses incurred as a result of such Hazardous Substance being found on or around the Project, and shall be entitled to collect all costs and attorneys' fees related thereto. This indemnification by Landlord shall survive the termination or expiration of the Lease Term.

## **18. DAMAGE AND DESTRUCTION BY FIRE OR OTHER CASUALTY.**

(a) In the event that the Leased Premises are damaged for any reason whatsoever and Tenant is unable, in Tenant's determination, to carry on its normal business operations for a period of 30 days or more, Tenant shall have the right to terminate this Lease by giving written notice of such termination to the Landlord no later than 40 days after the occurrence of such damage. Upon such termination, Tenant's obligations hereunder and each of them, including the obligation to pay Rent, Operating Expenses and Real Estate Taxes shall cease and terminate as of the day the Leased Premises were so damaged. If, in Tenant's determination, it is unable to carry on its normal business operations for a period of less than 30 days because of such damage, or if it is unable to carry on its normal business operations for a period of 60 days or more but Tenant does not elect to terminate this Lease, all Rent, Operating Expenses and Real Estate Taxes shall abate for the

period the Leased Premises are untenable.

(b) In the event the Leased Premises are partially damaged by fire or other casualty and Tenant shall determine that it is able to carry on its normal business operations, Tenant shall pay Rent, Operating Expenses and Real Estate Taxes for only such portion of the Leased Premises which Tenant in its determination may reasonably occupy during the time required to make repairs. All repairs necessary to restore the Leased Premises to their original condition shall be:

(i) commenced within 30 days after the occurrence of such damage;

(ii) performed in a diligent and workmanlike manner with materials of at least the same quality utilized originally in the construction of the Leased Premises; and

(iii) completed by Landlord at Landlord's sole expense with a minimum of interference with Tenant's normal business operations.

(c) If in Tenant's determination, Landlord shall not have performed any of the above obligations in strict compliance therewith, then Tenant may, but shall not be required to, undertake such obligations, and all costs and expenses incurred by Tenant as a result thereof may be deducted from any Rent or other payment due or to become due hereunder.

## **19. CONDEMNATION.**

In the event that a substantial part of the Leased Premises shall be taken or condemned through the exercise of the power of eminent domain, with or without litigation, or transferred by agreement in lieu thereof, and Tenant shall reasonably determine that the remaining portion of the Leased Premises is not suitable for Tenant's use and occupation for the purpose set forth in Section 2(a) of this Lease, Tenant may, upon giving written notice to Landlord within 10 days after the date of such taking, terminate this Lease, and Landlord shall refund any unearned Rent paid in advance by Tenant. If Tenant does not terminate this Lease, it shall continue in force as to the remaining portion of the Leased Premises, and the Rent shall be reduced, based upon the percentage of the Leased Premises so taken. In the event of a total taking of the Leased Premises by eminent domain, or transferred by agreement in lieu thereof, this Lease shall terminate. Tenant shall not be precluded from filing for damages from any condemning authority for its relocation expenses, the loss of equipment, the unamortized cost of all improvements made to the Leased Premises that were constructed or paid for by Tenant, and the loss of good will, to the extent that Tenant is entitled to such compensation under the laws of the State in which the Leased Premises are located.

## **20. QUIET ENJOYMENT.**

Landlord agrees and warrants that Tenant, so long as Tenant is not in default under this Lease, shall at all times during the Initial Term and any renewal terms of this Lease peaceably and quietly have, hold and enjoy the Leased Premises without disturbance by Landlord or any person claiming through Landlord. Further, Landlord shall have an affirmative duty to prevent any of its other tenants from impeding Tenant's peaceful and quiet enjoyment of the Leased Premises. Further, Landlord shall not lease any space within the Building and/or Project or any space that is within 500 yards of the Leased Premises to any party if any part or portion of such space will be

used or occupied, directly or indirectly, and shall expressly prohibit any such party from using the space for any of the following reasons or purposes: (i) adult book store, which shall include any store that sells, offers for sale or permits the viewing of sexually explicit printed materials, photographs, audio or video tapes, films, or sexual or erotic products or devices not commonly found in national chain pharmacies, or provides or permits sexually-oriented entertainment; (ii) pawn shop; (iii) tattoo parlor; (iv) any activity or use involving the sale, distribution, storage and/or dispensing of gasoline and/or petroleum products; (v) nightclub, discotheque or dance hall; (vi) facility for the sale or distribution of cannabis or any cannabis extract or derivative products and/or paraphernalia used for consumption of cannabis or any illicit drugs; (vii) auction hall or establishment conducting or permitting any fire, auction, going-out-of-business or bankruptcy sale; (viii) a bar, tavern or pub (which is defined as any establishment serving alcoholic beverages for on-premise consumption whose reasonable projected or actual annual gross revenues from the sale of alcoholic beverages exceeds 25% of the gross revenues of such business); (ix) billiard parlor or pool hall (unless ancillary to another permitted use); (x) video/pinball arcade or game room (unless ancillary to another permitted use); (xi) gambling or gaming establishment such as, without limitation, an off-track betting establishment, sport gambling, casino gambling or similar establishment; (xii) any purpose which includes the use of loud speakers, phonographs or other devices of similar nature in such a manner so as to be heard outside of the individual leased space; (xiii) any purpose which includes the preparation, manufacture or mixing of anything that might emit any objectionable odors or noises; (xiv) a funeral parlor or funeral home; (xv) any business which produces, stores, distributes or otherwise deals in hazardous materials; (xvi) a nail salon; (xvii) a dry cleaning business (unless such dry cleaning business uses cleaning systems that are non-toxic and non-smog forming or the business use is for drop-off and pick-up service and such cleaning is done off-site, which uses shall otherwise be permitted hereunder); (xviii) a liquor store; (xix) Goodwill® retail store and/or thrift store; (xx) a business that buys/sells firearms; (xxi) automotive maintenance or repair facility (including muffler and tire shops); or (xxii) any other similar uses generally deemed to be obnoxious, offensive or a nuisance and which could have a deleterious effect on Tenant's business.

## **21. NOTICES.**

Any notice, demand or communication called for under this Lease shall be in writing and shall be given, served or delivered by United States registered or certified mail, return receipt requested, postage prepaid, or by any nationally recognized overnight courier service guaranteeing next business day delivery and providing confirmation of delivery, or hand-delivered with a receipt and addressed (i) if to Tenant, [ADDRESS], (ii) if to Franchisor, Kiddie Academy Domestic Franchising, LLC, Kiddie Academy Corporate Offices, 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009, or (iii) if to Landlord, [ADDRESS]. All notices delivered in the foregoing manner shall be deemed delivered on the earlier of actual receipt or the date of the return receipt. A party's failure or refusal to accept delivery of a notice shall constitute delivery of such notice. Any party may designate a change of address by written notice to the other parties given as provided herein.

## **22. WAIVER.**

The failure of either party to require strict compliance with any provision of this Lease shall not constitute a waiver of any right or otherwise prevent either party from subsequently requiring strict compliance with any provisions hereof.

**23. WHOLE AGREEMENT.**

This Lease and the exhibits attached hereto and incorporated herein constitute the whole agreement between the parties and may not be amended except by a writing signed by both parties. When appropriate, words of one gender shall mean and include the other gender and the singular shall mean and include the plural, and vice versa. Section captions herein are for Landlord's and Tenant's convenience only, and neither limit nor amplify the provisions of this Lease. The terms, covenants and conditions of this Lease shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective legal representatives, successors and permitted assigns.

**24. COUNTERPARTS.**

This Lease may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Execution of a faxed or other electronic copy of this Lease shall be deemed an original.

**25. SIGNAGE.**

(a) Tenant shall be permitted to erect a sign on the exterior of the Building displaying Franchisor's service marks and the name of Tenant's business, the size of which shall equal the maximum size permitted by law. In addition, Tenant shall be permitted to maintain a sign displaying Franchisor's service marks and the name of Tenant's business on the existing monument or pylon. Nothing herein shall require the Landlord to violate any law, ordinance or regulation. Notwithstanding anything contained in the Lease to the contrary, Tenant shall be permitted to install window clings and/or tinting to the windows of the Leased Premises without Landlord's consent. Landlord acknowledges and agrees that all of Tenant's signage as specified in this Section shall be free of any and all visible obstruction of every kind and nature during the Term of this Lease. Further, throughout the Lease Term, Franchisor shall have a license to enter the Leased Premises to assure proper usage of its service marks, compliance with its other signage requirements and to make any modifications permitted by this Lease that Franchisor deems necessary.

**26. TERMINATION/EXPIRATION.**

Upon the termination or expiration of this Lease, Tenant shall surrender the Leased Premises to the Landlord in broom clean condition. Tenant shall have the right, but not the obligation, to remove any and all of the improvements and alterations made to the Leased Premises by Tenant or at Tenant's expense. Tenant shall remove any and all signs and other materials containing trademarks, service marks, trade names and/or copyrighted material of the Franchisor, provided that any damage to the Leased Premises resulting directly from such removals shall be repaired by Tenant at Tenant's expense. All moveable, personal property located within the Leased Premises shall be the property of Tenant and Tenant shall remove same from the Leased

Premises no later than the final day prior to the termination of the Lease. Landlord can elect to retain or dispose of in any manner any of the improvements and alterations made to the Leased Premises, or the personal property Tenant fails to remove from the Leased Premises upon termination of the Lease. Title to such improvements, alterations or personal property shall vest in Landlord and Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such improvements, alterations or personal property. Following the termination or expiration of this Lease or Tenant's vacating of the Leased Premises, Landlord will not use or permit anyone holding under it to use in the Leased Premises any trademark, service mark, tradename, sign or other indicia of the Franchisor or any trademark, service mark, tradename or sign which is similar enough as to cause confusion with that of the Franchisor. Notwithstanding anything to the contrary contained in this Section 26, Landlord shall provide Franchisor a period of 15 days after the termination or expiration of this Lease during which Franchisor shall be permitted to remove any and all of its personal property, signage and items containing Franchisor's name and service marks.

**27. PARKING.**

Throughout the Lease Term, Tenant shall have the exclusive [shared] use of the parking lot [with other tenants], [but shall have the exclusive use of the] sidewalks, driveways, entrances, exits [and specific parking spaces] as shown on the preliminary site plan attached hereto as Exhibit A. Throughout the Lease Term, Tenant shall have the exclusive use of no less than \_\_\_\_\_ parking spaces for the Business. Landlord represents, warrants and covenants that, at all times during the Lease, parking within the Project (and allocated to the Building) shall be in compliance with all applicable laws, codes, rules, regulations and the like.

**28. LANDLORD'S CONSENT.**

Whenever the consent or approval of Landlord is required under this Lease, such consent shall not be unreasonably withheld, conditioned or delayed.

**29. HOLDOVER.**

If Tenant shall remain in possession of the Leased Premises after the expiration or termination of the Lease Term, Tenant's occupancy shall be a month-to-month tenancy terminable on 30 days' written notice at any time by either party, at the rental rate applicable to the last month of the expired Lease Term and under all of the other terms, conditions and provisions hereof except those pertaining to the term of the Lease.

**30. SUBORDINATION AND NON-DISTURBANCE.**

Tenant shall, if so requested by Landlord, subordinate this Lease and the leasehold estate created hereunder to any future mortgage(s) created by one or more security interest filings entered into by Landlord or any future ground lease which cover the Building or the Land; provided however, that the mortgagee or ground lessor, as the case may be, shall deliver to Tenant at or prior to the time that this Lease becomes so subordinate a commercially reasonable non-disturbance agreement ("Non-Disturbance Agreement") in recordable form whereby Tenant, so

long as Tenant is not in default hereunder, may remain in possession of the Leased Premises pursuant to the terms hereof without any diminution of the Tenant's rights, including all rights and options to extend the term of this Lease, should Landlord become in default with respect to such mortgage(s) or ground lease or should the Leased Premises become the subject of any action to foreclose any mortgage or to dispossess Landlord. Further, within 60 days after the Effective Date of this Lease, Landlord shall, if requested by Tenant, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder(s) of any pre-existing mortgage(s) or ground lease which is secured by the Building or the Land. In the event that Landlord is unable to provide the signed Non-Disturbance Agreement within said 60-day period, then Tenant may, at Tenant's option, directly contact the holder(s) of the pre-existing mortgage(s) or ground lease to negotiate for the execution and delivery of a Non-Disturbance Agreement.

**31. BROKERS.**

Landlord shall indemnify Tenant and Franchisor for any claims made by any broker for any and all commissions and for any other fees, commissions or other remuneration regarding the Leased Premises.

**32. ESTOPPEL CERTIFICATE.**

Landlord and Tenant shall, at any time, upon not less than 20 days prior written notice from the other party, execute and deliver to the other party a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the Rent, and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed.

**33. CHOICE OF LAW AND INTERPRETATION.**

This Lease shall be interpreted, construed and governed by the law of the State in which the Leased Premises are situated without regard to conflict of law principles. Should any provisions of this Lease require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms of any such provision shall be more strictly construed against one party or the other by reason of the rule of construction that a document is to be construed most strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of all parties hereto have participated in the preparation of this Lease.

**34. ATTORNEYS' FEES.**

If, on account of any breach or default by Tenant or Landlord under the terms and conditions of this Lease, it shall become necessary or appropriate for either party to employ an attorney to enforce or defend any of its rights or remedies arising under this Lease, the losing party agrees to pay all of the prevailing party's reasonable attorney's fee so incurred.

**35. AMENDMENT OF LEASE.**

Notwithstanding anything to the contrary contained herein, Landlord and Tenant agree not to amend the Lease without the prior written consent of the Franchisor.

**36. ZONING AND DEVELOPMENT APPROVALS CONTINGENCY.**

This Lease is expressly contingent upon the satisfactory resolution of all zoning issues, the receipt of all development approvals and the receipt of a building permit (or similar document) from all relevant state and local governmental agencies for a child care center serving children ages six weeks to twelve years. Landlord must apply for such zoning approvals, development approvals and building permits as soon as is practicable after the Effective Date of this Lease. For any reason, should local governmental authority fail or refuse to grant the zoning approvals, development approvals or building permit to the Landlord within 180 days after the Effective Date of this Lease, then Tenant may terminate this Lease upon written notice to the Landlord. In the event of the termination of this Lease by written notice from Tenant to Landlord pursuant to this paragraph, all money previously paid by Tenant to Landlord, including any Security Deposit, shall be immediately returned to Tenant, and neither Landlord nor Tenant shall have any further liability hereunder or otherwise. All communications between Tenant and Landlord required under this Section are to be made in accordance with the provisions outlined in Section 21, Notices. Waiver or satisfaction by Tenant of the contingencies set forth in this Section 36 shall in no way impact or reduce Tenant's rights as set forth in Section 3(d) of this Lease for the failure for the Commencement Date to occur in a timely manner.

**37. INTENTIONALLY OMITTED.**

**38. FRANCHISOR AS THIRD-PARTY BENEFICIARY.**

Landlord and Tenant hereby acknowledge and agree that Franchisor is a third-party beneficiary to this Lease, that the provisions of this Lease bestowing rights upon Franchisor may be altered only with Franchisor's written consent and that in the event of a breach or infringement of the rights bestowed upon Franchisor hereunder, Franchisor may avail itself of any remedy available at law or at equity, including but not limited to, bringing suit directly against Landlord and/or Tenant.

**39. EXCLUSIVE.**

(a) Throughout the Lease Term, Landlord shall not lease or permit the use of any space in the [Building or the Project of which the Building is a part], or in any real estate project owned, managed or controlled by the Landlord that is within a three-mile radius of the Leased Premises, for any business operation that provides child care (temporary, part-time or full-time), child development, summer camp, before and after school activity, or educational services. Notwithstanding the above, Landlord (or any successor to Landlord under the Lease, whether by assignment, foreclosure, deed in lieu of foreclosure or otherwise) may purchase any property which may contain at the time of such purchase an existing child care, child development, summer camp, before and after school activity, or educational child care facility (or if at the time any

successor to Landlord acquires Landlord's interest in the Lease, such successor may at the time of such purchase own another property containing a child care, child development, summer camp, before and after school activity, or educational facility) without violating the foregoing exclusive.

(b) Should the covenants as contained herein be violated, Tenant shall provide Landlord with written notice of the same. Landlord shall have 30 days following such notice to remove the violation (the violating party being the "Competing Party"), and Landlord shall use best efforts to enjoin the Competing Party from violating the terms and conditions of this section. Should the Competing Party continue to violate this section beyond a 30 day period, then on the 31<sup>st</sup> day, and continuing until this Section is no longer violated, Tenant shall have the right to abate 100% of Rent, additional rent and all other sums and payments due from Tenant hereunder. Should this Section continue to be violated for a period of 12 months following Tenant's initial notice to Landlord, Tenant shall have the right, but not the obligation, to terminate this Lease. Tenant's right to abated Rent hereunder in the event of a violation of this Section shall in no way preclude Tenant pursuing other remedies against Landlord provided elsewhere in this Lease, at law or in equity.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties have caused these presents to be executed and delivered the day and year first above written.

