FRANCHISE DISCLOSURE DOCUMENT

Abrakadoodle, Inc.
A Virginia corporation
46030 Manekin Plaza, Suite 110
Sterling, VA 20166*
703-860-6570
rosemarie@abrakadoodle.com
www.abrakadoodle.com
*On or about July 1, 2023, address will be 100 Carpenter Drive, Suite 110, Sterling, VA 20164.

As an ABRAKADOODLE® franchisee, you will operate a business which provides arts education programs for 20-month-old to 12-year-old children, curriculum materials for instructing teachers in arts education, and art classes and special events for adults.

The total investment necessary to begin operation of an ABRAKADOODLE franchised business ranges from $38,714 to $64,563 for a local territory, and from $52,214 to $82,564 for a regional territory. This includes from $35,364 to $56,213 that must be paid to franchisor for a local territory, and from $48,864 to $74,214 that must be paid to franchisor for a regional territory.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Rosemarie Hartnett, 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164), (703) 860-6570, rosemarie@abrakadoodle.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 25, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

Supplier restriction. 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, 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 arbitration and/or litigation only in state where your franchise is located Virginia. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Virginia than in your own state.

2. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

3. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

MICHIGAN NOTICE

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

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

(b) A requirement that a franchisee assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. 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 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 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(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 sell 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 obligations 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 offer 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, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, telephone: 517-373-7117.

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Item 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

The franchisor is Abrakadoodle, Inc. For ease of reference in this disclosure document, Abrakadoodle, Inc. is referred to as “we” or “us,” and the person who is considering the franchise is referred to as “you.” If you are a corporation, limited liability company, partnership or other legal entity (“legal entity”), certain provisions of the franchise agreement and any related agreements will apply to your shareholders, members, partners, officers, managers and directors (“principals”).

We are a Virginia corporation formed on October 17, 2003. We do business under our corporate name and as ABRAKADOODLE. We do not do business or intend to do business under any other name. Our principal business address is 46030 Manekin Plaza, Suite 110, Sterling, VA 20166. On or about July 1, 2023, our principal business address will be 100 Carpenter Drive, Suite 110, Sterling, VA 20164. We do not have any predecessors.

Since January 25, 2016, we have been majority owned by Mega Education, Inc. ("Mega"), a Samoan corporation, making Mega our parent. Mega conducts business under its corporate name at its principal place of business in Chaoyang District, Beijing, China and has no principal place of business in the United States. Mega does not own or operate any franchises, but does own an equity interest in Gym Consulting, LLC, d/b/a My Gym Enterprises, a California limited liability company ("My Gym"), franchisor of the My Gym children's fitness franchise system, making My Gym our affiliate. My Gym offers programs and facilities devised to help children 6 weeks thru 10 years of age to develop physically, cognitively and emotionally. My Gym has offered franchises for fixed centers since February 1995 and for mobile centers since July 2006. My Gym currently has 157 franchises in the United States. My Gym does not currently operate any businesses of the type being franchised, but My Gym did operate businesses of the type being franchised from November 2002 until January 2004. My Gym's principal place of business is 15300 Ventura Blvd., Sherman Oaks, CA 91403. Mega also has common ownership with affiliate companies, Beijing My Gym Education Technology Co., Ltd. ("Beijing") and Ai Bei Rui Ke Education Technology Co., Ltd. ("Ai Bei"), both formed under the laws of China and have principal places of business at 2nd Floor, SOHO3Q, No. 9, Guanghua Road, Chaoyang District, Beijing, 100020, China. Mega has not offered franchises in any other line of business.

Our President operated a business of the type being franchised from August 2002 until we began offering franchises. We currently operate 2 franchise model sites in Virginia. We have not engaged in any other line of business, have not offered franchises in any other line of business, and began offering franchises in February 2004. Our agents for service of process are disclosed in Exhibit A.

We offer franchises for businesses that provide arts education programs for 20-month-old to 12-year-old children, curriculum materials for instructing teachers in arts education, and art classes and special events for adults, under the trademark and trade name ABRAKADOODLE®. If you purchase a franchise with a local territory, your territory generally will include up to 20,000 qualifying households, but may include up to

49,999 qualifying households. If you purchase a franchise with a regional territory, your territory generally will include 50,000 to 60,000 qualifying households, but may include a higher number of qualifying households. A “qualifying household” is one that has an annual income of $75,000 or more.

