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April 27, 2026

Jenny Willey
State Program Administrator
Minnesota Department of Commerce
85 – 7th Place East, Suite 280
St. Paul, MN 55101-2198

VIA ELECTRONIC FILING

Re: Response to Comment Letter for:
Children's Orchard, LLC
File No. 7492 / Submission #35874-202604

Dear Ms. Willey:

I am in receipt of your comment letter dated April 22, 2026. We have made the requested changes and have submitted the changed pages electronically.

If you have any questions or comments, please feel free to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Elizabeth S. Dillon".

Elizabeth S. Dillon

ESD/mdr
Attachment

Type Of Fee	Amount (See Note 1)	Due Date	Remarks
		on March 31 each year, and \$250 on September 30 each year.	
Software Support Fee	Currently \$190 per month	Payable monthly to our designated supplier, currently Resale World	We do not receive any portion of this fee from Resale World. The monthly cost for software support may increase with written notice. See Item 11 See Note 8
Additional Training Fee	Currently up to \$200 per person per day	Before training occurs.	Incurred for new manager training and additional training we require. <u>We may increase this fee up to 20% per year.</u> See Item 11
E-Commerce Program Fees	Currently, not collected	Payable, when applicable, by electronic funds transfer.	May be paid to us, our affiliate, and/or a designated vendor. We reserve the right to charge up to 2% of online Net Sales for E-Commerce Marketing and Development. May charge fees and administer at any time. These fees are in addition to all other fees you owe us (including Royalty Fees).

Notes:

- (1) Except where otherwise noted, all fees are payable to us by electronic funds transfer (“EFT”) and are non-refundable. Except for fees paid by the Predecessor, all fees are uniformly imposed.
- (2) “Net Sales” generally means all revenues received from the sale of goods and services, whether for cash or by check, credit card, or trade, in connection with the Store, less sales tax, and *after* coupons, discounts and returns. The term “Net Sales” includes internet sales, third party fees associated with e-commerce programs, off-premises sales and monies derived at or away from the Store.
- (3) If you do not spend the required minimum amount during the calendar year for approved cooperative or local advertising, we may require you to deposit with us the difference between what you should have spent for advertising during the calendar year and what you actually spent for advertising during the calendar year. We may deposit these monies in the NMF Fund or spend the monies in your market area as we determine.

Provision		Section in Franchise or Other Agreement	Summary
			disconnect the telephone number, remove all signs and other materials containing any Licensed Marks, comply with obligations under the POS Software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, agree not to divert Store customers to any competing business for 2 years and redecorate the Store premises (also see o, r below).
j.	Assignment of contract by us	Section 15(A)	Assignee must fulfill our obligations under the agreement.
k.	“Transfer” by you-defined	Section 15(C)	Includes transfer of Store or its assets, or your interest in agreement or any significant (“controlling interest”) ownership change.
l.	Our approval of transfer by franchisee	Section 15(B), (C) and (D)	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m.	Conditions for our approval of transfer	Section 15(C)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release. No transfer fee for transfer to immediate family member.
n.	Our right of first refusal to acquire your business	Section 15(F)	We can match any offer for your business.
o.	Our option to purchase your business	Section 18(C)	When the Franchise Agreement expires or terminates, we may purchase assets at book value.
p.	Your death or disability	Section 15(D)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q.	Non-competition covenants during the term of the franchise	Section 14(B)	No involvement in retail or wholesale business (including any e-commerce or internet-based business) that buys and sells primarily used goods and related services, including without limitation clothing, equipment and related accessories and toys, books, home furnishings, sporting goods, electronics and other devices, or any other related business that competes with a Children’s Orchard® store or any other retail store which is the subject of a franchise program that we or our parent or any of our affiliates then offers, except for the E-Commerce Program, <u>subject to applicable state law.</u>
r.	Non-competition covenants after the franchise is terminated or expires	Sections 14(C) and 18(A)	No used and new kid’s clothing, accessories or toys business with a principal emphasis on kids or any other competing business for two years within 10 miles of your location or within 10 miles of another

Provision		Section in Franchise or Other Agreement	Summary
			Store. Also, no e-commerce business that solicits customers within 10 mile radius of any Store, <u>subject to applicable state law.</u>
s.	Modification of the agreement	Sections 1(B), 1(G), 10(E) and 20(F)	No modifications generally, except in writing. We may modify Operations Manual, Licensed Marks, System and goods/services to be offered to your Store.
t.	Integration/merger clause	Section 20(L)	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes will be subject to binding arbitration in Minneapolis, Minnesota (subject to state law)
v.	Choice of forum	Section 20(D)	Litigation not subject to arbitration must be in Minneapolis, Minnesota (subject to state law). The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.
w.	Choice of law	Section 20(E)	The laws of the state where your Store is located applies (subject to state law). The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

ITEM 18

PUBLIC FIGURES

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

MINNESOTA ADDENDUM TO CHILDREN'S ORCHARD FRANCHISE DISCLOSURE DOCUMENT

This Addendum relates to franchises sold in the state of Minnesota and is intended to comply with Minnesota statutes and regulations.

1. Item 13. Item 13 of the disclosure document is amended to include the following language:

We will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the "Children's Orchard" mark, provided you have used the Licensed Marks properly and have notified us of any claim against you within 10 days of your knowledge of the claim. We will have sole control of any litigation involving the Licensed Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Item 17. Item 17 of the disclosure document is amended to include the following:

~~"Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes Section 80C.14, subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.~~

~~Minnesota Statutes Section~~

~~Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota. To the extent a dispute is subject to litigation (and not arbitration), 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 disclosure document or Franchise Agreement Disclosure Document or agreement(s) can eliminate, abrogate or reduce (1) any of your the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.~~

With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases):

that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and

that consent to the transfer of the franchise will not be unreasonably withheld.

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

Minnesota Rule Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. No release language stated in the Franchise Agreement will relieve us or any other

~~person, directly or indirectly, from liability imposed by Minnesota laws concerning franchising, provided that this part will not bar the voluntary settlement of disputes.~~

~~Minnesota Rule 2860.4400(J) states the~~The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief.” See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

Minnesota Rule 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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

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

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