**LANDLORD:**

**[ENTITY]**

BY: \_\_\_\_\_

[NAME, TITLE]

Date

**TENANT:**

**[ENTITY]**

BY: \_\_\_\_\_

[NAME, TITLE]

Date

**EXHIBIT A - PRELIMINARY SITE PLAN**

*(TO BE INSERTED PRIOR TO LEASE EXECUTION)*

**EXHIBIT B - RENT SCHEDULE**

**RENT:**

	<b>\$/SF</b>	<b>MONTHLY</b>	<b>ANNUALLY</b>
Mos. _____			
Mos. _____			
Year 2			
Year 3			
Year 4			
Year 5			
Year 6			
Year 7			
Year 8			
Year 9			
Year 10			
Year 11			
Year 12			
Year 13			
Year 14			
Year 15			

**OPTIONS:**

<b>OPTION #1</b>	<b>\$/SF</b>	<b>MONTHLY</b>	<b>ANNUALLY</b>
Year 16			
Year 17			
Year 18			
Year 19			
Year 20			

<b>OPTION #2</b>	<b>\$/SF</b>	<b>MONTHLY</b>	<b>ANNUALLY</b>
Year 21			
Year 22			
Year 23			
Year 24			
Year 25			

<b>OPTION #3</b>	<b>\$/SF</b>	<b>MONTHLY</b>	<b>ANNUALLY</b>
Year 26			
Year 27			
Year 28			
Year 29			
Year 30			

**EXHIBIT C-1 - KIDDIE ACADEMY® PROTOTYPE CONCEPT PLANS**

Notwithstanding the Kiddie Academy® Prototype Concept Plans, such plans shall be modified as follows:

- 

*(TO BE INSERTED PRIOR TO LEASE EXECUTION)*

**EXHIBIT C-2 - KIDDIE ACADEMY® DESIGN AND DEVELOPMENT  
SPECIFICATIONS**

*(TO BE INSERTED PRIOR TO LEASE EXECUTION)*

**EXHIBIT D - MEMORANDUM OF LEASE CONFIRMATION**

The undersigned, \_\_\_\_\_ ("Landlord"), and \_\_\_\_\_ ("Tenant"), hereby certify and represent as of the date of this Memorandum of Lease Confirmation, as follows:

1. That certain Lease between Landlord and Tenant (the "Lease"), for \_\_\_\_\_ square feet of building space, plus a fenced-in play area containing approximately \_\_\_\_\_ square feet, located at \_\_\_\_\_ (the "Leased Premises") is in full force and effect.
2. The initial term of the Lease commenced on \_\_\_\_\_.
3. The initial term of the Lease shall expire on \_\_\_\_\_.
4. Landlord and Tenant have agreed that the space contained within the Leased Premises totals \_\_\_\_\_ square feet for the purpose of calculating Rent as defined in Section 6 of the Lease.

**LANDLORD:** \_\_\_\_\_

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

**TENANT:** \_\_\_\_\_

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

*\* Upon mutual execution, a copy of this Memorandum of Lease Confirmation shall be sent to the Franchisor at the following address:*

***Kiddie Academy Domestic Franchising, LLC  
3415 Box Hill Corporate Center Drive  
Abingdon, MD 21009  
Fax: (410) 569-2729***

**EXHIBIT I**

**ADDENDUM TO FRANCHISE AGREEMENT (TRANSFERS)**

## ADDENDUM TO FRANCHISE AGREEMENT

### (Transfers)

THIS ADDENDUM to FRANCHISE AGREEMENT (Transfers) (the “**Addendum**”) is dated \_\_\_\_\_ and shall be attached to, and made a part of, the Franchise Agreement (the “**Franchise Agreement**”) by and between **Kiddie Academy Domestic Franchising, LLC** (the “**Franchisor**”), a limited liability company organized pursuant to the laws of the State of Delaware, and \_\_\_\_\_, a[n] [corporation] [limited liability company] [partnership] [other business entity] [individual] [individuals] [formed under the laws of \_\_\_\_\_] with [offices] [a principal place of residence] at \_\_\_\_\_ ([collectively referred to as] the “**Franchisee**”), pertaining to the open and operational Kiddie Academy Educational Child Care Franchise located at \_\_\_\_\_ (the “**Franchised Business**”). This Addendum will become effective on the date when all parties have signed it.

A. The Franchise Agreement is hereby modified as follows:

1. The following recital is inserted immediately following the last recital of the Franchise Agreement:

***WHEREAS**, the Franchised Business was previously established and has been operated by a previous Kiddie Academy franchisee (the “Seller”). Franchisee and the Seller have entered into an asset purchase agreement or similar contract whereby Franchisee has agreed to purchase the Franchised Business and become a Kiddie Academy franchisee as of the Transfer Date, defined in Exhibit A.*

2. Section 1.1 is hereby deleted in its entirety.
3. Section 1.2 is hereby deleted in its entirety and the following new Section 1.2 is inserted in its place:

#### **1.2 Franchised Business**

*Franchisor grants to Franchisee, upon the terms and conditions contained in this Agreement, the right, license, and privilege, and Franchisee undertakes and accepts the obligation, to develop, construct, and operate the Franchised Business at the location (the “Franchise Location”) set forth in Exhibit A-1, attached hereto and made a part hereof (“Exhibit A-1”). Franchisee shall use solely in connection with the Franchised Business the Marks and the Kiddie Academy System, as they may be periodically changed and further developed by Franchisor in its discretion.*

4. Section 2.1 is hereby deleted in its entirety and the following new Section 2.1 is inserted in its place:

#### **2.1 Franchise Term**

*Unless sooner terminated in accordance with the terms hereof, this Agreement will commence on the Transfer Date as set forth in Exhibit A-1 and expire on [DATE]*

*(the “Term”). In the event that the Franchise Location becomes owned by Franchisee or an affiliate subsequent to the Effective Date, the Term will automatically be extended so that it shall expire on the date which is 25 years from the Transfer Date.*

5. Section 2.2 is hereby deleted in its entirety and the following new Section 2.2 is inserted in its place:

**2.2 Lease or Purchase Agreement**

*Prior to or concurrent with the execution of this Agreement, Franchisee shall possess a leasehold interest in Franchise Location, even if Franchisee owns the Franchise Location, and the lease term must be for the entirety of the Term.*

6. Section 2.3 is hereby deleted in its entirety.

7. Section 4.2 is hereby deleted in its entirety.

8. The following is added at the end of Section 4.4:

*Within 180 days of the Transfer Date, and subject to the approval process set forth in this Agreement and Kiddie Academy Manuals, Franchisee, at Franchisee’s sole cost, shall replace all signs and materials at the Academy, including forms, shirts, and stationery at the Franchised Business to comply with Franchisor’s current logo, brand, and trade dress specifications and standards if such items are not in compliance with Franchisors then-current standards and specifications.*

9. Section 4.9 is hereby deleted in its entirety.

10. Section 5.1 is hereby deleted in its entirety.

11. Section 5.2 is hereby deleted in its entirety.

12. Section 5.3 is hereby deleted in its entirety.

13. Section 5.6 is hereby deleted in its entirety.

14. Section 7.1 is hereby deleted in its entirety and the following new Section 7.1 is inserted in its place:

**7.1 Administrative Fee**

*Upon execution of this Agreement, Franchisee shall pay to Franchisor an Administrative Fee (defined in Section 15.3.11 below) in the amount of \_\_\_\_\_ Dollars (\$\_\_.00).*

15. Section 7.2 is hereby deleted in its entirety.

16. Section 7.3 is hereby deleted in its entirety.

17. The third sentence of Section 8.1 is deleted in its entirety and replaced with the following:

*Franchisee (or if Franchisee is an entity, all of the entity's owners or Principals), shall complete the Franchisee Training Program within the time period designated by Franchisor.*

18. The first sentence of Section 12.1 is hereby deleted in its entirety and replaced with the following:

*On or before the Transfer Date, Franchisee will purchase a designated package of computer software and a prescribed package of accounting software to be used on a daily basis to maintain information regarding the operations, enrollment and financial status of the Franchised Business and to report such information to Franchisor or its designee, as specified by Franchisor in the Kiddie Academy Manuals or otherwise (the "Required Software").*

19. Section 13.1.1 is hereby deleted in its entirety and the new Section 13.1.1 is inserted in its place:

*Franchisee hereby further agrees that no later than 60 days after the Transfer Date, Franchisee will execute an initial advertising and marketing plan for the Franchised Business relating to the transfer or grand re-opening (as appropriate) of the Franchised Business and supporting Franchisee's efforts to maintain and increase enrollment at the Franchised Business (the "Marketing and Advertising Investment Program"). Franchisee and Franchisor shall agree to and Franchisee shall implement the Marketing and Advertising Investment Program which will, cost no less than \$10,000.00 up to a maximum of \$20,000.00, which shall be paid by the Franchisee.*

20. A new Section 28.6 is added:

#### **28.6 Conditional Effectiveness**

*The parties hereto acknowledge and agree that they have executed this Agreement prior to, and in contemplation of, Franchisee's acquisition of the assets of the Franchised Business pursuant to a purchase agreement in connection with a proposed sale of such assets to Franchisee by the Seller. The parties hereto further agree that (1) the effectiveness of this Agreement is conditioned on the completion of the sale of such assets as contemplated by Seller and Franchisee in the purchase agreement for such assets, Franchisee's completion of a due diligence review, and obtaining a child care license for the continued operation of the Franchised Business, and (2) in the event that Seller and Franchisee hereunder fail, for any reason whatsoever, to complete the acquisition of such assets or Franchisee fails to obtain funding for such acquisition, within 180 days of the Effective Date, then Franchisor or Franchisee shall have the right to terminate this Agreement upon written notice to the other party and in such event this Agreement shall be of no force or effect but the confidentiality and non-compete provision of this Agreement shall survive. Franchisee acknowledges and agrees that Franchisor shall not*

*be required to perform any of its obligations hereunder until Franchisee's acquisition of such assets is complete.*

B. Except as set forth in this Addendum, all other terms of the Franchise Agreement are unaffected and shall continue in full force and effect in accordance with its terms. If there is a conflict between this Addendum and the Franchise Agreement, the terms of this Addendum will prevail.

C. The terms and conditions of this Addendum and any discussions related thereto, are confidential and shall not be disclosed to any third party, except as shall be necessary to effectuate its terms. Any disclosure in violation of this section shall be deemed a material breach of the Franchise Agreement.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT J**

**GENERAL RELEASE AGREEMENT**

## GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (the “**Agreement**”) is made and entered into by and between **Kiddie Academy Domestic Franchising, LLC**, a Delaware limited liability company (the “**Franchisor**”) and \_\_\_\_\_, a [corporation] [limited liability company] [partnership] [other business entity] formed pursuant to the laws of \_\_\_\_\_ with offices at \_\_\_\_\_ (the “**Franchisee**”), and \_\_\_\_\_, [an adult individual][two adult individuals] with a principal place of residence at \_\_\_\_\_ ([individually and collectively referred to as] the “**Guarantors**”). Guarantors own and control all of the outstanding interests/shares of Franchisee.

### Recitals:

**WHEREAS**, pursuant to a Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”) entered into by and between Franchisor and Franchisee, Franchisee was granted the right and undertook the obligation to operate a Kiddie Academy Educational Child Care Franchise which has been developed and is operating, and which is located at \_\_\_\_\_ (the “**Academy**”); and

[**WHEREAS**, Guarantors personally guaranteed the obligations of Franchisee under the Franchise Agreement and agreed to be personally bound by, and personally liable for the breach of, each and every term, obligation, liability and covenant of the Franchisee under the Franchise Agreement. Guarantors continue to be liable as personal guarantors of Franchisee under the Franchise Agreement; and]

**NOW THEREFORE**, in consideration of the mutual agreements set forth below, and other valuable consideration, the receipt, adequacy, and sufficiency of which is hereby acknowledged, the Parties agree as follows:

### Agreement:

1. **Recitals Incorporated.** All of the above Recitals are incorporated herein by reference.

2. **Termination of Franchise Agreement.** Franchisee and Guarantor(s) hereby agree that the Franchise Agreement [expired on \_\_\_\_\_,] [shall terminate on \_\_\_\_\_,], which the parties to this Agreement acknowledge shall be the effective date of this Agreement (the “**Effective Date**”).

3. **Release by Franchisee [and Guarantor(s)].** The Franchisee and Guarantor(s) (individually and jointly) on behalf of themselves and their respective parents, subsidiaries, heirs, affiliates, successors, representatives, assigns, agents, employees, officers, attorneys, members and directors, and each of them (the “**Releasing Parties**”) hereby release[s] and forever discharge[s] Franchisor and its predecessors, heirs, affiliates, successors, representatives, assigns, agents, employees, officers, attorneys, members and directors, and each of them (the “**Released Parties**”), of and from all obligations, claims, debts, liabilities, causes of action costs, expenses, attorney’s fees, legal defenses, regulatory claims, actions, and causes of action of every nature, character and description, known or unknown, vested or contingent, and demands of any nature with respect to

any acts taken or omissions occurring prior to the date of this Agreement, including, but not limited to any and all obligations and claims arising out of or existing by reason of the Franchise Agreement or the termination thereof or any other agreement or other agreement or commitment among the parties hereto or their parents, subsidiaries and affiliates (the “**Claims**”), which the Releasing Parties now own[s] or hold[s], or has at any time heretofore owned or held, or may at any time own or hold, arising prior to and including the date of this Agreement. The Releasing Parties hereby acknowledge that this is a full and final release of the Released Parties for the Claims, whether known and unknown, disclosed or unanticipated, or suspected or unsuspected. The Releasing Parties further agree and covenant that they each will not directly or indirectly, file, initiate or commence any complaint, grievance, civil suit or action on the Claims released herein, including, but not limited to, lawsuits or proceedings before any federal or state agency(ies) against the Released Parties and the Releasing Parties agree to indemnify and hold harmless the Released Parties from any and all costs and expenses, including, but not limited to, attorneys’ fees, incurred as a result of a breach by any of the Releasing Parties of this covenant not to sue.

4. **Release of Unknown Claims.** It is the intention of the Releasing Parties that this Agreement is a general release which shall be effective as a bar to each and every claim, demand, or cause of action it releases. The Releasing Parties recognize that there may be some claim, demand, or cause of action against the Released Parties of which the Releasing Parties are unaware and unsuspecting which the Releasing Parties are giving up by execution of this Agreement. It is the intention of the Releasing Parties in executing this Agreement that it will deprive the Releasing Parties of each such claim, demand or cause of action and prevent the Releasing Parties from asserting it against the Released Parties. If Franchise (or any Guarantor) is a resident of the state of California, each shall also execute the California Release Addendum attached hereto as Exhibit 1.

5. **Termination of Franchisee’s Rights Under the Franchise Agreement.** As of the Effective Date, any and all of Franchisee’s [and Guarantor’s(s’)] rights to use the confidential information, methods, procedures, manuals, curricula, systems, techniques, forms, and/or training materials associated with Franchisor and/or the Kiddie Academy System pursuant to the Franchise Agreement shall immediately and permanently cease; however, nothing herein shall modify the terms or conditions of any franchise or other agreements that Franchisee and/or its Guarantors may have with Franchisor. The Parties expressly acknowledge that the provisions of the Franchise Agreement which by their operation, including but limited to the Franchisee’s [and Guarantor’s(s’)] indemnity obligations, shall survive termination of the Franchise Agreement and remain in full force and effect.

6. **Prior Monies Paid by Franchisee [and Guarantor(s)].** All sums previously paid to the Released Parties by Franchisee [and/or the Guarantors] pursuant to the Franchise Agreement or otherwise shall remain the property of Franchisor in consideration of the substantial expenses which have been incurred by Franchisor and the significant work performed by Franchisor in granting and servicing this Franchise, and for Franchisor’s lost or deferred opportunity to franchise others. Franchisee [and Guarantors] hereby waive any right, entitlement, and/or claim with respect to such monies.

7. **Warranties by Parties.** By executing this Agreement, the Releasing Parties represent and warrant that their representations herein are true and correct and that each of them has the right and authority to enter into and accept the terms and covenants of this Agreement, and that no third party has or claims an interest in any claim released by this Agreement.

8. **Injunctive Relief; Indemnification; Attorneys' Fees.** Franchisee [and Guarantor(s)] acknowledge[s] that a breach of any of the provisions of this Agreement will result in irreparable harm to Franchisor, and as such, Franchisee [and Guarantor(s)] consent[s] to an entry of equitable relief, including, but not limited to, a temporary or permanent injunction in the event of a breach or threatened breach of this Agreement by the Franchisee. Franchisee [and Guarantor(s)] shall indemnify Franchisor and its predecessors and employees, for any costs and expenses incurred as a result of the Franchisee's [and/or Guarantors'] breach of any term hereof, including reasonable attorneys' fees, expert witness fees, accounting fees, and all other costs incurred by Franchisor, its successor, and/or its employees, in prosecuting any claim which arise from or out of this Agreement and/or to defend against or any claims and/or counterclaims asserted by the Franchisee [and/or the Guarantor(s)].

9. **Entire Agreement.** This Agreement represents the complete, integrated and entire agreement between the parties, and may not be modified except by a writing signed by the parties hereto.

10. **Governing Law; Forum.** This Agreement shall be governed and interpreted by the laws of the State of Maryland, which laws shall be controlling in the event of any conflict of law. The parties agree that any action brought by either party against the other will be brought in a court of competent jurisdiction for Harford County, Maryland, and hereby waive any and all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

11. **Severability.** The provisions of this Agreement are severable, and in the event that any of them is held void and unenforceable as a matter of law, the remainder shall continue in full force and effect.