You will present ABRAKADOODLE programs at facilities – public and private schools, community centers and other host sites – operated by others. You must introduce your programs to the operators of those facilities before presenting programs at the facilities. You are not required to operate your own educational facility, although in some instances, you may choose to do so. We have contacted, and intend to continue to contact, national and regional operators of appropriate types of facilities to encourage them to permit programs to be presented at their facilities.

Also you may institute programs at host sites to instruct adults about arts education, and you may provide designated curriculum materials to those adults.

You must operate the franchised business according to our standards and specifications, and sign our standard franchise agreement (“franchise agreement”) (Exhibit B). You will compete with other local, regional and national companies, franchised or independent, offering other arts education programs for children, curriculum materials for instructing teachers in arts education, and art classes and special events for adults. The markets for arts education programs for children, and for art classes and special events for adults, are developed in some major metropolitan areas, but are undeveloped in other areas. Before signing a franchise agreement, you will be expected to survey your market to determine the number of competitors, the number of facilities, children and adults they are likely servicing, and the perceived quality of their programs, materials, classes and events.

We are not aware of any laws or regulations specific to the operation of arts education programs for children, curriculum materials for teachers or art classes for adults. However, some jurisdictions may have certain laws or regulations that are specific to businesses that provide services to children. You must comply with all applicable local, state and federal laws and regulations, including those applicable to the operation of any business. You must perform background checks on all your employees and you must train them in your procedures. Some localities may require a reseller’s number or license in order for you to purchase and resell products. If you accept credit and debit card payments, you must comply with provisions of the Fair Credit Reporting Act requiring all merchants to truncate credit card and debit card numbers on electronically printed receipts for consumer purchases. We urge you to inquire about these and other laws and regulations.

Item 2

BUSINESS EXPERIENCE

Chairman: James Liu

James Liu has been our Chairman since January 2016. Since 2010, he also has been the CEO of the Abrakadoodle Master Franchise in China. Since October 2008, Mr.

Liu also has been the CEO of My Gym China, the Master Franchise for My Gym in China. Mr. Liu is located in Beijing, China.

CEO: Alice Wang

Alice Wang has been our CEO since January 2016. Since 2010, she also has been the Director of Programs and Training for the Abrakadoodle Master Franchise in China. Ms. Wang is located in Beijing, China.

President: Rosemarie E. Hartnett, B.A.

Rosemarie Hartnett has been our President since January 2008. From November 2003 to January 2016, she was also our Director. From December 2006 to January 2008, she was our Chief Operating Officer, and was our Vice President of Development from October 2003 to December 2006. She was a co-founder of the ABRAKADOODLE program in McLean, Virginia with Mary Rogers, and from May 2003 to September 2003, she was involved in development for that program. Ms. Hartnett is located in Sterling, VA.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

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

Item 5

INITIAL FEES

Initial Franchise Fee

We offer 2 types of territories, a local territory and a regional territory. You must pay us, on signing the franchise agreement, a $25,400 initial franchise fee for a standard local territory (up to 20,000 qualifying households) or $38,900 for a standard regional territory (50,000 to 60,000 qualifying households). A “qualifying household” is defined in the franchise agreement as a household that has an annual income of $75,000 or more.

As indicated above, a standard local territory is defined as area with up to 20,000 qualifying households. We may charge an additional initial franchise fee for a territory that is larger than a standard local territory. The additional initial franchise fee for a territory that is larger than a standard local territory is calculated at a rate of $0.45 per qualifying household above 20,000 qualifying households (but below our standard minimum regional territory of 50,000 qualifying households), rounded down to the nearest dollar. For example, if you purchase a standard local territory with an additional

29,999 qualifying households, the additional initial franchise fee would be $13,499, for a total initial franchise fee of $38,899. So, the initial franchise fee a local territory may range from $25,400 to $38,899.

As indicated above, a standard regional territory is defined as regional area with 50,000 to 60,000 qualifying households. We may charge an additional initial franchise fee for a territory that is larger than a standard regional territory**.** The additional initial franchise fee for a territory that is larger than a standard regional territory is calculated at a rate of $0.45 per qualifying household above 60,000 qualifying households, rounded down to the nearest dollar. For example, if you purchase a standard regional territory with an additional 40,000 qualifying households, the additional initial franchise fee would be $18,000, for a total initial franchise fee of $56,900. We do not generally grant a territory with more than 100,000 qualifying households. So, the initial franchise fee for a regional territory may range from $38,900 to $56,900.

Except as described below, these fees are uniform, are fully earned when the franchise agreement is signed, and are non-refundable, except that we may, at any time before you successfully complete Business Development Training, cancel the franchise agreement and refund the initial franchise fee, less expenses incurred, if we decide that you should not operate an ABRAKADOODLE business. We estimate our expenses will be in the $4,500 to $19,000 range.

We may reduce the initial franchise fee by $1,000 (for a local territory) or by $3,000 (for a regional territory) if you are converting a similar business to an ABRAKADOODLE business or you have been employed for at least 1 year by an ABRAKADOODLE business. We offer a 10% reduction in the franchise fee to qualified veterans.

In 2022, we sold no franchises for less than our standard initial franchise fees.

Prepaid Continuing Franchise Fees, Class Management Program Fees and Technology Fees

On signing the franchise agreement, you must also pay us $3,864 as prepaid minimum continuing franchise fees ($500 per month), class management program fees (currently $95 per month) and technology fees (currently $49 per month) for your 1st 6 months of operation (deemed to begin 30 days after you complete initial training). These fees are uniform and non-refundable. After your 1st 6 months of operation, you will pay continuing franchise fees, class management program fees and technology fees monthly (see Item 6).

Initial Materials Fee

On signing the franchise agreement, you must also pay us a $5,500 materials fee. The materials fee is uniform and non-refundable once we ship the materials to you.

Advertising Fee

On signing the franchise agreement, you must also pay us a 1-time $600 advertising fee. The fee is uniform and non-refundable.

Quick Start and Business Development Training

At no extra charge to you, we will provide Quick Start Training, Business Development Training and training materials for up to 2 trainees. If you choose to send additional people to Business Development Training, you must pay us a $3,500 training fee for each additional person. Training fees are uniform and non-refundable. You must pay for all your trainees' travel, meals and lodging.

Item 6

OTHER FEES

Fee (1)	Amount	Due Date	Remarks
Continuing franchise fee	8% of Gross Sales (2)	Payable monthly by 10th day of each month	The continuing franchise fee is subject to a $500 monthly minimum. You must prepay the 1st 6 months' minimum fees. You must sign the Authorization For Automatic Payments (Attachment 6) when you sign the agreement. After the 1st 6 months, we will draft these fees each month.
Advertising and promotional contribution	1% of Gross Sales	Same as continuing franchise fee	We may draft these contributions each month. We administer a system-wide advertising and promotional fund.
Remedial or follow-up training (3)	Currently $3,500 per person per day (4)	Before day 1 of training	You or your manager(s) must attend this training if we decide it is necessary
Business Development Training of replacement manager (3)	Currently $3,500 (4)	Before day 1 of training	No fee if training is required less frequently than every 2 years
Technology Fee (4)	Currently $49 per month	Same as continuing franchise fee	We collect this fee on behalf of the network hosting company for its service and ongoing support of the ABRAKADOODLE Intranet. You must prepay the 1st 6 months' fees; thereafter, we may draft these fees each month.
Class Management Program Fee (4)	Currently $95 per month	Same as continuing franchise fee	We collect this fee on behalf of the supplier (JackRabbit) of the required web-based or other class management program. You must prepay the 1st 6 months' fees; thereafter, we may draft these fees each month.
Field assistance	Currently $500 per day (4), plus expenses	Before 1st day of scheduled assistance	This fee is for field assistance you need or request