12. **Authority.** Each of the undersigned, if a corporation or limited liability company, hereby represents and warrants that, as of the date of execution of this Agreement, it is in good standing in the state of its incorporation, has the power to enter into this Agreement, has duly authorized the execution of this Agreement, and that each execution does not violate any other agreement to which it is a party.

13. **Confidentiality.** Franchisee and Guarantor(s) acknowledge and agree that the existence and all provisions of this Agreement, as well as all communications or negotiations relating thereto, are and shall remain confidential (the "**Confidential Information**"). Accordingly, Franchisee and all Guarantor(s) represent and agree that:

a. They have not disclosed or disseminated the Confidential Information to any third parties, except their respective legal counsel(s).

b. They shall not disclose or disseminate the Confidential Information to any third parties, except their respective legal counsel(s) or as required by applicable law.

c. If the Confidential Information is required to be disclosed by applicable law or government authority or order, the disclosing party shall notify Franchisor of such requirement and shall give the Franchisor an opportunity to seek a protective judicial order or other commitment to maintain the confidentiality of such Confidential Information prior to the disclosure thereof.

14. **Terms.** Unless otherwise defined herein or unless the context requires a contrary meaning, all capitalized terms used herein shall have the meaning ascribed to them in the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties have executed and delivered this General Release Agreement on the day and year written below. This Agreement shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

**GUARANTORS:**

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT 1 TO GENERAL RELEASE**  
**CALIFORNIA RELEASE ADDENDUM**

THIS CALIFORNIA RELEASE ADDENDUM (the “**Addendum**”) is attached to, and made a material part of, the General Release Agreement (the “**Release Agreement**”) entered into by and **Franchisor, Franchisee** [and **Guarantor(s)**] (as such parties are identified in the Release Agreement).

WHEREAS, Franchisee [and Guarantor(s)] (the “**Releasing Parties**”) understand and acknowledge that the law of the state of California generally prohibits the release of unknown claims;

WHEREAS, the Releasing Parties nevertheless desire to release such unknown claims and that the release granted by the Release Agreement be as broad as permitted by applicable law.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, sufficiency of which is hereby acknowledged, the Releasing Parties hereby agree as follows:

1. Release of Unknown Claims. It is the intention of the Releasing Parties that the Release Agreement is a general release which shall be effective as a bar to each and every claim, demand, or cause of action is thereby released. The Releasing Parties recognize that there may be some claim, demand, or cause of action against the Released Parties (as that term is defined in the Release Agreement) of which the Releasing Parties are unaware and unsuspecting which the Releasing Parties are giving up by execution of this Agreement. It is the intention of the Releasing Parties in executing this Agreement that it will deprive the Releasing Parties of each such claim, demand or cause of action and prevent the Releasing Parties from asserting it against the Released Parties. In furtherance of this intention, the Releasing Parties expressly waive any rights or benefits conferred by the provisions of Section 1542 of the Civil Code of the State of California (and/or similar provision(s) of any other jurisdiction), which provides that:

**“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or his/her settlement with the debtor.”**

2. Governing Law; Forum. This Addendum is entered into in the State of Maryland and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law. Further, the parties agree that any action brought by either party against the other will be brought in a court of competent jurisdiction for Harford County, Maryland, and hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3. Binding Effect. This Addendum shall inure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns.

4. Counterparts. This Addendum may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

5. Right to Legal Counsel. Releasing Parties hereby acknowledge that they have read the terms stated herein and have had an opportunity to consult legal counsel with respect thereto.

**IN WITNESS WHEREOF**, the parties to this Addendum have duly executed and delivered this Addendum on the day and year written below. This Addendum shall become effective on the date executed by Franchisor (the “**Effective Date**”),

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

**GUARANTORS:**

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**EXHIBIT K**

**[Intentionally Omitted]**



**EXHIBIT L**

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*This Operations Manual is the property of Essential Brands Inc. It is confidential and is only for the use of Kiddie Academy Franchisees and their authorized employees. Unauthorized use of the information contained herein is strictly prohibited.*

*Kiddie Academy is a registered trademark of Essential Brands, Inc.*

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**EXHIBIT M**

**LIST OF FRANCHISEES**

## Open Franchised Academies as of 12/31/2023

ACADEMY NAME	ENTITY	CONTACT	ADDRESS	CITY	STATE	ZIP	PHONE NUMBER
Birmingham	KA Birmingham, LLC	c/o Melissa Brockman	5412 Highway 280	Birmingham	AL	35242	(205) 644-8585
Little Rock	The Apple of God's Eye, Inc.	c/o Abbey Oluwa	610 Wellington Hills Road	Little Rock	AR	72211	(501) 588-3014
North Phoenix	Scottsdale Children's Academy, LLC	c/o Rachael Cerreta	4250 West Pinnacle Peak Road	Glendale	AZ	85310	(623) 580-1303
Almaden Valley	Keyz Enterprise LLC	c/o Richard Kowalczyk	16607 Almaden Expressway	San Jose	CA	95120	(408) 752-4803
Brentwood- CA	My Prem LLC	c/o Vijay Khare	8680 Brentwood Boulevard	Brentwood	CA	94513	(925) 683-3369
Buena Park	KA Preschool of Buena Park	c/o Joseph Haikal	7501 Commonwealth Avenue	Buena Park	CA	90621	(949) 562-8749
Chino Hills	Frank and Lin Educational	c/o Baoyu Zhu	15861 Pomona Rincon Road	Chino Hills	CA	91709	(909) 529-6661
Claremont	Kidz Playhouse Inc.	c/o Carmen Millner	663 East Foothill Boulevard	Claremont	CA	91711	(909) 621-5112
Corona	Epic Early Learning LLC	c/o Nemi Kotadiya	3977 Bedford Canyon Road	Corona	CA	92883	(951) 444-7434
Costa Mesa	KA Preschool of Costa Mesa	c/o Joseph Haikal	1815 Anaheim Avenue	Costa Mesa	CA	92627	(949) 287-6261
Cupertino	Child Care, LLC	c/o Maheswaran Rajasekharan	19875 Stevens Creek Boulevard	Cupertino	CA	95014	(408) 517-0454
Diamond Bar	Banyan Tree Academy, Inc.	c/o Tina Anand	21385 Cold Spring Lane	Diamond Bar	CA	91765	(909) 444-4848
Fontana	BDH Learning Center, Inc.	c/o Elizabeth Holmes	11117 Sierra Avenue	Fontana	CA	92337	(909) 822-7700
Glendora	Beth's Learning Center, LLC	c/o Elizabeth Holmes	1339 South Grand Avenue	Glendora	CA	91740	(626) 691-0242
Huntington Beach	KA Preschool of Huntington Beach	c/o Sonya Haikal	19342 Beach Boulevard	Huntington Beach	CA	92648	(714) 968-0078
Irvine	Ka Preschool of Irvine Corporation	c/o Joseph Haikal	16655 Noyes Avenue	Irvine	CA	92606	(949) 660-0005
La Verne	B&D Learning Center, Inc.	c/o Elizabeth Holmes	931 Baseline Road	La Verne	CA	91750	(909) 392-3333
Livermore	My PLK, LLC	c/o Rishu Khare	1400 North Vasco Road	Livermore	CA	94551	(925) 292-1948
Mission Viejo	LiCare Mission Viejo LLC	c/o Elizabeth Li	25521 Muirlands Boulevard	Mission Viejo	CA	92691	(949) 380-6868
Morgan Hill	Appletree Learning Center, LLC	c/o Rose Chin	15750 Monterey Road; Suite 150	Morgan Hill	CA	95037	(408) 776-6800
Mountain View	Kiddie Centre of Mountainview, Inc.	c/o Bala Sahejpal	205 East Middlefield Road	Mountain View	CA	94043	(650) 960-6900
Murrieta	Kiddie Academy of Murrieta, Inc.	c/o David Holmes	41755 Juniper Street	Murrieta	CA	92562	(951) 600-0545
Oakley	My Pluto, LLC	c/o Vijay Khare	1620 Neroly Road	Oakley	CA	94561	(925) 261-6717
Oceanside	Marangely's Kids Inc.	c/o Mike Garcia	3766 Mission Avenue; Suite 110	Oceanside	CA	92058	(760) 439-5552
Pasadena	KA of Pasadena, Inc.	c/o Jennifer Moore	169 N. Halstead Street	Pasadena	CA	91107	(626) 606-2800
Rancho Cucamonga	DBH Learning Center Inc.	c/o Elizabeth Holmes	7220 Victoria Park Lane	Rancho Cucamonga	CA	91739	(909) 891-8700
Roseville	Beth's Roseville Academy, Inc.	c/o David Holmes	5100 Foothills Boulevard	Roseville	CA	95747	(916) 789-1122
San Jose	San Jose Child Care; LLC	c/o Ravinder Gaud	521 West Capitol Expressway	San Jose	CA	95136	(408) 978-1500
Santa Ana	KA Preschool of Santa Ana, Inc.	c/o Joseph Haikal	1345 N Grand Avenue	Santa Ana	CA	92701	(657) 212-5536
Tustin	Kiddie Academy of Tustin	c/o Sonya Haikal	14501 Newport Avenue	Tustin	CA	92780	(714) 508-0005
Vacaville	My Pinocchio Inc.	c/o Rishu Khare	880 Alamo Drive	Vacaville	CA	95688	(707) 446-4222
Yorba Linda	ABC Kids Academy, Inc.	c/o Damanjot Walia	18633 Yorba Linda Boulevard	Yorba Linda	CA	92886	(714) 660-6111
Aurora	Tuckersnell Academies of Aurora, -CL, LLC	c/o Eion Snell	21950 East Quincy Avenue	Aurora	CO	80015	(303) 529-1605
Columbine	KA of Columbine, LLC	c/o Ryan Orahood	6650 W Ken Caryl Avenue	Littleton	CO	80128	(720) 826-4978
Denver-Boulevard One	KA Lowry OE von Mule LLC	c/o Adam Muhleisen	7100 E 1st Avenue	Denver	CO	80230	(720) 702-0222
Erie	JT Stars, LLC	c/o Jeffrey Haverkate	641 Mitchell Way	Erie	CO	80516	(303) 828-1030
Lone Tree	Kapadia Associates Ltd	c/o Hemant Kapadia	7372 Rattlesnake Drive	Lone Tree	CO	80124	(720) 805-3500
Rocky Hill	Tomorrow's Promise, LLC	c/o Natalia Doran	158 New Britain Avenue	Rocky Hill	CT	06067	(860) 436-5307
Washington DC - West End	DC Kids LLC	c/o Ksenia Sazanova	1227 25th Street, NW Suite 101	Washington	DC	20037	(202) 803-2494
Middletown	JRMC Learning Services LLC	c/o Janel Work	915 Boyds Corner Road	Middletown	DE	19709	(302) 376-5112
Apopka	K.A. of Apopka, LLC	c/o Mauricio Fracon	2334 East Semoran Boulevard	Apopka	FL	32703	(407) 614-0085
Bloomington	Longworth LLC	c/o Kaitlin Longworth	1283 Bloomington Avenue	Valrico	FL	33596	(813) 540-3446
Carrollwood	Little Leaders, Inc.	c/o Juan Figueredo	15320 Casey Road	Tampa	FL	33624	(813) 264-2378
Clermont	K.A. of Clermont, LLC	c/o Mauricio Fracon	1710 S Highway 27	Clermont	FL	34711	(352) 989-5894
Coral Springs	Kim and Schill LLC	c/o Kimberly Martin	5876 Wiles Road	Coral Springs	FL	33067	(954) 684-5437
Gainesville - FL	Carmon Kids, LLC	c/o Shanie Carmon	6476 SW 75th Street	Gainesville	FL	32608	(352) 264-7724
Hunters Creek	K.A. of Hunters Creek LLC	c/o Mauricio Fracon	475 East Town Center Boulevard	Orlando	FL	32824	(407) 664-2073
Lake Nona	K.A. of Lake Nona, LLC	c/o Mauricio Fracon	11709 Narcoossee Road	Lake Nona	FL	32832	(407) 316-2354
Lakewood Ranch	Honorable Rose LLC	c/o Sandy Marchena	4225 Concept Court	Bradenton	FL	34211	(941) 727-9072

ACADEMY NAME	ENTITY	CONTACT	ADDRESS	CITY	STATE	ZIP	PHONE NUMBER
Longwood-Lake Mary	JOT Childcare Inc.	c/o Ted Cockram	905 Longwood Hills Road	Longwood	FL	32750	(407) 332-0045
Oakland	K.A. of Oakland, LLC	c/o Mauricio Fracon	15708 West Colonial Drive	Winter Garden	FL	34787	(407) 961-6060
Orlando-Conway	A15 Investments, Inc.	c/o Mauricio Fracon	3215 South Conway Road	Orlando	FL	32812	(407) 601-3366
Oviedo	K.A. of Oviedo, LLC	c/o Daniel Aguiar de Melo	2305 Via Loma Drive	Oviedo	FL	32765	(407) 554-3816
Pensacola	KA of Pensacola, LLC	c/o Ryan Peat	35 New Market Street	Cantonment	FL	32533	(850) 754-1776
Plantation	Kiddie Central Park Place, LLC	c/o Judy Meair	9621 West Broward Boulevard	Plantation	FL	33324	(954) 476-9706
Port St. Lucie	PSL Associates Corp	c/o Angeline Monreal	3411 SW Darwin Boulevard	Port St Lucie	FL	34953	(772) 807-7171
Sanford-Heathrow	JOT Dos, LLC	c/o Ted Cockram	92 North Oregon Street	Sanford	FL	32771	(407) 732-0088
St Johns	First Coast Kids, Inc	c/o Joseph Geronimo	14975 Walden Springs Way	Jacksonville	FL	32258	(904) 647-9186
Westchase	KIDED Consultants LLC	c/o Murali Katipalli	12101 West Hillsborough Avenue	Tampa	FL	33635	(813) 816-0816
Winter Garden	Just B Clause, LLC	c/o Bill Collins	15806 Shaddock Drive	Winter Garden	FL	34787	(407) 863-2147
Winter Park	K.A. of Winter Park, LLC	c/o Mauricio Fracon	420 S. Orlando Avenue	Winter Park	FL	32789	(407) 664-2072
Wiregrass Ranch	Rojas Family Holdings, LLC	c/o Javier Rojas	2900 Hueland Pond Boulevard	Wesley Chapel	FL	33543	(813) 702-5656
Alpharetta	Adroit Education Services, Inc.	c/o Shweta Sharma	3200 North Point Parkway	Alpharetta	GA	30005	(770) 417-8194
Cumming	Land of Tots, LLC	c/o Vishal Patel	450 Brannon Road	Cumming	GA	30041	(470) 253-7114
Dacula	Education Village, Inc.	c/o Gregory Washington	1162 Auburn Road	Dacula	GA	30019	(770) 277-2200
Dunwoody-Chamblee	Little Hands, LLC	c/o Gowri Shanker Sama	4231 North Peachtree Road	Chamblee	GA	30341	(470) 610-0060
Johns Creek	SMPS Investment LLC	c/o Vikram Kansara	10100 Medlock Bridge Road	Johns Creek	GA	30097	(770) 864-5455
Midtown	Goyal Care, LLC	c/o Harsh Goyal	516 Ponce De Leon Avenue NE	Atlanta	GA	30308	(404) 986-8986
Smyrna	KA Scholars, LLC	c/o Shannon Whitehead	3383 South Cobb Drive	Smyrna	GA	30080	(470) 785-3800
Suwanee	Kuruvilla Holdings, LLC	c/o Sruthy Kuruvilla	1446 Satellite Boulevard	Suwanee	GA	30024	(470) 822-3344
Honolulu	Fort Weaver Enterprises, Inc.	c/o Christopher Weaver	1132 Bishop Street	Honolulu	HI	96813	(808) 238-9212
Urbandale	KA of Urbandale LLC	c/o Randy Schmitz	14101 Douglas Parkway	Urbandale	IA	50323	(515) 850-2900
Algonquin	Kiddie's Play Group VI, LLC	c/o Saj Rizvi	2420 Hamish Drive	Algonquin	IL	60102	(847) 458-0200
Arlington Heights	Cultivating Young Minds LLC	c/o Preeti Gulati	880 West Dundee Road	Arlington Heights	IL	60004	(847) 603-4500
Batavia	Kiddie's Play Group LLC	c/o Saj Rizvi	2201 Main Street	Batavia	IL	60510	(630) 761-4500
Bolingbrook	SEAL of Excellence Academy LLC	c/o Kathryn Moore	540 West Boughton Road	Bolingbrook	IL	60440	(630) 679-9400
Carpentersville	Edu Kare, Inc.	c/o Carol Siqueira	112 Tay River Drive	Carpentersville	IL	60110	(847) 844-8600
Crystal Lake	Life's Little Treasures Corp	c/o Gloria Montemayor	720 Cog Circle	Crystal Lake	IL	60014	(815) 893-0924
Darien	Blue Bear Academy LLC	c/o Kathryn Moore	1502 75th Street	Darien	IL	60561	(630) 541-8250
Frankfort	JAK Academy LLC	c/o Jesse Alvarez	9473 West St. Francis Road	Frankfort	IL	60423	(815) 277-2506
Glenview	Bright Beginnings, Inc.	c/o Carol Siqueira	662 Waukegan Road	Glenview	IL	60025	(847) 729-6200
Grayslake	Gurukul of Grayslake LLC	c/o Anupreet Saini	807 Barron Boulevard	Grayslake	IL	60030	(847) 729-6200
Gurnee	Gurukul, LLC	c/o Anupreet Saini	1555 Nations Drive	Gurnee	IL	60031	(847) 596-3052
Hawthorn Woods	Corcica, Inc.	c/o Chidebelu Ufodike	105 Roman Lane	Hawthorn Woods	IL	60047	(224) 662-0900
Itasca	Play Laugh Learn, LLC	c/o Kunjan Shah	1133 North Prospect Avenue	Itasca	IL	60143	(630) 634-5500
Lemont	Masters in Education Incorporated	c/o Kelly Harper	15907 127th Street	Lemont	IL	60439	(630) 914-9990
Lincoln Square-Ravenswood	Kiddie's Play Group XIV, LLC	c/o Saj Rizvi	4874 N. Lincoln Avenue	Chicago	IL	60625	(773) 334-0100
Mount Prospect	KA Chicago, LLC	c/o Preeti Gulati	920 Perimeter Drive	Mount Prospect	IL	60056	(847) 232-8200
Naperville	Kiddie's PlayGroup III, LLC	c/o Saj Rizvi	2828 Patriot's Lane	Naperville	IL	60563	(630) 416-8000
New Lenox	IKIDS, Inc.	c/o Gloria Garza	674 Cedar Crossings Drive	New Lenox	IL	60451	(779) 803-2300
Oakbrook Terrace	Kiddie's Play Group XIII, LLC	c/o Saj Rizvi	17W725 Roosevelt Road	Oakbrook Terrace	IL	60181	(630) 932-2900
Oswego	Kiddie's Play Group V, LLC	c/o Saj Rizvi	1580 Douglas Road	Oswego	IL	60543	(630) 554-1100
Park Ridge	Knowledge Essentials, Inc.	c/o Carol Siqueira	111 South Washington Avenue	Park Ridge	IL	60068	(847) 692-5000
Plainfield	New Horizon Academy LLC	c/o Sami Uddin	13703 South Route 59	Plainfield	IL	60544	(815) 609-0900
Schaumburg	KIDDIE'S PLAYGROUP IX, LLC	c/o Saj Rizvi	1121 East Higgins Road	Schaumburg	IL	60173	(630) 507-9100
St. Charles	Little Beginnings LLC	c/o Khurram Malik	2651 Woodward Drive	St Charles	IL	60175	(630) 855-4410
Streamwood	Kiddie's Play Group; LLC	c/o Saj Rizvi	1040 S. Sutton Rd.	Streamwood	IL	60107	(630) 497-0200
Carmel Westfield	K.A. of Carmel Westfield, LLC	c/o Luciana Madsen	1367 South Waterleaf Drive	Westfield	IN	46074	(317) 688-1525