Fee (1)	Amount	Due Date	Remarks
Annual conference (3)	Proportionate share of our out-of-pocket costs	Before 1st day of the conference	You must also pay for travel, meals and lodging
Advanced ABRAKADOODLE Training (5)	Varies under circumstances	Before training	Available to existing franchisees who wish to offer additional programs
Equipment, supply or supplier testing or inspection	Out-of-pocket expenses, plus the then-current per diem charges for our personnel	30 days after billing	This fee covers the cost of testing or inspecting, granting or approving, new equipment, supplies or suppliers you propose
Transfer	An amount equal to 8% of the total sales price, including all equipment, goodwill, materials and all other elements of the sale. This fee is subject to a minimum transfer fee that is equal to 30% of then-current initial franchise fee for comparable territory, plus our initial materials fee, and our out-of-pocket travel, lodging and meal expenses	Before transfer	Payable when franchise agreement or controlling interest in franchise is transferred; no charge if franchise agreement is transferred to legal entity you control.
Transfer involving a broker	Actual broker's fee	Before transfer	If a broker is involved in referring a buyer, you must pay the broker's fee.
Renewal	5% of then-current initial franchise fee for a comparable territory	On signing of renewal franchise agreement	
Audit	Cost of inspection or audit	30 days after billing	Payable only if we find, after an audit, that you have understated any amount owed to us by 3% or more for any 3-month period, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner
Late fees and interest	$25, plus lesser of 1.5% per month or highest rate of interest allowed by law (In California, the highest lawful rate of interest is 10% per annum.)	When billed	Payable on all overdue amounts. We may change the late fee up to 1 time each year by giving you 30 days' prior written notice

Fee (1)	Amount	Due Date	Remarks
Reimbursements and penalty fees	Will vary under circumstances	When billed	Reimbursements and penalty fees on returned checks, declined charges and similar financial defaults Penalty fees on unpaid invoices; the use, offer for sale or sale of unapproved products or services; and the non-use by you, your teachers, your managers or your students, of required branded apparel in class
Inspection	Our actual costs, including travel expenses, room, board and compensation of our representative or designee	When billed	Payable if we must make more than 2 inspections due to your repeated or continuing failure to comply with the franchise agreement
Deficiencies	Our actual costs	When billed	If you do not satisfy your obligations under the franchise agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations
Costs and attorneys' fees	Will vary under circumstances	As incurred	Payable if your non-compliance with the franchise agreement causes us to incur legal expenses
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims involving the operation of your franchised business

Note 1: All fees are uniformly imposed and collected by us. All fees are non-refundable. In addition to fees, you may be required to purchase certain items from us.

Note 2: Higher monthly minimums may be established if you elect to market additional programs. As of the date of this disclosure document, we have not established any higher monthly minimums. "Gross Sales" include all collected receipts of your business, including all class fees (whether for students or for teachers), materials fees, registration fees, late charges, other amounts received or charged, the value of all services or products received for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on sale, if those taxes are separately stated when the client is charged, and also excluding bona fide refunds, allowances or discounts to clients.

Note 3: For all training, you must pay for your travel, lodging and meal expenses and for your trainees' and attendees' salaries and benefits and their travel, lodging and meal expenses. If you request our trainers or if they must travel to give you training, you must pay us the then-current per diem charges for those trainers and must reimburse us for their actual and reasonable travel, lodging and meal expenses.

Note 4: Currently, you prepay the 1st 6 months of these fees. We currently collect from you the fee that the network hosting company charges us. After your 1st 6 months of operation, the fee may change if the supplier changes its fees. We also currently collect from you the monthly fee that the supplier of the class management program charges us, but we pay the

initial cost for training and implementation of the class management program. After your 1st 6 months of operation, this fee may change if the supplier changes its fees.