ACADEMY NAME	ENTITY	CONTACT	ADDRESS	CITY	STATE	ZIP	PHONE NUMBER
Chatham Hills – Westfield	Pritchard Enterprises, Inc.	c/o Kelley Pritchard	1324 Chatham Commons Boulevard	Westfield	IN	46074	(317) 343-0654
Crown Point	KA Crown Point Inc	c/o Rahul Patel	1000 North Main Street	Crown Point	IN	46307	(219) 281-3500
Fishers	Little Leaders, Inc.	c/o Teffenie Davies	11703 Olio Road	Fishers	IN	46037	(317) 596-1300
Fort Wayne	Khan Kidz Academy, LLC	c/o Hajira Khan	11627 Coldwater Road	Fort Wayne	IN	46845	(260) 619-3903
Greenwood	K.A. of Greenwood, LLC	c/o Mauricio Fracon	626 South Morgantown Road	Greenwood	IN	46142	(463) 626-8317
Munster		Rahul Patel	10419 Calumet Court	Munster	IN	46321	(219) 595-8400
Southwest Fort Wayne	KHAN KIDZ ACADEMY 2, LLC	c/o Hajira Khan	9336 Illinois Road	Fort Wayne	IN	46804	(260) 440-3601
Louisville-East	Nourish, Develop, Grow L.L.C.	c/o Brenda Cahill	8013 Brownsboro Road	Louisville	KY	40241	(502) 515-0600
Burlington	Patel's KA of Burlington, LLC	c/o Dipika Patel	209 Middlesex Turnpike	Burlington	MA	01803	(781) 362-4755
Cambridge	YeeJac Enterprises, LLC	c/o Elaine Ho	299 Prospect Street	Cambridge	MA	02139	(617) 945-0021
Framingham	Together We Learn, LLC	c/o Esther Waworuntu	1292 Worcester Road	Framingham	MA	01702	(508) 270-2700
Stoughton	Together We Learn of Stoughton, LLC	c/o Esther Waworuntu	1204 Washington Street	Stoughton	MA	02072	(781) 341-2240
Annapolis	KA Annapolis LLC	c/o David Rost	1919 West Street	Annapolis	MD	21401	(410) 571-4718
Arnold	Arnold Academy, LLC	c/o Nirali Patel	443 College Parkway	Arnold	MD	21012	(410) 315-7552
Columbia	Learning to Lead LLC	c/o Hemang Patel	5550 Sterrett Place	Columbia	MD	21044	(410) 740-9000
Elkridge	Patel Academy, LLC	c/o Nirali Patel	6534 Old Waterloo Rd	Elkridge	MD	21075	(410) 799-7722
Elkton	Burkley Group, LLC	c/o Wendy Burkley Gray	100 Kiddie Lane	Elkton	MD	21921	(410) 398-1110
Ellicott City	Learning With Love Academy, LLC	c/o Janaki Patel	10035 Baltimore National Pike	Ellicott City	MD	21042	(410) 313-8898
Gaithersburg	Shraddha, Inc.	c/o Namita Shah	15895 Gaither Drive	Gaithersburg	MD	20877	(301) 978-7468
Hanover	KA of Hanover, LLC	c/o Yusuf Patel	1492 Dorsey Road	Hanover	MD	21076	(410) 205-8611
Kent Island	D Barnhart, LLC	c/o Dana Barnhart	113 St. Claire Place	Stevensville	MD	21666	(410) 643-3932
Lanham	Little Bright Star Toddler's Center, LLC	c/o Mamatha Dasari	9845 Greenbelt Road	Lanham	MD	20706	(240) 241-4925
Laurel	LEARNING TO INSPIRE, LLC	c/o Hemang Patel	8101 Sandy Spring Road, Suite 102	Laurel	MD	20707	(301) 317-5330
Locust Point	Baltimore Little Bright Star Toddler Center, LLC	c/o Mamatha Dasari	1215 East Fort Avenue	Baltimore	MD	21230	(667) 930-3677
Millersville	Millersville, L.L.C.	c/o David Rost	8198 Old Jumpers Hole Road	Pasadena	MD	21122	(443) 343-2229
New Market	BAL GOKUL LLC	c/o Krupesh Patel	10800 Finn Drive	New Market	MD	21774	(240) 915-2022
North Bel Air	Yogi's KA Bel Air North, LLC	c/o Vaishalibahen Patel	510 Bynum Road	Forest Hill	MD	21050	(410) 684-3131
Odenton	Elabis Ventures; LLC	c/o Abisola (Abi) Elabanjo	1114 Town Center Boulevard	Odenton	MD	21113	(410) 674-6746
Owings Mills	Inspiring Young Minds, LLC	c/o Hemang Patel	8890 McDonogh Road	Owings Mills	MD	21117	(667) 577-0004
Silver Spring	Balbhav, LLC	c/o Rakhi De	811 Sligo Avenue	Silver Spring	MD	20910	(240) 705-8200
Urbana	SVARA LLC	c/o Namita Shah	3401-D Urbana Pike	Urbana	MD	21704	(240) 341-0588
Rochester Hills	DSD Learning Center, Inc.	c/o Don Parker	2600 South Livernois Road	Rochester Hills	MI	48307	(248) 289-1458
Wyoming	AuSeLu, LLC	c/o Ricardo Luna	4180 56th Street SW	Wyoming	MI	49418	(616) 500-0777
Edina	Jacks Sports Marketing LLC	c/o Robert Blanton	7711 Computer Avenue	Edina	MN	55435	(952) 777-7980
Chesterfield	St. Louis Childcare, LLC	c/o Thomas Keller	13133 Manchester Road	St. Louis	MO	63017	(314) 394-2800
Des Peres	St. Louis Childcare, LLC - Des Peres	c/o Thomas Keller	13134 Manchester Road	St. Louis	MO	63131	(314) 394-2800
O'Fallon	Concord Properties, LLC	c/o Laura Eads	4088 Winghaven Boulevard	O'Fallon	MO	63368	(636) 265-3444
Asheville	Funiversity of Asheville, Inc.	c/o Vladimira Lorenz	22 Walden Ridge Drive	Asheville	NC	28803	(828) 309-0949
Brier Creek	Cas Management, LLC	c/o Cathy Cummings	9920 Sellona Street	Raleigh	NC	27617	(919) 536-7100
Cary	ALPHABETZEE INC	c/o Mamta Chandak	1450 Tryon Manor Drive	Cary	NC	27518	(919) 803-5000
Charlotte-Blakeney	Future Scholars of Blakeney, LLC	c/o David Willis	9310 Blakeney Center Drive	Charlotte	NC	28277	(704) 543-5581
Charlotte-Highlands	Educare Endeavors, Inc	c/o Jonathan Ramsey	3015 Warner Glen Drive	Charlotte	NC	28269	(980) 357-5437
Cornelius	JAI AMBA MAA (JAM) Cornelius Academy, LLC	c/o Jayant Patel	17026 Kenton Drive	Cornelius	NC	28031	(704) 970-9000
Fuquay-Varina	Wake Kids, Inc.	c/o Brian Dorr	610 Lakestone Commons Avenue	Fuquay-Varina	NC	27526	(919) 577-5588
Harrisburg	Jaymaharaj9, LLC	c/o Krushani Patel	3630 Hwy 49 S	Harrisburg	NC	28075	(704) 774-6777
Morrisville	LTM Child Care Services, Inc.	c/o Leslie Musa	2000 Carrington Mill Boulevard	Morrisville	NC	27560	(919) 234-6972
Wake Forest	KAWF Corp.	c/o Suchita Gaitonde	945 Gateway Commons Circle	Wake Forest	NC	27587	(984) 251-1550
West Cary	KA of West Cary, Inc.	c/o Taisha Vazirani	7350 O'Kelly Chapel Road	Cary	NC	27519	(919) 592-3646
Wilmington	Soleil Learning Development LLC	c/o Carly Nunalee	7633 Market Street	Wilmington	NC	28411	(910) 742-4344

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Wilmington South Campus	Etoile Learning Development, LLC	c/o Carly Nunalee	2310 Canterwood Drive	Wilmington	NC	28401	(910) 232-0881
Elkhorn	KA Elkhorn, LLC	c/o Alyssa Garth	1111 South 206th Circle	Elkhorn	NE	68022	(402) 619-8549
Gretna		Alyssa Garth	18506 Oakmont Drive	Omaha	NE	68136	(402) 819-5043
Windham	Joshi's LLC	c/o Chakshu Joshi	156 Haverhill Road	Windham	NH	03087	(603) 882-5434
Bridgewater	Kiddie Vision LLC	c/o Kiren Patel	348 US Route 22 East	Bridgewater	NJ	08807	(908) 842-0020
Cedar Knolls	Wisdom Rose, LLC	c/o Melodie Marchena	201 Ridge Avenue	Cedar Knolls	NJ	07927	(973) 532-2322
Colonia	KA at Colonia LLC	c/o Joanne Johnson	302 West Inman Avenue	Colonia	NJ	07067	(732) 800-8818
Delran Township	S and R Waszazak Inc.	c/o Stephanie Waszazak	2908 Route 130	Delran	NJ	08075	(856) 764-1300
East Brunswick	KA East Brunswick Inc.	c/o Rick Burghli	560 Ryders Lane	East Brunswick	NJ	08816	(732) 254-7700
Eatontown	Prima Partners, LLC	c/o Pratik Raimugia	105 Clinton Avenue	Eatontown	NJ	07724	(732) 935-9400
Fairlawn	KA of Fair Lawn, LLC	c/o Doolesh Patel	16-00 Pollitt Drive	Fair Lawn	NJ	07410	(201) 773-1616
Florham Park	Future Leaders of NJ, LLC	c/o Renuka Patel	128 Columbia Turnpike	Florham Park	NJ	07932	(973) 399-2200
Freehold	Radoste, LLC	c/o Dina Finkelstein	45 Gibson Place	Freehold	NJ	07728	(732) 683-2086
Hamilton	Quakerbridge Early Learning LLC	c/o Pamela Maxwell	3848 Quakerbridge Road	Hamilton	NJ	08619	(609) 588-8808
Hamilton Park	KA of Hamilton Park, LLC	c/o Renuka Patel	255 Brunswick Street	Jersey City	NJ	07302	(201) 241-4443
Hamilton-Yardville	AmandaK2 Corporation	c/o Karyn Jarzyk	621 US Highway 130	Hamilton Square	NJ	08691	(609) 438-7040
Hillsborough	SR Childcare, LLC	c/o Ananth Rao	716 Route 206	Hillsborough	NJ	08844	(908) 857-4220
Lapatcong	The Linn Group, Inc.	c/o Bharat Patel	424 Route 57	Lopatcong	NJ	08865	(908) 827-2001
Marlton	LBT's Family Biz, Inc.	c/o Karyn Jarzyk	101 Merchants Way	Marlton	NJ	08053	(856) 446-3500
Monroe	Bhatia Ventures, LLC	c/o Sonica Bhatia	400 Market Street	Monroe	NJ	08831	(732) 992-8004
Montville	KA Montville LLC	c/o Bernhard Klein	350 Main Road	Montville	NJ	07045	(973) 917-3220
Neptune	Rea Childcare Center, LLC	c/o Amy Weiss	3443 Route 66	Neptune City	NJ	07753	(732) 918-8400
North Brunswick	Burghli Inc.	c/o Rick Burghli	2400 Route 27	North Brunswick	NJ	08902	(732) 422-2900
Robbinsville	Little Flower Academy LLC	c/o Bhavesh Desai	1412 Route 130	Hightstown	NJ	08520	(609) 224-1177
Runnemede	-	Antonio Serrano, Jr.	835 East Clements Bridge Road	Runnemede	NJ	08078	(856) 939-1717
Rutherford	Prima Partners, LLC	c/o Murtuza Attaar	306 Union Avenue	Rutherford	NJ	07070	(201) 765-8800
Secaucus	Future Leaders of NJ, LLC	c/o Renuka Patel	1006 Riverside Station Boulevard	Secaucus	NJ	07094	(201) 706-3626
Sparta	J-mal; Inc.	c/o George Malanga	233 Sparta Avenue	Sparta	NJ	07871	(973) 726-8766
Springfield	SHIKSHAALAY, LLC	c/o Mihir Desai	25 Route 22 East	Springfield	NJ	07081	(973) 315-3177
Swedesboro	Center Square Childcare LLC	c/o Nilay Shah	1980 Township Line Road	Swedesboro	NJ	08085	(856) 241-2330
Upper Freehold	Elsal Early Child Development LLC	c/o Naylor Larane	5 Allyson Way	Allentown	NJ	08501	(609) 208-2530
Watchung Square	Mount Phoenix, Inc.	c/o Yi Yang	325 North Drive	North Plainfield	NJ	07060	(908) 769-5437
West Caldwell	Perkins Daycare Centers LLC	c/o Andrew Perkins	810 Passaic Avenue	West Caldwell	NJ	07006	(973) 227-4382
North Albuquerque	ILM, LLC	c/o Jaymini Chandarana	7010 Alameda Boulevard North East	Albuquerque	NM	87113	(505) 359-0000
Paradise Hills	TALIM, LLC	c/o Aleem Hasham	4590 Paradise Boulevard NW	Albuquerque	NM	87114	(505) 435-4335
Mountains Edge	Green Frog LLC	c/o Gurdev Kular	9650 S Fort Apache Road	Las Vegas	NV	89178	(725) 238-2500
Centennial Hills	Jerrico Holdings Centennial Hills, LLC	c/o Ricardo Mogollon	6180 N Durango Drive	Henderson	NV	89149	(702) 840-1041
Henderson	Jerrico Holdings, LLC	c/o Jerry Nesbit	870 Coronado Center Drive	Henderson	NV	89052	(702) 333-1177
South Reno	Ethereal Holdings Inc	c/o Erin Sizelove	550 Maestro Drive	Reno	NV	89511	(775) 502-0200
Albany	King of the Hill Industries, Inc.	c/o Lauren Halse	13 Columbia Circle	Albany	NY	12203	(518) 452-3344
Bethpage	Bethpage Childcare, Inc.	c/o Mohak Shah	45 Seaman Avenue	Bethpage	NY	11714	(516) 719-0366
East Setauket	Andersen Perez Associate, Inc.	c/o Carin Andersen Perino	10 Research Way	East Setauket	NY	11733	(631) 941-2100
Farmingdale	JANAC, Inc.	c/o Pattie LaMarsh	500 Bi-County Boulevard	Farmingdale	NY	11735	(631) 756-4606
Farmingville	KA Farmingville LLC	c/o Syed Zohairuddin	2270 North Ocean Avenue	Farmingville	NY	11738	(631) 438-3530
Floral Park	K.A. of Floral Park, Inc.	c/o Anthony Guida	339 Jericho Turnpike	Floral Park	NY	11001	(516) 269-1533
Flushing	KA on Parsons, Inc.	c/o Olga Carucci	3325 Parsons Boulevard	Flushing	NY	11354	(718) 888-9499
Greenlawn	KA Greenlawn LLC	c/o Syed Zohairuddin	787 Pulaski Road	Greenlawn	NY	11740	(631) 261-2220
Hicksville	Future Wizards, LLC	c/o Mohak Shah	132 West John Street	Hicksville	NY	11801	(516) 931-3330
Islip	KA Islip LLC	c/o Syed Zohairuddin	60 Carleton Avenue	Islip Terrace	NY	11752	(631) 859-1234

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Latham	Dutelle Enterprises	c/o Anne Dutelle	1 Johnson Road	Latham	NY	12110	(518) 783-3696
Little Neck	Kids Zone, Inc	c/o Gloria Lee	252-20 Northern Boulevard	Little Neck	NY	11362	(718) 229-2829
Nesconset	Mazla, Inc.	c/o Jeanie Brier	62 Lake Avenue	Nesconset	NY	11767	(631) 724-5437
Staten Island	Future Star Kidz, Inc.	c/o Yuliya Grinberg	1110 South Avenue	Staten Island	NY	10314	(718) 698-6905
Syosset	Paradise Organization; Inc.	c/o Sonu Chadha	60 Ira Road	Syosset	NY	11791	(516) 496-1050
Tribeca	5 Points Family, LLC	c/o Alex Ferrari	72 Reade Street	New York	NY	10007	(646) 973-1964
Wading River	Future Leaders Childcare Inc.	c/o Christina St. Nicholas	5952 Route 25A	Wading River	NY	11792	(631) 929-4800
Webster	Shuman Enterprises, Inc.	c/o Maritza Shuman	369 Phillips Road	Webster	NY	14580	(585) 545-4230
White Plains	Pimlico Achievers, Inc	c/o Leah Tomberlin	222 Bloomingdale Road	White Plains	NY	10605	(914) 688-1600
Whitestone	KA Whitestone, Inc	c/o Olga Carucci	705 152nd Street	Whitestone	NY	11357	(718) 747-5555
Williamsburg	Northstar Childcare, LLC	c/o Ya Nong (Howard) Chen	288 South 5th Street	Brooklyn	NY	11211	(718) 599-5437
Avon Lake	KTB Lids, LLC	c/o Kevin Burns	525 Moore Road	Avon Lake	OH	44012	(440) 961-2800
Broadview Heights	Arihant Kids LLC	c/o Devang Bhayani	99 Ken Mar Industrial Parkway	Broadview Heights	OH	44147	(440) 740-8999
Downtown Columbus	-	Roy Haynes	37 North High Street	Columbus	OH	43215	(614) 441-0980
Dublin	Conley Partnership Inc.	c/o David Conley	6055 Avery Road	Dublin	OH	43016	(614) 504-6637
Gahanna	KA of Gahanna Inc.	c/o Keyoor Bhatt	2069 Summit View Road	Powell	OH	43065	(614) 336-8444
Hilliard	AARC Enterprises, LLC	c/o Roy Haynes	2525 Roberts Court	Hilliard	OH	43026	(614) 363-4169
KIPP-Columbus	The Haynes School, Inc.	c/o Roy Haynes	2800 Inspire Drive	Columbus	OH	43224	(614) 626-9565
Mason	Optima Holdings, LLC	c/o Shannon Nazario	6202 Snider Road	Mason	OH	45040	(513) 234-0699
Pickerington		Roy Haynes	611 Diley Road	Pickerington	OH	43147	(614) 321-4045
Powell	Sita Rama 2014, Inc.	c/o Keyoor Bhatt	2069 Summit View Road	Powell	OH	43065	(614) 336-8444
Reynoldsburg	The Haynes School, Inc.	c/o Roy Haynes III	6411 East Main Street	Reynoldsburg	OH	43068	(614) 866-1422
West Chester	Paramount Holding, LLC	c/o Shannon Nazario	8178 Highland Pointe Drive	West Chester	OH	45069	(513) 847-1145
Westerville	Academy Learning Center, LLC	c/o David Larsen	72 Westerview Drive	Westerville	OH	43081	(614) 568-4450
Edmond	Tecara Group, Inc.	c/o Rich Luht	430 E Covell Road	Edmond	OK	73034	(405) 960-0222
Tigard	Kalvi, LLC	c/o Prabakar Murugappan	16145 SW Upper Boones Ferry Road	Tigard	OR	97224	(503) 616-3976
Bethel Park	KA of Bethel Park, LLC	c/o Mark Sherman	3001 Cool Springs Drive	Bethel Park	PA	15234	(412) 912-9123
Center Valley	Cope Jordan, Inc.	c/o Rachel Jordan	4465 Saucon Creek Road	Center Valley	PA	18034	(610) 625-3350
Collegeville	4 R Learners Inc.	c/o Ruchi Srivastava	301 Wartman Road	Collegeville	PA	19426	(610) 831-1141
Cranberry Township	Smart Child Center, LLC	c/o Pawanjeet (Mona) Bhatia	1044 North Boundary Road	Cranberry Township	PA	16066	(724) 452-9898
Feasterville	Learning Circle, LLC	c/o Maria Littig	105 Philmont Avenue	Feasterville	PA	19053	(215) 494-9415
Harleysville	Two Berry School, LLC	c/o Sean Thomas	160 Clemens Road	Harleysville	PA	19438	(215) 256-3295
Harrisburg-PA	AD Cares LLC	c/o Nupur Aggarwal	3901 North Progress Avenue	Harrisburg	PA	17110	(717) 640-5520
Hilltown	Kid Quest; Inc.	c/o Tom Hewitt	1000 East Walnut Street; Suite 800	Perkasie	PA	18944	(215) 258-2151
Horsham	Three MB, LLC	c/o Trisha Buchinski	900 Enterprise Road	Horsham	PA	19044	(215) 674-2300
Langhorne	KJD, LLC	c/o Ruchi Srivastava	670 Woodbourne Road; Building 2	Langhorne	PA	19047	(215) 750-5512
Montgomeryville	K.A. of Montgomery Township, Inc.	c/o Dwight Wilkinson	1020 Horsham Road	North Wales	PA	19454	(215) 412-5437
North Pittsburgh	ECE Management, LLC	c/o Sunil Yalamarthy	111 Josephs Lane	Pittsburgh	PA	15237	(412) 548-3897
Phoenixville	MNA Learning Center Services, Inc.	c/o Janel Work	10 Chrisevyn Lane	Phoenixville	PA	19460	(610) 935-7529
Plumsteadville	D & B Cares For Kids, Inc.	c/o Diane Adams	6190 Kellers Church Road	Plumsteadville	PA	18949	(215) 766-1767
Quakertown	KA Rocks, Inc.	c/o Janel Work	1200 Am Drive	Quakertown	PA	18951	(267) 227-3638
Royersford	TLC Learning Services, LLC	c/o Janel Work	525 North Lewis Road	Royersford	PA	19468	(610) 948-8901
Silver Spring Township	Cottontail Childcare, Inc.	c/o Carole Tipple	188 Woods Drive	Mechanicsburg	PA	17050	(717) 791-0111
South Fayette	Omaha Enterprises, LLC	c/o Erik Kitterman	3169 Washington Pike	South Fayette	PA	15017	(412) 221-5658
Warminster	Learning Compass LLC	c/o Maria Littig	260 Veteran's Way	Warminster	PA	18974	(215) 443-5988
Wexford	Learning Child Center, LLC	c/o Pawanjeet (Mona) Bhatia	140 Swinderman Road	Wexford	PA	15090	(724) 935-9898
Five Forks	ED, LLC	c/o Erin Wackerhagen	321 Scuffletown Road	Simpsonville	SC	29681	(864) 627-1985
Fort Mill	KNG, LLC	c/o Swetha Kakarala	1580 N Doby's Bridge Road	Fort Mill	SC	29681	(864) 627-1985
Indian Land	Preserve Partners @ Promenade, LLC	c/o Vamsi Mohan Kalakuntla	1990 Zelkova Drive	Indian Land	SC	29707	(803) 752-4100

ACADEMY NAME	ENTITY	CONTACT	ADDRESS	CITY	STATE	ZIP	PHONE NUMBER
Brentwood-TN	JAK Academy, Inc.	c/o Kimberly Alvarez	216 Jamestown Park	Brentwood	TN	37027	(615) 373-3110
Collierville	HR&K WeCare Inc	c/o Mahmudur Rahman	112 Crescent Drive	Collierville	TN	38017	(901) 625-4111
Franklin	ANAA LLC	c/o Jesse Alvarez	100 Westwind Court	Franklin	TN	37064	(629) 401-7000
Hendersonville	HBN, LLC	c/o Neal Patel	145 Indian Lake Boulevard	Hendersonville	TN	37075	(615) 991-2500
Aliana	DIF Enterprises, LLC	c/o Glenda Gonzalez	11107 Binion Lane	Richmond	TX	77407	(832) 944-6751
Allen	Evergreen Ventures, LLC	c/o Jay Carter	1504 West Exchange Parkway	Allen	TX	75013	(972) 778-7500
Alliance	MVID, LLC	c/o David and Tammi Needham	9773 Tehama Ridge Parkway	Fort Worth	TX	76177	(817) 880-7400
Atascocita	KHANGROVE, LLC	c/o Bahar Khan	12010 Madera Run Parkway	Humble	TX	77346	(346) 444-8700
Bee Cave	SKSJ Land Ventures LLC	c/o Srinivasaga Gopalsamy	16003 W Highway 71	Bee Cave	TX	78738	(512) 379-7979
Bryan	M THREE B, LLC	c/o Meagan Van Dyck	3760 Copperfield Drive	Bryan	TX	77802	(979) 776-5771
Buda	Buda Enterprise Phase 1 LLC	c/o Sarita Gohil	2448 Main Street	Buda	TX	78610	(737) 400-6700
Canyon Springs	Nishi Child Development Center, LLC	c/o Saira Mammen	26335 Canyon Golf Rd	San Antonio	TX	78260	(830) 980-5227
Castle Hills	KAP Lewisville, LLC	c/o Avni Patel	2510 King Arthur Boulevard	Lewisville	TX	75056	(972) 410-4675
Cedar Park West	SKAR EDUCATION, LLC	c/o Karthiga Kengan	1301 North Lakeline Boulevard	Cedar Park	TX	78613	(512) 688-5454
Cibolo	SAI AKN 2 LLC	c/o Divya Patel	17744 Ripps Kreusler Road	Schertz	TX	78154	(830) 321-4141
Clear Lake		c/o Tymeke Moore	11534 Space Center Boulevard	Houston	TX	77059	(713) 714-1476
College Station	M Triple B, LLC	c/o Meagan Van Dyck	4516 Mills Park Circle	College Station	TX	77845	(979) 690-5771
Creeside at The Woodlands	KA of CSP, Inc.	c/o Tamas Praczko	8430 Creekside Forest Drive	Spring	TX	77389	(832) 835-0199
Cypress	KA Cypress Operations LP	c/o Glenda Gonzalez	14918 Mueschke Road	Cypress	TX	77433	(281) 304-2100
Cypresswood	L & T Care, LLC	c/o TuCam Dinh	13909 Mandolin Drive	Houston	TX	77070	(346) 388-6600
East Frisco	KA of East Frisco, LLC	c/o Nitin Dhamija	7361 Coit Road	Frisco	TX	75035	(972) 975-9093
Elyson	TX Great Minds, LLC	c/o Belinda Ferrero Hodgson	23100 Elyson Falls Drive	Katy	TX	77493	(281) 810-3811
Far North Dallas	The Baker Learning Group, LLC	c/o Roberto Ramirez Shirasago	6220 McCallum Boulevard	Dallas	TX	75248	(940) 331-6700
Grand Harbor, Katy	Premier Horizons Community Services, LLC	c/o Pamela Etta	24404 Kingsland Boulevard	Katy	TX	77494	(281) 665-8495
Harmony	Ganesh Vidyala, LLC	c/o Rakesh Patel	3653 Lexington Boulevard	Spring	TX	77386	(281) 671-8329
Hutto	Wynnyeyan Hutto, LLC	c/o Eric Ng	480 Chris Kelley Boulevard	Hutto	TX	78634	(737) 252-0999
Katy-West	Alem, LLC	c/o Elizabeth (Lily) Mesfin	27613 Pine Mill Ranch Drive	Katy	TX	77494	(832) 773-9002
Klein-Gleannloch	In Genius Corporation	c/o Tammie Schraeder	19599 Chamption Forest Drive	Spring	TX	77379	(346) 298-7070
Lakes of Savannah	lhedigbo holdings, Inc.	c/o James lhedigbo	5158 Savannah Parkway	Rosharon	TX	77583	(832) 569-4847
League City-East	Kingdom Rebuilder, LLC	c/o James lhedigbo	2010 East League City Parkway	League City	TX	77573	(281) 538-5437
League City-West	JAG Legacy, Inc.	c/o James lhedigbo	1820 Butler Road	League City	TX	77573	(832) 905-3160
Little Elm	MAP Educational Services, LLC	c/o Myrna Toote	2055 FM 423	Little Elm	TX	75068	(469) 252-0555
Longenbaugh-Cypress	Mascar, Inc.	c/o Caroline Mascarenhas	17909 Longenbaugh Drive	Cypress	TX	77433	(281) 815-0522
Magnolia	JGMG Academy LLC	c/o Jody Garner	11767 Farm to Market RD1488	Magnolia	TX	77354	(936) 286-3212
Mercer Crossing	LOXO Group, LLC	c/o Samino Hooda	12800 Mercer Parkway	Farmers Branch	TX	75264	(972) 640-0786
Mission	Alvami Company	c/o Elvia (Rosie) Alaniz	1814 East Griffin Parkway	Mission	TX	78572	(956) 271-4807
Missouri City	Thriving Scholars LLC	c/o Ian Baierlipp	3811 Raoul Wallenberg Lane	Missouri City	TX	77459	(281) 944-5262
Murphy	ARMA Enterprises LLC	c/o Gautam Mall	605 E FM 544	Murphy	TX	75094	(469) 825-1200
New Braunfels	Meza Academy, LLC	c/o Michelle Meza	672 South Kowald Lane	New Braunfels	TX	78130	(830) 420-6300
Northlake		Neetash Sharma	7255 Canyon Falls Drive	Northlake	TX	76226	(940) 241-7222
Northpointe	KA of Northpointe, LLC	c/o Liem Nguyen	18002 Shaw Road	Cypress	TX	77429	(281) 205-3085
Pearland-East	KA Broadway LLC	c/o Jason White	1340 Broadway Street	Pearland	TX	77581	(832) 905-5978
Pearland-West	Uniq Academy, LLC	c/o Joann Johnson	11035 Magnolia Parkway	Pearland	TX	77584	(713) 474-5707
Pflugenville	Wynnyeyan Kids LLC	c/o Eric Ng	2617 Kelly Lane	Pflugenville	TX	78660	(512) 989-7777
Prosper	Sanai Academy LLC	c/o Fatima Sanai	650 North Preston Road	Prosper	TX	75078	(469) 715-9020
Richmond	Smashface, Inc.	c/o Ashley Francis	22031 Bellaire Blvd	Richmond	TX	77407	(346) 702-3319
Rockwall	JPK-KA Investment, LLC	c/o Perry Kirk	1940 North Lake Shore Drive	Rockwall	TX	75087	(469) 745-8300
Rosenberg	PRT of Texas Corp	c/o Derek & Jenny Purvis	636 Benton Road	Richmond	TX	77469	(832) 945-2404
Round Rock	Wynnyehan Road Rock, LLC	c/o Eric Ng	5080 North A W Grimes Boulevard	Round Rock	TX	78665	(512) 270-9988