Note 5: These fees are subject to change, but not so as to unreasonably increase your obligations. For example, we may develop new training courses that may require fees different from those currently charged.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Local Territory

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial franchise fee (3)	$25,400 - $38,899	Lump sum by certified or cashier's check	On signing franchise agreement	Us
Prepaid 6 months of minimum continuing franchise fee, class management program fees and technology fees (4)	$3,864	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Initial materials fee (5)	$5,500	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Advertising fee	$600	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Additional materials and office supplies (stationery, business cards, brochures, marketing materials, on-line service, telephone service with voice mail, paper, etc.) (for 1st 6 months)	$1,000 - $3,850	As agreed	As incurred	Us and outside suppliers
1 laptop computer (per our current specifications for initial laptop computer)	$0 - $2,200	As agreed	As incurred	Outside suppliers
1 Digital camera	$0 - $200	As agreed	As incurred	Outside suppliers
1 Color printer	$0 - $100	As agreed	As incurred	Outside suppliers
Travel, lodging and meals for Business Development Training (per person)	$1,000 - $2,000	As agreed	As incurred	Outside suppliers

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Business Development Training Fees (per person) (6)	$0 - $3,500	As agreed	Before training	Us
Business licenses, permits, etc. (for 1st 6 months)	$50 - $100	As agreed	As incurred	Outside suppliers
Insurance (7) (for 1st 6 months)	$300 - $750	As agreed	As incurred	Outside suppliers
Additional funds (8) (for 1st 6 months)	$1,000 - $3,000	As agreed	As incurred	Outside suppliers
ESTIMATED INITIAL INVESTMENT ASSUMING NO COMMERCIAL OFFICE (9)	**$38,714- $64,563**			

Regional Territory

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial franchise fee (3)	$38,900 - $56,900	Lump sum by certified or cashier's check	On signing franchise agreement	Us
Prepaid 6 months of minimum continuing franchise fee, class management program fees and technology fees (4)	$3,864	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Initial materials fee (5)	$5,500	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Advertising fee	$600	Lump sum by certified or cashier's check or credit card	On signing franchise agreement	Us
Additional materials and office supplies (stationery, business cards, brochures, marketing materials, on-line service, telephone service with voice mail, paper, etc.) (for 1st 6 months)	$1,000 - $3,850	As agreed	As incurred	Us and outside suppliers
1 laptop computer (per our current specifications for initial laptop computer)	$0 - $2,200	As agreed	As incurred	Outside suppliers
1 Digital camera	$0 - $200	As agreed	As incurred	Outside suppliers

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
1 Color printer	$0 - $100	As agreed	As incurred	Outside suppliers
Travel, lodging and meals for Business Development Training (per person)	$1,000 - $2,000	As agreed	As incurred	Outside suppliers
Business Development Training Fees (per person) (6)	$0 - $3,500	As agreed	Before training	Us
Business licenses, permits, etc. (for 1st 6 months)	$50 - $100	As agreed	As incurred	Outside suppliers
Insurance (7) (for 1st 6 months)	$300 - $750	As agreed	As incurred	Outside suppliers
Additional funds (8) (for 1st 6 months)	$1,000 - $3,000	As agreed	As incurred	Outside suppliers
ESTIMATED INITIAL INVESTMENT ASSUMING NO COMMERCIAL OFFICE (9)	**$52,214 - $82,564**			

Note 1: Neither we nor any affiliate offers direct or indirect financing to you for any expenditure. Subject to any refundability that may be offered to you by outside suppliers, all fees are non-refundable.

Note 2: These figures are estimates. We recommend that you obtain independent estimates from 3rd party vendors for the costs which would apply to your establishment and operation of a franchised business, or discuss the costs of opening and operating a franchised business with our current and past franchisees. We cannot guarantee that you will not incur additional expenses starting the franchised business. Your actual costs will depend on: region; the time of year; the number of clients being serviced; sales promotions; how much you follow our methods and procedures; your management skill, experience and acumen; local economic conditions; the local market for our services and products; prevailing market wage rates; competition; and the sales level that you reach during the initial period of your franchised business. The estimate does not include any allowance for an owner's draw. The estimated initial investment and other estimates in this disclosure document do not take into account your personal living expenses, any debt service needs, ongoing working capital requirements, accounts receivable financing or other costs.

Note 3: The low amount is for a standard territory, which is defined as an area with up to 20,000 qualifying households for a local territory, or as an area with 50,000 to 60,000 qualifying households for a regional territory. The high amount is for a local territory with 29,999 additional qualifying households, or for a regional territory with 40,000 additional qualifying households above the standard of 60,000 qualifying households (calculated at $0.45 per qualifying household above 20,000 for a local territory or 60,000 for a regional territory, rounded down to the nearest dollar). At our option, the initial franchise fee may be $1,000 lower for a standard local territory and $3,000 lower for a standard regional territory if you already operate a similar business or have been employed for a period of at least 1 year by an ABRAKADOODLE business. The initial franchise fee may be 10% lower if you are a qualified veteran. For the initial

franchise fee, you receive Quick Start Training and Business Development Training, as well as complete sets of current curriculum, marketing and promotional materials (all on our Intranet), sample products and the loan of all operational manuals.

Note 4: This amount represents prepayment of the minimum continuing franchise fees, class management program fees and technology fees for your 1st 6 months of operation. After your 1st 6 months of operation (deemed to start 30 days after you complete initial training), you will pay continuing franchise fees, class management program fees and technology fees monthly.

Note 5: You will receive 4 sets of teacher art class materials, along with additional art supplies and an initial supply of marketing materials.

Note 6: The fee for training you and up to 1 other person is included in the initial franchise fee (see Note 3). You may choose to send more than 2 trainees to Business Development training, if you pay us a training fee of $3,500 per additional trainee.

Note 7: You must acquire and maintain insurance according to our specifications. Currently, you must maintain comprehensive general liability insurance with a limit of at least $1 million. An estimated annual premium for that insurance is $350 to $750. In addition, you must maintain automobile liability insurance with a $500,000 combined single limit or a $250,000/$500,000 split limit, and workers' compensation or similar insurance as required by law on all employees. Most franchisees already carry automobile liability insurance equaling or exceeding the type required, or can upgrade their insurance to the type required for an estimated annual cost of $100 to $400. An estimated annual premium for workers' compensation insurance is $200 to $400, based on estimated premium rates of $.50 to $1.00 per $100 of salary paid.

Note 8: You may need these additional funds to operate the franchised business during its 6-month initial period to cover operating expenses that are in excess of typical start-up revenues. These expenses may include marketing, promotional, travel, office supply, printing and telephone expenses, advertising and promotional contributions and annual conference. We estimate that you can expect to put additional cash into the business during the initial period, but we cannot estimate or promise when, or whether, you will achieve positive cash flow or profits. We have not provided for capital or other reserve funds necessary for you to reach "break-even", "positive cash flow" or any other financial position.

Note 9: You are not required to lease or purchase a commercial office or an art studio location for the conduct of your business. However, if you choose to maintain a commercial office and/or art studio, we must approve your proposed lease or purchase agreement and the appearance of the proposed office and/or art studio. All furniture, fixtures, decorations and general appearance of the space must comply with the requirements set forth in our Operations Manual. Many variables, including region, neighborhood, condition and size, will affect the cost of a commercial office and/or art studio, and we cannot estimate these costs.

We have relied on our President's experience of more than 20 years in the children's education business to compile these estimates. These figures are only estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are not required to lease or purchase products or services from us, our affiliate or an approved supplier, except as follows:

We are the only approved supplier of the materials provided to you for the initial materials fee. The materials include branded materials such as teacher and child aprons, teacher bags, educational books and tools used during class, toy mascot Splat dogs, marketing table cloth, business cards, stationery and art materials. Currently, neither we nor any person affiliated with us is the only approved supplier of any other products or services.

You must purchase, through us or through our exclusive supplier, certain supplies for classroom use containing our trademarks, such as our FRAMEDOODLE picture frames. You may, but are not required to, purchase from us various marketing materials containing our trademarks, such as pocket folders. Currently, we and our exclusive supplier are the only approved suppliers of these items.

To ensure consistency, you must purchase certain CRAYOLA® products for classroom use. We have negotiated an agreement for you to purchase products at a discount rate from a CRAYOLA distributor.

In 2022, we and our affiliates received no revenues from your purchases of CRAYOLA products, and derived no revenue, rebates or other material consideration based on your required purchases or leases.