ACADEMY NAME	ENTITY	CONTACT	ADDRESS	CITY	STATE	ZIP	PHONE NUMBER
South Arlington	LaLe Brands, LLC	c/o La Shawn Sykes	760 W Turner Warnell Road	Arlington	TX	76001	(682) 757-8880
Stonebridge McKinney	NTES, LLC	c/o Nader Sheikh	6300 Virginia Parkway	McKinney	TX	75071	(469) 712-4142
Union Park	L & L Morris Investments, LLC	c/o Leland Morris	4387 Union Park Boulevard	Aubrey	TX	76227	(972) 521-8100
Woodforest	R&J Capital Group, Inc.	c/o Jean Easley Bui	740 Fish Creek Thoroughfare	Montgomery	TX	77316	(936) 447-5437
Herriman	Metacog Ventures LLC	c/o Shardul Kaneria	5158 West Denali Park Drive	Herriman	UT	84096	(385) 246-0260
Midlothian – Watkins		Rajendra Patel	660 Watkins Centre Parkway	Midlothian	VA	23114	(804) 809-7800
Alexandria	Alexandria Child Care Services LLC	c/o Karim Bensouda	1000 Bernard Street	Alexandria	VA	22314	(703) 497-2500
Ashburn	Marigold Early Learning Centers, Inc.	c/o Madhu Bhandari	20775 Century Corner Drive	Ashburn	VA	20147	(571) 223-0800
Centreville	Bela Innovation, LLC	c/o Bela Desai	14275 Braddock Road	Centreville	VA	20120	(703) 349-3419
Gainesville-VA	Bela Innovation, LLC	c/o Bela Desai	13980 Estate Manor Drive	Gainesville	VA	20155	(703) 348-7200
Leesburg	AARAV Group, LLC	c/o Madhu Avimeni	400 Sycolin Road, SE	Leesburg	VA	20175	(703) 771-9871
Midlothian	CRDR Management, LLC	c/o Charul Patel	6801 Woodlake Commons Loop	Midlothian	VA	23112	(804) 639-3800
Moorefield Station	Loudon Kids, LLC	c/o Madhu Shalini Avimeni	22430 Flagstaff Plaza	Ashburn	VA	20148	(703) 497-2900
Pembroke – Virginia Beach	Bonita Gold, LLC	c/o Adedoyin Alatise	4520 Professional Circle	Virginia Beach	VA	23455	(757) 777-9314
Reston	Kaizen Systems, LLC	c/o Ayesha Ali	12320 Pinecrest Road	Reston	VA	20191	(703) 860-0800
South Riding	Ryen Creek, LLC	c/o Sarah Moorman	43060 Edgewater Street	South Riding	VA	20152	(571) 512-5437
Stafford	Stafford Daycare LLC	c/o Azza Sandhu	473 Garrisonville Road	Stafford	VA	22554	(540) 628-8693
Virginia Beach	Upton KA, Inc.	c/o David Martin	1644 Upton Drive	Virginia Beach	VA	23454	(757) 689-2223
West Creek	ABYL, Inc.	c/o Kiran Bashir	840 Broad Branch Way	Richmond	VA	23238	(804) 362-2362
Woodbridge-North	Froebel Education, LLC	c/o Rizwan Ali	5895 Websters Way	Manassas	VA	20112	(703) 897-1000
Bellevue	Bellevue Childcare, LLC	c/o Raman Thind	990 102nd Avenue NE	Bellevue	WA	98004	(425) 800-4242
Bothell	Bothell Academy, LLC	c/o Raman Thind	22703 Bothell Everett Highway	Bothell	WA	98021	(425) 485-7200
Kenmore	Kenmore Academy LLC	c/o Raman Thind	7760 NE Bothell Way	Kenmore	WA	98028	(425) 780-4149
Kirkland	Redkirk Academy, LLC	c/o Raman Thind	12620 NE 85th Street	Kirkland	WA	98033	(425) 242-0075
Lacey	Lacey Crossroads Learning Center, LLC	c/o Michelle Glacken	1130 Galaxy Drive NE	Lacey	WA	98516	(360) 456-5700
Mill Creek	Mill Creek Academy LLC	c/o Raman Thind	3226 132nd Street SE	Mill Creek	WA	98012	(425) 338-7101
Redmond	ISHAKA, LLC	c/o Vivek Goyal	23445 NE Novelty Hill Road	Redmond	WA	98053	(425) 654-1347
Renton	Highlands Academy LLC	c/o Honggang (Howard) Fan	353 Bremerton Ave NE	Renton	WA	98059	(425) 572-5091
Seattle at Queen Anne	Seattle Academy, LLC	c/o Devinder Josan	601 Valley Street	Seattle	WA	98109	(206) 886-3999
Snoqualmie	Ridge Academy of Snoqualmie, LLC	c/o Puneet Parashar	7730 Center Boulevard SE	Snoqualmie	WA	98065	(425) 842-2150
Vancouver - Fishers Landing	Dash Education LLC	c/o Vijay Ilavarasan	1920 SE 167th Avenue	Vancouver	WA	98683	(360) 450-6778
Vancouver - Salmon Creek	Game Day Kids, LLC	c/o John Swartz	2203 NE 129th Street	Vancouver	WA	98686	(360) 355-3133
Brookfield	KA of Brookfield, LLC	c/o Kuldeep Gupta	15425 West Capitol Drive	Brookfield	WI	53005	(262) 336-8787

**EXHIBIT N**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

### **List of Franchisees Who Have Left the System**

The following franchisees had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their respective franchise agreements during the most recently completed fiscal year, or have not communicated with us within 10 weeks of the disclosure document issuance date. Upon termination, cancellation or nonrenewal of their franchise agreements, the outlet ceased to operate as a Kiddie Academy Educational Child Care business.

<p><b>Latham</b>  Dutelle Enterprises  1 Johnson Road  Latham, NY 12110  (518) 783-3696</p>	<p><b>Staten Island-Great Kills</b>  Beginning Steps to Success  125 Greaves Lane  Staten Island, NY 10308  (718) 984-1919</p>
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The following franchisees ceased to do business under their respective franchise agreements during the most recently completed fiscal year. Each of these franchisees transferred their businesses to other franchisees who continued to operate the outlet as a Kiddie Academy Educational Child Care business.:

<p><b>Charlotte-Blakeney</b>  Future Scholars of Blakeney, LLC  9310 Blakeney Center Drive  Charlotte, NC 28277  (704) 543-5581</p>	<p><b>Fishers</b>  Little Leaders, Inc.  11703 Olio Road  Fishers, IN 46037  (317) 596-1300</p>
<p><b>Floral Park</b>  K.A. of Floral Pak, Inc.  339 Jericho Turnpike  Floral Park, NY 11001  (516) 269-1533</p>	<p><b>Neptune</b>  Rea Childcare Center, LLC  3443 Route 66  Neptune City, NJ 07753  (732) 918-8400</p>
<p><b>Plumsteadville</b>  D&amp;B Cares for Kids, Inc.  6190 Kellers Church Road  Plumsteadville, PA 18949  (215) 766-1767</p>	<p><b>Wiregrass Ranch</b>  Rojas Family Holdings, LLC  3414 Loggerhead Way  Wesley Chapel, FL 33544  (813) 702-5656</p>

Note: If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Kiddie Academy System. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with the Kiddie Academy System. You may wish to speak with current and former Franchisees but be aware that not all such Franchisees will be able to communicate with you.

**EXHIBIT O**

**FINANCIAL STATEMENTS**



**ESSENTIAL BRANDS, INC. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2,  
2022**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Essential Brands, Inc. and Subsidiaries

### Opinion

We have audited the accompanying consolidated financial statements of Essential Brands, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023, January 1, 2023 and January 2, 2022, and the related consolidated statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Essential Brands, Inc. and Subsidiaries as of December 31, 2023, January 1, 2023 and January 2, 2022 and the results of their operations and their 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. 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 Essential Brands, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### TIMONIUM

9690 Deereco Road, Suite 500  
Timonium, MD 21093  
410-828-CPAS (2727) | 410-828-9512 (FAX)

#### COLUMBIA

9891 Broken Land Parkway, Suite 200  
Columbia, MD 21046  
410-290-3288 | 410-381-7795 (FAX)

#### BEL AIR

109 N. Main Street, Suite C  
Bel Air, MD 21014  
410-838-5717 | 410-893-2579 (FAX)

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

Members of: American Institute of Certified Public Accountants / Maryland Association of Certified Public Accountants / The Leading Edge Alliance



Board of Directors  
Essential Brands, Inc. and Subsidiaries

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- o Exercise professional judgment and maintain professional skepticism throughout the audit.
- o Identify and assess the risks of material misstatement of the consolidated 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.
- o 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 Essential Brands, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- o 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 consolidated financial statements.
- o Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Essential Brands, Inc. and Subsidiaries' 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.



Board of Directors  
Essential Brands, Inc. and Subsidiaries

Other Information Included in the Company's Annual Report

Management is responsible for the other information included in the Essential Brands, Inc. and Subsidiaries' annual report. The other information comprises the Franchise Disclosure Document but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Katz, Abosch, Windesheim, Gershman & Freedman, P.A.*

Timonium, Maryland  
March 29, 2024

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**ASSETS**

	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	\$ 14,538,126	\$ 16,542,260	\$ 16,296,222
Accounts receivable	2,246,516	2,040,464	1,939,220
Investments	3,434,373	2,921,006	3,512,421
Notes receivable	40,787	79,192	75,540
Prepaid expenses and other current assets	1,685,176	1,527,575	1,354,301
Restricted cash	<u>2,572,643</u>	<u>2,808,391</u>	<u>2,116,784</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>24,517,621</u></b>	<b><u>25,918,888</u></b>	<b><u>25,294,488</u></b>
<b><u>FIXED ASSETS - NET</u></b>	<b><u>505,461</u></b>	<b><u>182,102</u></b>	<b><u>294,545</u></b>
<b><u>OTHER ASSETS</u></b>			
Notes receivable		114,599	193,793
Security deposits	65,195	65,195	65,195
Deferred franchising costs	<u>19,460,066</u>	<u>17,184,026</u>	<u>15,283,286</u>
<b>TOTAL OTHER ASSETS</b>	<b><u>19,525,261</u></b>	<b><u>17,363,820</u></b>	<b><u>15,542,274</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 44,548,343</u></b>	<b><u>\$ 43,464,810</u></b>	<b><u>\$ 41,131,307</u></b>

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The Accompanying Notes are an Integral Part of the Financial Statements

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable	\$ 809,842	\$ 304,342	\$ 511,520
Accrued expenses and other current liabilities	3,116,932	3,194,253	2,399,894
Deferred franchise licensing fees	1,469,350	1,225,719	1,484,950
Brand building fund deferred revenue	<u>2,110,695</u>	<u>1,998,607</u>	<u>1,929,973</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,506,819</b>	<b>6,722,921</b>	<b>6,326,337</b>
<b><u>LONG-TERM LIABILITIES</u></b>			
Deferred franchise licensing fees	<u>19,847,818</u>	<u>19,101,257</u>	<u>17,899,674</u>
<b>TOTAL LIABILITIES</b>	<b><u>27,354,637</u></b>	<b><u>25,824,178</u></b>	<b><u>24,226,011</u></b>
<b><u>STOCKHOLDERS' EQUITY</u></b>			
Common stock	10,425	10,425	10,425
Additional paid-in capital	4,698,199	4,698,199	4,698,199
Retained earnings	12,742,357	13,189,283	12,453,947
Treasury stock	<u>(257,275)</u>	<u>(257,275)</u>	<u>(257,275)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>17,193,706</u></b>	<b><u>17,640,632</u></b>	<b><u>16,905,296</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 44,548,343</u></b>	<b><u>\$ 43,464,810</u></b>	<b><u>\$ 41,131,307</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b><u>REVENUE</u></b>			
Franchise related revenues	\$ 46,955,186	\$ 41,124,645	\$ 32,966,867
Brand building fund revenue	12,441,316	10,724,474	8,442,554
Tuition	<u>2,385,650</u>	<u>2,229,002</u>	<u>2,139,749</u>
<b>TOTAL REVENUE</b>	<b><u>61,782,152</u></b>	<b><u>54,078,121</u></b>	<b><u>43,549,170</u></b>
<b><u>OPERATING EXPENSES</u></b>			
Selling and general administrative	37,262,681	31,580,884	26,893,319
Depreciation	<u>147,067</u>	<u>112,443</u>	<u>130,146</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>37,409,748</u></b>	<b><u>31,693,327</u></b>	<b><u>27,023,465</u></b>
<b>INCOME FROM OPERATIONS</b>	<b><u>24,372,404</u></b>	<b><u>22,384,794</u></b>	<b><u>16,525,705</u></b>
<b><u>OTHER INCOME (LOSS)</u></b>			
Investment income (loss)	368,387	(672,439)	325,953
Interest income	<u>594,155</u>	<u>170,932</u>	<u>174,330</u>
<b>TOTAL OTHER INCOME (LOSS)</b>	<b><u>962,542</u></b>	<b><u>(501,507)</u></b>	<b><u>500,283</u></b>
<b>NET INCOME</b>	<b><u>\$ 25,334,946</u></b>	<b><u>\$ 21,883,287</u></b>	<b><u>\$ 17,025,988</u></b>

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The Accompanying Notes are an Integral Part of the Financial Statements

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
RETAINED EARNINGS - BEGINNING	\$ 13,189,283	\$ 12,453,947	\$ 5,651,598
Net income	25,334,946	21,883,287	17,025,988
Distributions	<u>(25,781,872)</u>	<u>(21,147,951)</u>	<u>(10,223,639)</u>
RETAINED EARNINGS - ENDING	<u>\$ 12,742,357</u>	<u>\$ 13,189,283</u>	<u>\$ 12,453,947</u>

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The Accompanying Notes are an Integral Part of the Financial Statements

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**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income	\$ 25,334,946	\$ 21,883,287	\$ 17,025,988
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	147,067	112,443	130,146
Credit loss expense	148,389	11,344	5,907
(Gain) loss on investments	(368,387)	672,439	(325,953)
Changes in operating assets and liabilities:			
Accounts receivable	(265,845)	(112,588)	(494,026)
Notes receivable	64,408	75,542	74,908
Prepaid expenses and other current assets	120,261	(269,620)	125,060
Deferred franchising costs	(2,553,902)	(1,804,394)	(1,725,866)
Accounts payable	505,500	(207,178)	114,930
Accrued expenses and other current liabilities	(77,321)	794,359	1,035,397
Deferred franchise licensing fees	990,192	942,352	1,249,414
Brand building fund deferred revenue	<u>112,088</u>	<u>68,634</u>	<u>889,204</u>
 Net Cash Provided by Operating Activities	 <u>24,157,396</u>	 <u>22,166,620</u>	 <u>18,105,109</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchases of fixed assets	(470,426)		(56,764)
Purchase of investments	<u>(144,980)</u>	<u>(81,024)</u>	<u>(109,179)</u>
 Net Cash Used in Investing Activities	 <u>(615,406)</u>	 <u>(81,024)</u>	 <u>(165,943)</u>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Distributions	<u>(25,781,872)</u>	<u>(21,147,951)</u>	<u>(10,223,639)</u>
 Net Cash Used in Financing Activities	 <u>(25,781,872)</u>	 <u>(21,147,951)</u>	 <u>(10,223,639)</u>
 NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 (2,239,882)	 937,645	 7,715,527
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE BEGINNING OF THE YEAR	 <u>19,350,651</u>	 <u>18,413,006</u>	 <u>10,697,479</u>
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF THE YEAR	 <u>\$ 17,110,769</u>	 <u>\$ 19,350,651</u>	 <u>\$ 18,413,006</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Income taxes paid	\$ 250,804	\$ 191,552	\$ 73,737
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>			
Cash and cash equivalents	\$ 14,538,126	\$ 16,542,260	\$ 16,296,222
Restricted cash	<u>2,572,643</u>	<u>2,808,391</u>	<u>2,116,784</u>
<b>Total cash, cash equivalents and restricted cash shown in the statements of cash flows</b>	<b><u>\$ 17,110,769</u></b>	<b><u>\$ 19,350,651</u></b>	<b><u>\$ 18,413,006</u></b>

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The Accompanying Notes are an Integral Part of the Financial Statements

- 11 -

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations**

Essential Brands, Inc. and Subsidiaries (collectively referred to as the "Company") derives its revenue from the operation of an education-based childcare Academy and franchise related activities. The franchise related activities include initial franchise fees and contractual royalty agreements with franchisees throughout the United States. As of December 31, 2023, the Company maintained 622 franchise relationships, of which 326 Academies were open and 296 were in various stages of development. For the years ended December 31, 2023, January 1, 2023 and January 2, 2022 the total revenue for the Academies was approximately \$624,192,000, \$543,017,000 and \$425,466,000, respectively.

The Company's fiscal year ends on the Sunday closest to the last day of December. The accompanying consolidated financial statements present the results of operations for the 52 weeks ended December 31, 2023, January 1, 2023 and January 2, 2022, respectively.

The consolidated financial statements include the accounts of Essential Brands, Inc. and its wholly owned subsidiaries and are collectively referred to herein as the "Company." All significant intercompany balances and transactions have been eliminated in consolidation.

**Cash and cash equivalents**

For purposes of financial statement presentation, the Company considers all highly liquid instruments with maturities of three months or less when acquired to be cash equivalents. Additionally, the Company has entered into sweep repurchase agreements with its bank. These agreements allow the bank to invest certain Company funds in overnight accounts investing in government securities. The funds, while invested in the overnight accounts, are not insured by the FDIC, and are subject to investment risk. Furthermore, the Company's restricted cash balance includes amounts held for the use for the brand building fund, a national advertising fund for all the Academies.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts and notes receivable**

The Company carries its accounts and notes receivable net of an allowance for credit losses. The measurement and recognition of credit losses involves the use of judgment. Management's assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Company's customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, and customer creditworthiness. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Company's historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. The Company may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate.

Accounts and notes receivable include billed amounts for services provided to customers for which the Company has an unconditional right to payment.

As of December 31, 2023, January 1, 2023 and January 2, 2022 the allowance for credit losses is considered to be immaterial and accordingly, no allowance for credit losses has been recorded.

**Investments**

Marketable equity securities are carried in the consolidated financial statements at fair value. Realized gains and losses, determined using the average cost method, are included in earnings as are unrealized holding gains and losses.

**Fixed assets and depreciation**

Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of furniture, fixtures and equipment is depreciated using the straight-line method over their estimated useful lives. The cost of leasehold improvements is depreciated using the straight-line method over the lesser of the estimated useful life or the term of the lease.