You must purchase or lease certain equipment, materials, supplies and services meeting our specifications. Also, you must purchase or lease initial equipment, materials, supplies and services in amounts that we recommend, to use our experience in the business and to provide proper initial planning, training and record keeping. The initial equipment, materials and supplies include items such as a laptop computer, digital camera, color printer, voice mail, stationery and business cards. There is no approved supplier in which any of our officers owns an interest.

Specifications that we have formulated for equipment, materials, supplies and services are in our Operations Manual. We may modify these specifications on reasonable written notice to you. We will consider your written request for a modification of a specification, if you explain the reason for the requested modification (or for the approval of any equipment, material or supply we have not previously approved) and provide us with sufficient technical data to enable us to evaluate your request. We will provide you with notification of approval or disapproval within 60 days after receipt of your request. We will approve a request if we determine that a modified specification is appropriate or that any equipment, material or supply meets our specifications then in effect. We may perform tests to determine if any equipment or supply meets our specifications. We will charge you a fee to cover our out-of-pocket expenses, plus our then-current per diem charges for our personnel, for any required testing.

To ensure adequate insurance coverage, your insurance policies must meet the specifications in Section 17 of the franchise agreement. The insurance coverage must include workers' compensation or similar insurance, automobile liability insurance with a $500,000 combined single limit or a $250,000/$500,000 split limit, comprehensive general liability insurance with a limit of at least $1,000,000, and commercial office and/or art studio insurance if you maintain a commercial office and/or art studio.

If you choose to maintain a commercial office or an art studio for your franchised business, we must approve the purchase or lease agreement for, and the appearance of, the office or art studio. All signs, logos, emblems or pictorial materials used for the office or art studio must conform to our specifications. Also, at least 1 exterior sign of specified design and size, if permitted by local sign ordinances, must be used for the office or art studio.

We currently maintain a list of approved suppliers and criteria for approving suppliers in our Operations Manual. We may modify this list on reasonable written notice to you. You must purchase all products with our trademarks from these suppliers, who generally will be able to provide you with competitive pricing and convenience of ordering. As to products without our trademarks, you may purchase comparable products meeting our specifications from other suppliers. You may request in writing our approval of additional suppliers. We will grant or revoke approvals of suppliers based on the criteria for approving suppliers in our Operations Manual, and based on inspections and performance reviews. We may grant approvals of new suppliers or revoke past approvals of suppliers on reasonable written notice to you. We will provide you with written notification of the approval or disapproval of a supplier you propose within 60 days after receipt of your request. For this approval or disapproval, we may charge you a fee equal to our out-of-pocket expenses, plus the then-current per diem charges for our personnel.

Currently, we have negotiated agreements with a variety of quality art supply vendors for you to receive discounts. Currently we do not derive revenue from your purchases from these approved vendors. We will derive revenues from supplies you purchase from us, and we may derive revenue from certain suppliers that sell products to you. These revenues will vary from product to product, but generally will range from 10% to 15% of the product's selling price to you. We may use these revenues to offset our operating expenses.

In 2022, we had $3,635 in revenue, or about 0.4% of our total revenue of $877,120, from suppliers based on franchisees' purchases from them, and we had $7,283 in revenue, or about 0.8% of our total revenue, from franchisees' direct purchases from us. These figures were taken from our internal reports and our audited financial statement.

We estimate that the following purchases and leases of services and products will represent the following percentages of your total purchases and leases of services and products to establish and operate your business:

	% of Total to Establish	% of Total to Operate
Purchases/leases from us	0 – 20%	0 – 25%
Purchases/leases under our specifications	0 – 20%	25 – 40%
Purchases/leases from approved suppliers	0 – 5%	5 – 25%

We do not provide you with any material benefits based on your purchase of particular products or services, or your use of designated or approved sources. We have no purchasing or distribution cooperatives. We may, but are not required to, negotiate purchase arrangements with suppliers for your benefit.