**Leases**

The Company adopted the provisions of Topic 842, Leases, as of January 3, 2022 using the modified retrospective method of transition. See Note 6. Topic 842 generally requires all leases to be recognized as assets and liabilities on the balance sheets at lease inception. The Company determines if its obligations are leases at the time of inception. Leases are classified as either operating or financing, with the classification of the leases affecting the classification of related expenses in the consolidated statements of income.

ESSENTIAL BRANDS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases (continued)**

At the commencement date of a new lease agreement, the Company determines whether such lease is classified as a finance lease or an operating lease and a right-of-use (ROU) asset and lease liability are recorded on the balance sheets based on the present value of the lease payments over the term of the lease.

The Company has made the policy election to not recognize ROU assets and liabilities for leasing arrangements with terms of 12 months or less. The rent costs related to these leases, as well as long-term immaterial leases, are expensed in accordance with the lease terms and not classified as operating leases on the balance sheets.

When readily determinable, the Company uses the implicit rate in the lease in determining the present value of the lease payments; when no implicit rate is readily determinable, the Company uses its incremental borrowing rate, which is the rate of interest which would be paid to borrow collateralized funds over terms similar to those of the relevant lease.

Operating lease ROU assets are amortized over the lease term on a straight-line basis, and the lease liability is measured at the present value of the remaining lease payments. Variable lease payments not included in the lease liability are expensed as incurred. Operating lease costs are recognized on a straight-line basis over the term of the lease within operating expenses.

**Variable interest entities**

As allowed under Accounting Standards Update 2018-17 (ASU 2018-17), which amends the Consolidation Topic of the FASB Accounting Standards Codification, the Company has elected to not apply the variable interest entity guidance to private entities under common control.

**Allowance for credit losses**

In June 2016, the FASB issued guidance, ASC Topic 326, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not 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 this standard, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. Additionally, 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 Topic 326 were accounts and notes receivable.

The Company adopted the standard effective January 2, 2023. The impact of the adoption was not material to the financial statements.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue and cost recognition**

The Company follows the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers. Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Company reviews contracts at inception to determine if they represent a single performance obligation or multiple performance obligations.

The Company's franchise related revenue typically contains two performance obligations: non-brand specific training and the franchise right, which includes the use of the name, trademarks and proprietary methods. When a contract has multiple performance obligations, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the goods or services at the inception of the contract. The initial franchise fees are payable based on contract terms typically prior to the franchise opening. The royalties related to the franchise agreements are payable weekly based on individual Academy revenues.

Training is recognized upon the Academy opening and is based on fees for comparable courses by other providers. The remainder of the initial franchise fees exclusive of training are recognized on a straight-line basis over the franchise term. Royalties are recognized over time as earned. Renewal franchise fees are recognized upon renewal due to immateriality. When an Academy is transferred to a third party, the terms of the agreement are analyzed to determine if the transaction should be recognized as a termination or a continuation of the original franchise agreement. If deemed a termination, any remaining deferred revenue from the original agreement as well as payments received from the transferor are recognized at the time of the termination and payments received from the new franchisee are deferred and recognized over the new franchise term. If deemed a continuation, all fees, including the remaining original unrecognized fees are deferred over the term of the new agreement.

The Company has agreements with each of its franchisees to contribute funds into a brand building fund. These funds must be expended to promote common business interests among Kiddie Academy® Educational Child Care Learning Center franchisees through the planning, design, administration, development, placement and organization of national, regional and local advertising, marketing, brand building and promotional programs and materials; promote the sale of the services that Kiddie Academy Educational Child Care Learning Centers offer; and increase the general recognition of the Kiddie Academy name and related Service Marks, through national, regional and/or local advertising, marketing, brand building and promotional materials. The Company reports advertising contributions as a part of gross revenue. The revenue from the brand building fund is recognized as expenses are incurred since the Company is obligated to make expenditures from the brand building fund for only the purposes described above. A contract liability is recorded for brand building fund contributions received that have not been spent.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue and cost recognition (continued)**

Additionally, tuition for the Company operated childcare Academy is recognized as services are provided. Costs related to the childcare Academy totaled \$2,124,393, \$1,994,501 and \$1,896,458 for the years ended December 31, 2023, January 1, 2023 and January 2, 2022, respectively.

The deferred franchising costs represent incremental costs incurred to obtain the contract (commissions) and those prior to a Academy opening (including but not limited to market research, site selection, financing support and construction) and are capitalized as incurred from the time the franchisee has signed the agreement to open an Academy through actual date of the Academy being opened for operations. Once an Academy has opened, those costs are amortized using the straight-line method over the term of the franchise agreement. The costs expected to be recognized as expense during the following fiscal year are included in prepaid expenses and other current assets on the accompanying balance sheets as of December 31, 2023, January 1, 2023 and January 2, 2022.

The contract liability, deferred franchise licensing fees, represents franchise fees received in excess of those earned.

Revenue recognized at a point in time represents approximately 3%, 4% and 3% of total revenue for the years ended December 31, 2023, January 1, 2023 and January 2, 2022.

**Advertising**

Advertising costs are expensed as incurred and amounted to \$11,147,901, \$8,281,247 and \$6,391,848 for the years ended December 31, 2023, January 1, 2023 and January 2, 2022, respectively.

Included in total advertising costs is \$10,642,524, \$7,801,489 and \$5,908,223 related to the brand building fund for the years ended December 31, 2023, January 1, 2023 and January 2, 2022, respectively.

**Income taxes**

The Company elected to be treated as an S corporation for income tax purposes as of December 29, 2014. As a result, federal and state tax liabilities flow through to the stockholders. Several states require the payment of taxes based on income or other criteria. Various states have created elections for pass-through entities to pay tax at the entity level rather than at the level of the stockholder. In November 2020, the Internal Revenue Service released Notice 2020-75 to issue proposed regulations to clarify state and local income taxes imposed on and paid by a pass-through entity on its income may be deducted by the pass-through entity. During the years ended December 31, 2023, January 1, 2023 and January 2, 2022, the Company elected to pay certain state income taxes at the entity level. These taxes are included in distributions in the accompanying consolidated statements of retained earnings.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent events**

The Company has evaluated subsequent events through March 29, 2024, which is the date the consolidated financial statements were available to be issued.

**Use of estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could differ from the estimates that were used.

**NOTE 2: RECEIVABLES FROM FRANCHISEES**

Receivables from franchisees are summarized as follows at December 31, 2023, January 1, 2023, January 2, 2022 and January 3, 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Receivables from franchisees				
Accounts receivable	\$ 2,246,516	\$ 2,040,464	\$ 1,939,220	\$ 1,451,101
Notes receivable	<u>40,787</u>	<u>193,791</u>	<u>269,333</u>	<u>344,241</u>
 Total receivables from franchisees	 <u>\$ 2,287,303</u>	 <u>\$ 2,234,255</u>	 <u>\$ 2,208,553</u>	 <u>\$ 1,795,342</u>

The Company holds notes receivable from franchisees in lieu of cash payments for franchise related and brand building fund fees. The payment terms require periodic payments of principal and interest, with the balances to be repaid in full on or before the maturity dates.

During the year ended December 31, 2023, there was a sudden closure of an Academy. The Company wrote off \$88,596 of notes receivable and \$51,836 of accounts receivable from the Academy.

From time to time, the Company has immaterial credit losses on accounts receivable from the Company operated childcare Academy. Due to the immateriality of these amounts, they are written off as they are incurred. During the year ended December 31, 2023, the Company incurred \$7,957 of losses due to uncollectible amounts.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 3: CONTRACT LIABILITIES**

The balances of contract liabilities are summarized as follows at December 31, 2023, January 1, 2023, January 2, 2022 and January 3, 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred franchise licensing fees	\$ 21,317,168	\$ 20,326,976	\$ 19,384,624	\$ 18,135,210
Brand building fund deferred revenue	<u>2,110,695</u>	<u>1,998,607</u>	<u>1,929,973</u>	<u>1,040,769</u>
Total	<u>\$ 23,427,863</u>	<u>\$ 22,325,583</u>	<u>\$ 21,314,597</u>	<u>\$ 19,175,979</u>

**NOTE 4: INVESTMENTS**

Fair value of marketable securities are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Mutual fund - broad market index fund	\$ 3,434,373	\$ 2,921,006	\$ 3,495,758
Mutual fund - short term bond investment	<u>                    </u>	<u>                    </u>	<u>16,663</u>
Total	<u>\$ 3,434,373</u>	<u>\$ 2,921,006</u>	<u>\$ 3,512,421</u>

Fair value is determined by reference to quoted prices in active markets for identical assets which are considered to be Level 1 inputs under the fair value hierarchy established by the Investments Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Investments in marketable securities may be exposed to various risks such as interest rate, market, and credit risk and it is at least reasonably possible that the fair value of securities can significantly decline.

The unrealized gain on marketable securities increased (decreased) by \$368,387, \$(672,205) and \$325,953, respectively, during the years ended December 31, 2023, January 1, 2023 and January 2, 2022.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 5: FIXED ASSETS**

The following is a summary of fixed assets as of December 31, 2023, January 1, 2023 and January 2, 2022:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 492,590	\$ 164,207	\$ 164,207
Furniture, fixtures and equipment	<u>905,540</u>	<u>919,119</u>	<u>919,119</u>
Total	1,398,130	1,083,326	1,083,326
Less: accumulated depreciation	<u>(892,669)</u>	<u>(901,224)</u>	<u>(788,781)</u>
TOTAL FIXED ASSETS - NET	<u>\$ 505,461</u>	<u>\$ 182,102</u>	<u>\$ 294,545</u>

**NOTE 6: LEASES**

The Company leases real estate for office and program operations space, including leases with a company affiliated through certain common ownership. Additional rent is due for the Company's share of operating expenses and property taxes. The leases expire at different times through December 2028. There are options to renew for several of these leases. The leases are cancelable with 30 days advance notice. The Company also leases various pieces of equipment under finance leases which are deemed immaterial.

The financial information associated with the provisions of Topic 842 is as follows:

	<u>2023</u>	<u>2022</u>
Short-term lease cost paid to affiliates	\$ 948,339	\$ 892,554
Short-term lease cost paid to third parties	<u>48,321</u>	<u>44,310</u>
Total lease cost	<u>\$ 996,660</u>	<u>\$ 936,864</u>

Rent expense for the year ended January 2, 2022 was \$897,646. Included in this balance is \$839,377 of rent paid to an affiliate.

**NOTE 7: RESTRICTED CASH**

Restricted cash consists of amounts held in a brand building fund as required by franchise agreements.

**ESSENTIAL BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, JANUARY 1, 2023 AND JANUARY 2, 2022**

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**NOTE 8: CAPITAL STOCK**

The Company has 20,000 shares of Class A common stock, par value \$0.01 and 1,980,000 of Class B common stock, par value \$0.01 authorized. At December 31, 2023, January 1, 2023 and January 2, 2022, the Company had 716 shares of Class A common stock and 1,000,119 shares of Class B Common stock issued and 715 shares of Class A common and 1,000,000 shares of Class B Common stock outstanding. Treasury stock is recorded at cost and consisted of 120 shares as of December 31, 2023, January 1, 2023 and January 2, 2022.

The rights and privileges of Class A and B common stock are identical in all respects, except that Class B stockholders have no voting rights.

**NOTE 9: LINE OF CREDIT**

The Company has a revolving line of credit facility that bears interest at the prime rate as published by the Wall Street Journal (with a floor of 4.25%). The maximum amount which may be advanced is \$1,500,000. Advances on the line of credit are collateralized by all assets of the Company. No amounts were advanced as of December 31, 2023, January 1, 2023 and January 2, 2022.

**NOTE 10: PROFIT SHARING PLAN**

The Company has adopted a qualified retirement plan (Plan) which provides for contributions from employees under salary deferral agreements pursuant to Section 401(k) of the Internal Revenue Code. The Plan includes a safe harbor matching contribution equal to 100% of the amount of a participant's elective deferrals up to the first 3% of the participant's compensation plus 50% of the amount of a participant's elective deferrals between 3% and 5% of the participant's compensation. All Company employees are eligible to enter the Plan if they are not certain non-resident aliens or leased employees, are at least 21 years of age and meet a defined service requirement.

Company contributions are placed in a trust to be held and invested by the trustee. Company matching contributions for the years ended December 31, 2023, January 1, 2023 and January 2, 2022 totaled \$399,143, \$382,442 and \$328,825, respectively.

**NOTE 11: SIGNIFICANT CONCENTRATIONS**

The Company maintains cash balances which exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

**NOTE 12: CONTINGENCIES**

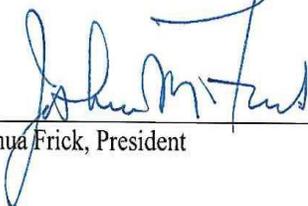
The Company is involved from time to time in claims, proceedings and litigation arising from the operation of its business. The Company does not believe that any claims, proceedings or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

**GUARANTEE OF PERFORMANCE**

For value received, **Essential Brands, Inc.**, a **Delaware Corporation** (the "Guarantor"), located at **3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009**, absolutely and unconditionally guarantees to assume the duties and obligations of **Kiddie Academy Domestic Franchising, LLC**, located at **3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009** (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its **2024** Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Abingdon, Maryland, on this 29 day of March 2024.

**Guarantor: Essential Brands, Inc.**

By:   
\_\_\_\_\_  
Joshua Frick, President

**EXHIBIT P**

**STATE ADDENDA**

# HAWAII

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF HAWAII**

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

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## ILLINOIS

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the Franchise Disclosure Document of Kiddie Academy Domestic Franchising, LLC for use in the State of Illinois shall be amended as follows:

1. Item 17(b), under the heading entitled “Renewal or extension of the term” of the “Franchise Agreement” chart, shall be amended by adding the following language at the end of the Item:

Your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/20.

2. Item 17(f), under the heading entitled “Termination by Franchisor with cause” of the “Franchise Agreement” chart, shall be amended by adding the following language at the end of the Item:

The conditions under which your franchise can be terminated may be affected by Illinois law, 815 ILCS 705/19.

3. Item 17(v), under the heading entitled “Choice of forum” of both charts, shall be amended by adding the following language at the end of the Item:

Any cause of action arising under Illinois law will be commenced in Illinois.

4. Item 17(v), under the heading entitled “Choice of forum” of both charts, shall be further amended by adding the following language:

You may commence an action against Kiddie Academy Domestic Franchising, LLC in Illinois with respect to any cause of action arising under Illinois law.

5. Item 17(w), under the heading entitled “Choice of law” of both charts, shall be amended by adding the following language at the end of the Item:

Illinois law, however, will apply to all claims arising under Illinois law.

6. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Addendum to the Franchise Disclosure Document.

7. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.

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

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**AMENDMENT TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the parties to the Kiddie Academy Domestic Franchising, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Section 3 of the Franchise Agreement, under the heading “Renewal,” shall be supplemented by the addition of the following language after Section 3.7:

“3.8 If any of the provisions of this Section 3 concerning renewal are inconsistent with the provisions of Section 20 of Illinois Franchise Disclosure Act of 1987, then the provisions of Section 20 of the Act shall apply.”

2. Section 16 of the Franchise Agreement, under the heading “Default and Termination,” shall be supplemented by the addition of the following language after Section 16.4:

“16.5 If any of the provisions of this Section 16 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then the provisions of Section 19 of the Act shall apply.”

3. Sections 27.1 and 27.2 of the Franchise Agreement, under the headings “Applicable Law” and “Consent to Forum,” shall be deleted in their entirety and replaced with the following:

“27.1 This Agreement and all of its provisions will be governed, interpreted, and construed under the laws of the State of Illinois. Further, Franchisee may commence an action against Franchisor in Illinois with respect to any cause of action arising under Illinois law.

“27.2 The parties agree that any cause of action by either party against the other must be filed in a United States District Court located within the State of Illinois, and the parties and all personal guarantors hereof do hereby waive all questions of personal and subject matter jurisdiction or venue for the purpose of carrying out this provision.”

4. Sections 27.6 and 27.7 of the Franchise Agreement, under the headings “Waiver of Punitive Damages” and “Waiver of Right to Jury Trial,” shall be supplemented by the addition of the following language:

“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 the State of Illinois is void.”

5. Add the following Section 27.10 immediately following 27.9:

**IF ANY PROVISIONS OF THIS PARAGRAPH 27 INCLUDING ANY WAIVERS INCLUDED THEREIN, ARE INCONSISTENT WITH SECTION 705/41 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT (CONCERNING WAIVERS), SUCH PROVISIONS SHALL BE NULL AND VOID.**

6. Section 28 of the Franchise Agreement, under the heading “Acknowledgements,” shall be amended by deleting the entire last sentence of Section 28.1 and the entire Section 28.3.

7. Section 28.3 of the Franchise Agreement, under the heading entitled “Receipt of Disclosure,” shall be deleted in its entirety and replaced with the following:

“Franchisee acknowledges that Franchisee received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee received the disclosure document (also known as the Franchise Disclosure Document) at least fourteen (14) days prior to the earlier of the date on which this Agreement or other binding agreement was executed, or the date on which the Franchisor received any consideration from Franchisee.”

8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Amendment.

*[Remainder of Page Intentionally Left Blank]*

**IN WITNESS WHEREOF**, the parties to this Addendum have duly executed and delivered this Addendum on \_\_\_\_\_.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

## MARYLAND

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG. § 14-201 et seq. (2015 Repl. Vol.), the Franchise Disclosure Document of Kiddie Academy Domestic Franchising, LLC for use in the State of Maryland shall be amended as follows:

1. Item 5, under the heading “Initial Fees” shall be supplemented by adding the following language:

Any general release required as a condition of obtaining a refund of the initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17(c) and 17(m), under the headings, “Requirements for Franchisee to Renew or Extend” and “Conditions for Franchisor Approval of Transfer” for the “Franchise Agreement” chart shall be supplemented by adding the following language at the end of each Item:

However, a general release required as a condition of approval will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(f) under the chart entitled “Termination by Franchisor With Cause” for the “Franchise Agreement” chart shall be supplemented by adding the following language to the end of the Item:

The provision in the Franchise Agreement which provides the termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

4. Items 17(v) and 17(w), under the headings entitled “Choice of Forum” and “Choice of Law” for each chart shall be supplemented by adding the following language at the end of each Item:

However, you may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Item 17, for each chart, shall be supplemented by adding the following language at the end of each item:

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within 3 years after we grant you a franchise.

6. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Addendum. The Addendum shall have no force or effect if such jurisdictional requirements are not met.

7. 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.

*[Remainder of Page Intentionally Left Blank]*

**AMENDMENT TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG. § 14-201 et seq. (2015 Repl. Vol.), the parties to the attached Kiddie Academy Domestic Franchising, LLC Franchise Agreement agree as follows:

1. Section 3.6 entitled “Release of Claims by Franchisee” is deleted in its entirety and replaced with the following:

3.6 Franchisee, its principals, and any personal guarantors, will have executed a mutual general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its members and affiliates and their respective officers, directors, shareholders, and employees, in their corporate and individual capacities, including without limitation claims arising under federal, state, and local laws, rules, and ordinances; provided that the release will exclude any claims the Franchisee may have under the Maryland Franchise Registration and Disclosure Law, Title 14, Subtitle 2, Business Regulation Article, Annotated Code of Maryland.

2. Section 15.3.3 is deleted in its entirety and replaced with the following:

15.3.3 The Franchisee (transferor) and all of the personal guarantors of this Agreement, if any, will have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor and its affiliates, members, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders, and employees, in their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, costs, and expenses, including, without limitation, claims and causes of action arising under federal, state, and local laws, rules, and ordinances; provided that the release will exclude any claims the transferor may have under the Maryland Franchise Registration and Disclosure Law, Title 14, Subtitle 2, Business Regulation Article, Annotated Code of Maryland.

3. Section 25 entitled “Entire Agreement” is supplemented by adding the following language is added to the end of Section 25:

The foregoing will not be construed as a waiver, estoppel, or release by Franchisee of any claims arising under the Maryland Franchise Registration and Disclosure Law, Title 14, Subtitle 2, Business Regulation Article, Annotated Code of Maryland. Nothing in this Agreement or any other agreement is intended to disclaim Franchisor’s representations in Franchisor’s Franchise Disclosure Document.

4. Section 27.1 entitled “Applicable Law” is supplemented by adding the following to the end of Section 27.1:

Franchisee further acknowledges that Maryland Law requires that any action brought under the Maryland Franchise Registration and Disclosure Law, Title 14, Subtitle 2, Business Regulation Article, Annotated Code of Maryland must be brought within 3 years after the grant of the franchise.

5. The last sentence of Section 27.1 shall be deleted and replaced with the following language:

The parties further acknowledge and agree that this Agreement and all of its provisions will be governed, interpreted and construed under the laws of the state of Maryland. Nothing in this Franchise Agreement shall act as a waiver, or release of any liability that any person may have under Maryland Franchise Law.

6. Section 27.2 entitled “Consent to Forum” is supplemented by adding the following language at the end of Section 27.2:

Notwithstanding the above, Maryland Franchisees are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. Section 27.8 entitled “Limitation of Claims” is supplemented by adding the following language at the end of Section 27.8:

This provision shall have no effect on the three-year statute of limitations afforded a Franchisee under the Maryland Franchise Registration and Disclosure Law for bringing a claim arising under that statute.

8. Section 28 is deleted in its entirety and replaced with the following:

28. REAL ESTATE.

Franchisor’s acceptance of a Prospective Site, or review and/or acceptance of a lease or purchase agreement for a Prospective Site indicates only that Franchisor has determined that such Prospective Site, lease or purchase agreement complies with its acceptable minimum requirements as of the time of such review or acceptance.

9. A new “Section 29” is added immediately following Section 28:

29. ANTI-TERRORISM

Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the “Order”), Franchisor is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. “Specially Designated National” or “Blocked Person” shall mean (1) those persons designated by the U.S. Department of Treasury’s Office of Foreign Assets Control from time to time as a “specially designated national” or “blocked person” or similar status, (2) a person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the Internet website address, [www.treasury.gov](http://www.treasury.gov). Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is a Specially Designated National or Blocked Person, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Franchisee agrees that Franchisee shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this Section 29 incorrect.

10. Any general release required as a condition of obtaining a refund of the initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of the Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties to this Amendment have duly executed and delivered this Amendment on \_\_\_\_\_.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

# MINNESOTA

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MINNESOTA**

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

*[Remainder of Page Intentionally Left Blank]*

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document of Kiddie Academy Domestic Franchising, LLC for use in the state of Minnesota shall be amended to include the following:

1. In Item 17, sections (b), (c), (f), and (k), under the headings entitled “Renewal or Extension of the Term,” “Requirements for Franchisee to Renew or Extend,” “Termination by Franchisor With Cause,” and “‘Transfer’ by Franchisee Defined” in both charts, shall be amended by adding the following language at the end of those sections:

Minnesota law provides you with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 3, 4, and 5) currently requires, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably denied.

2. In Item 17, section (m), under the heading entitled “Conditions for Franchisor Approval of Transfer” of the “Franchise Agreement” chart, shall be amended by adding the following language at the end of the section:

The general release will not apply to any liability under the Minnesota Franchise Law.

3. In Item 17, section (v), under the heading entitled “Choice of Forum” of both charts shall be amended by adding the following language at the end of the section:

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 Franchise 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 State of Minnesota.

4. In Item 17 (w), under the heading entitled “Choice of law” of both charts, shall be amended by adding the following language at the end of the section:

This provision may not be enforceable under Minnesota law.

5. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§

2860.0100 through 2860.9930 are met independently without reference to this Addendum to the Disclosure Document.

*[Remainder of Page Intentionally Left Blank]*

**AMENDMENT TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules. §§ 2860.0100 through 2860.9930, the parties to the attached Kiddie Academy Domestic Franchising, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Sections 3, 15, and 16 of the Franchise Agreement, under the headings entitled “Renewal,” “Transfer of Interest,” and “Default and Termination,” shall be supplemented by the addition of the following language:

Minnesota law provides franchisees with certain termination, non-renewal and transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 3, 4, and 5) currently requires, except specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

2. Section 3.1 of the Franchise Agreement, under the heading “Notice,” shall be amended by adding the following sentence to the end of the section:

Franchisor will also give Franchisee written notice of Franchisor’s election to renew or not renew the Franchise not less than six (6) months or more than 12 months prior to the end of the Term of the current renewal term, as the case may be, which notice shall be sent in a manner set forth in Section 24 of this Agreement.

3. Section 9.3 of the Franchise Agreement, under the heading “Protection of Marks,” shall be amended by adding the following sentence at the end of the section:

“Franchisor will participate in Franchisee’s defense and indemnify Franchisee for any damages or expenses incurred by Franchisee if Franchisee is a party to a proceeding involving the Marks and Franchisee use of the Marks was in accordance to this Agreement or as otherwise authorized by Franchisor in writing.”

4. Section 16.2 of the Franchise Agreement, under the heading “Termination after Notice and Opportunity to Cure,” shall be deleted in its entirety and replaced with the following language:

Except as provided in Section 16.1 of this Agreement, Franchisor shall provide to Franchisee a written notice of Franchisor’s intention to terminate this Agreement setting forth all of the reasons for the proposed

termination at least ninety (90) days prior to such termination and Franchisee shall have sixty (60) days after receipt of such notice from Franchisor within which to remedy such default(s) (or, if the default cannot reasonably be cured within sixty (60) days, to initiate within such time substantial and continuing action to cure the default(s)), and to provide evidence of an attempt to remedy the default(s) to Franchisor. If any such default(s) is not cured within that time (or, if applicable, substantial and continuing action to cure the default is not initiated within that time), Franchisor, at its option, may terminate this Agreement, effective immediately upon Franchisee's receipt of Franchisor's notice of such termination, or, in any event, within five (5) days from the date such notice is mailed. Franchisee agrees that such termination shall cause Franchisor to suffer damages including, but not limited to, the amount of all future royalties and other fees under this Agreement that otherwise would have been collected from Franchisee and that Franchisor shall be entitled upon such termination to collect such amounts from Franchisee, plus all reasonable attorneys' fees and court costs incurred by Franchisor in collecting such amounts. Under this subsection, Franchisee will be in default of this Agreement for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Kiddie Academy Manuals, or to carry out the terms of this Agreement in good faith. The defaults will include, without limitation, the occurrence of any of the following events, each of which is agreed to be "good cause" for termination of this Agreement:

7. Section 27.1 of the Franchise Agreement, under the heading entitled "Applicable Law" shall be supplemented by the addition of the following language:

Pursuant to Minn. Stat. § 80C.21, this Section 27.1 shall not in any way abrogate or reduce any of Franchisee's rights as provided for in the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

8. Section 27.2 of the Franchise Agreement, under the heading entitled "Consent to Forum," shall be supplemented by the addition of the following language:

Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. This Section 27.2 shall not in any way abrogate or reduce any of Franchisee's rights as provided for in the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

9. Section 27.8 of the Franchise Agreement, under the heading entitled “Limitation of Claims,” shall be supplemented by the addition of the following language:

Pursuant to Minn. Stat. § 80C.17 (subd. 5), this Section 26.8 shall not in any way abrogate or reduce the time period for bringing a civil action under Minn. Stat. § 80C.17.

10. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, are met independently without reference to this Amendment.

11. The Franchise Agreement is hereby amended as follows:

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

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

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.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

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

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes,  
Section 80C.17, Subd. 5.

**IN WITNESS WHEREOF**, the parties to this Addendum have duly executed and delivered this  
Addendum on \_\_\_\_\_.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

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

[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

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

[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

**NORTH DAKOTA**

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF NORTH DAKOTA**

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

- A. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
- B. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- C. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- D. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- E. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
- F. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
- G. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- H. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- I. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

In recognition of the requirements of North Dakota Century Code, Section 51-19-09, the Franchise Disclosure Document of Kiddie Academy Domestic Franchising, LLC for use in the State of North Dakota shall be amended to include the following:

1. Item 17(c) shall be supplemented by the addition of the following language:  
You will not be required to sign a general release upon renewal of the franchise agreement.
2. Item 17(i) shall be supplemented by the addition of the following language:  
You will not be required to consent to liquidated damages or termination penalties.
3. Item 17(r) shall be supplemented by the addition of the following language:  
All covenants restricting competition are subject to North Dakota Century Code, Section 9-08-06. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
4. The language in Item 17(v) shall be deleted and replaced by the following language:  
All litigation must be brought in North Dakota.
5. The language in Item 17(w) shall be deleted and replaced by the following language:  
All disputes will be governed by the laws of the State of North Dakota.

*[Remainder of Page Intentionally Left Blank]*

**AMENDMENT TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF NORTH DAKOTA**

In recognition of the requirements of North Dakota Century Code, Section 51-19-09, the parties to the attached Kiddie Academy Domestic Franchising, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. In the event of a conflict of laws, applicable provisions of North Dakota law shall prevail.

2. A release or waiver of rights executed by a franchisee shall not include rights under the North Dakota Franchise Investment Law (the “Act”) except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

3. Notwithstanding Sections 17.7, 18.8 and 27.5 of the Franchise Agreement, the prevailing party in any enforcement action under the Franchise Agreement shall be entitled to recover all costs and expenses related to and arising from such enforcement action, including attorney’s fees and court costs.

4. The covenants not to compete contained in Section 18.3 of the Franchise Agreement may not be enforceable in the State of North Dakota.

5. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial and the right to litigate claims under the Franchise Agreement in North Dakota, are not enforceable. Accordingly, Section 27.8 of the Franchise Agreement is hereby deleted.

*[Remainder of Page Intentionally Left Blank]*

**IN WITNESS WHEREOF**, the parties to this Addendum have duly executed and delivered this Addendum on \_\_\_\_\_.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

## **RHODE ISLAND**

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of Kiddie Academy Domestic Franchising, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Items 17v. and 17w. for each chart shall be supplemented with the following language:

However, you may sue us in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

3. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

*[Remainder of Page Intentionally Left Blank]*

**AMENDMENT TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the parties to the attached Kiddie Academy Domestic Franchising, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. The following language shall be added at the end of Sections 27.1 & 27.2 of the Franchise Agreement, under the headings “Applicable Law” and “Consent to Forum”:

Notwithstanding the above, Rhode Island franchisees are permitted to bring a lawsuit in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

*[Signatures on the following page]*

**IN WITNESS WHEREOF**, the parties to this Addendum have duly executed and delivered this Addendum on \_\_\_\_\_.

**FRANCHISOR:**

Kiddie Academy Domestic Franchising, LLC

By: \_\_\_\_\_  
[NAME, TITLE]

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

**FRANCHISEE:**

[BUSINESS ENTITY]

By: \_\_\_\_\_  
[NAME, TITLE]

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

\_\_\_\_\_  
[NAME], an individual

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

\_\_\_\_\_  
[NAME], an individual

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

# VIRGINIA

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions will supersede and apply:

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document, entitled “Cause” defined – non-curable defaults,” shall be amended as follows:

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

2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.
3. 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.

*[Remainder of Page Intentionally Left Blank]*

# WASHINGTON

**ADDENDUM TO THE**  
**KIDDIE ACADEMY DOMESTIC FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF WASHINGTON**

1. On October 28, 2019, we voluntarily, and without admitting any liability, entered into an Assurance of Discontinuance (“AOD”) with the State of Washington (No. 19-2-28290-8) to resolve allegations by the Washington Attorney General that certain provisions of our franchise agreement violated Washington state and federal antitrust and unfair practices laws. Pursuant to the AOD, we agreed to remove from all future franchise agreements any provision which restricts a franchisee from soliciting and/or hiring our employees or the employees of our franchisees. Similar provisions have historically been found in franchise agreements across all industries. While we have never enforced this provision against any franchisee, we also agreed not to enforce this provision in any existing franchise agreements, and to notify our franchisees accordingly. The State of Washington did not assess any fines or other monetary penalties against us in connection with the AOD or the Attorney General’s allegations.

2. 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.

**EXHIBIT Q**  
**STATE EFFECTIVE DATES**

## **STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<b>State</b>	<b>Effective Date</b>
California	Exempt
Hawaii	4/18/2024
Illinois	Exempt
Indiana	Exempt
Maryland	Exempt
Michigan	4/5/2024
Minnesota	4/18/2024
New York	Exempt
North Dakota	4/3/2024
Rhode Island	6/15/2024
South Dakota	3/29/2024
Virginia	Exempt
Washington	Exempt
Wisconsin	3/29/2024

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 R**  
**RECEIPT**

**RECEIPT**  
(OUR COPY)

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 KADF offers you a franchise, it must provide this disclosure document to you at least 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.

The States of Connecticut and Michigan require that KADF provide this disclosure document to you at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If KADF 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The Franchisor is Kiddie Academy Domestic Franchising, LLC and our FRANCHISE SELLER for this potential franchise sale is: Jeff Brazier, or \_\_\_\_\_, a member of our Franchise Development Department. Our and the Franchise Seller’s principal business address and telephone number are: 3415 Box Hill Corporate Center Drive, Abingdon, Maryland 21009-1201, (410) 515-0788.

The issuance date of this Disclosure Document is March 29, 2024.

Exhibit A	List of State Agencies/Agents for Service of Process	Exhibit I	Addendum to Franchise Agreement (Transfers)
Exhibit B	Franchise Agreement (with Exhibits)	Exhibit J	General Release
Exhibit C	Addendum to Franchise Agreement (Multi-Unit)	Exhibit K	[Intentionally Omitted]
Exhibit D	Addendum to First Franchise Agreement (Royalty Reduction)	Exhibit L	Table of Contents – Admin/Operations Manual
Exhibit E	Addendum to Franchise Agreement (Vet*Fran Program)	Exhibit M	List of Franchisees
Exhibit F	Addendum to Franchise Agreement (Renewal)	Exhibit N	List of Franchisees Who Have Left The System
Exhibit G	Addendum to Franchise Agreement (First In Market Program)	Exhibit O	Financial Statements
Exhibit H	Collateral Assignment of Lease	Exhibit P	State Addenda
Exhibit H-1	Lease Option Agreement	Exhibit Q	State Effective Date
		Exhibit R	Receipt

I/we received this Disclosure Document on the date indicated below, that included the preceding Exhibits:  
Prospective Franchisee(s):

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**RECEIPT**  
(YOUR COPY)

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

KADF must provide this disclosure document to you at least 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.

The States of Connecticut and Michigan require that KADF provide this disclosure document to you at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If KADF 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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Prospective Franchisee(s):

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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