If you choose to purchase or lease equipment, materials, supplies or services from us, we will attempt to make a reasonable profit from the sale or lease of those items or services.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise or Other Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	5.3	7 & 11
(b) Pre-opening purchases/leases	5.3, 14, 15 & 18.1	7 & 8
(c) Site development and other pre-opening requirements	5.3 & 15	7 & 11
(d) Initial and ongoing training	11	11
(e) Opening	5	11
(f) Fees	9, 11.2, 13.7, 16.1 & 25.2	5, 6 & 7
(g) Compliance with standards and policies/Operations Manual	1, 6, 12, 14 & 15	11
(h) Trademarks and proprietary information	12, 19 & 20	13 & 14
(i) Restrictions on products/services offered	7	8, 11 & 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	2 & Attachment 1	12
(l) Ongoing product/service purchases	14	8
(m) Maintenance, appearance and remodeling requirements	14 & 15	11
(n) Insurance	17	7 & 8
(o) Advertising	16	6, 7 & 11
(p) Indemnification	24	6
(q) Owner's participation/management/staffing	4	11 & 15
(r) Records and reports	13	Not applicable
(s) Inspections and audits	13.7 & 22	6
(t) Transfer	25	17
(u) Renewal	3.2	17

Obligation	Section in Franchise or Other Agreement	Disclosure Document Item
(v) Post-termination obligations	27	17
(w) Non-competition covenants	21 & Attachment 5	17
(x) Dispute resolution	32	17

Item 10

FINANCING

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

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Before you open your business, we will provide you with:

1. Current curriculum and other materials for establishing your business (Section 10.1(a)).

2. Initial pre-training and training for up to 2 individuals, at locations we determine. Currently, Quick Start Training sessions are self-directed activities at your location by telephone consultation with our training specialists. Currently, Business Development Training is held in the Washington D.C. area and lasts 5 business days (Sections 10.1(b) and 11).

3. For each individual attending Business Development Training, 1 set of the Operations Manual and other manuals, catalogs and materials, as needed. (Sections 10.1(c) and 10.1(i)) (see "Operations Manual" below).

4. Specifications for equipment, materials, supplies and services to be used under the system (Sections 10.1(e) and 14).

5. Samples of initial advertising and marketing materials (Section 10.1(f)).

6. If applicable, design and sign specifications for your commercial office and/or art studio (Sections 5.3 and 15).

During the operation of your business, we will:

1. Offer annual regional, national or international conferences designed to encourage the exchange of information and new ideas between us and our franchisees. You must pay fees to us for these conferences based on our out-of-pocket costs to hold the conferences (Sections 10.1(b) and 11.2(c)).

2. Distribute to you reports of improvements in administrative, bookkeeping, accounting, inventory control and general operating procedures, and business

merchandising methods (including pricing methods), as they are developed (Section 10.1(g)).

3. Distribute to you revisions of the Operations Manual to incorporate improvements and new developments in our system, including improvements in services and products you offer to your clients, and recommended prices. These revisions may be made at any time, but will not unreasonably increase your obligations (Section 12.2).

4. Provide periodic telephone, electronic mail or other assistance on daily operations, marketing, advertising, financial management, personnel and other operating issues that you encounter (Section 10.1(h)).

5. Make available to you Business Development Training of replacement managers at a location that we determine. For replacements made more frequently than once every 2 years, you must pay training fees (Sections 10.1(b) and 11.2(b)).

6. Make reasonable efforts to negotiate, enter into and maintain, through volume purchasing, contracts for equipment, materials, supplies and services that we make available for your purchase (Section 14.3).

7. Review proposed equipment, material, supply or service contracts to determine if they meet specifications under our system (Section 14.2).

8. Administer a system-wide advertising and promotional fund (Section 16.2); (see “Advertising and Promotional Fund” below).

9. Periodically offer additional programs in which you may choose to participate (“opt in”) if you meet any program requirements that we establish and agree to pay any required additional fees (Sections 1.2, 1.3 and 1.4).

Advertising and Promotion

You must participate in a system-wide advertising and promotional fund. The fund may provide advertising in print, direct mail, public relations, posters, brochures, coupons, presentation booklets, the Internet and similar media. The coverage of the media may be local, regional or national. We manage the preparation of advertisements, promotional materials and publicity in-house, but may use a regional or national advertising agency to produce materials.

All franchisees and all company-owned businesses (if any) will contribute equally to the fund. Contributions are currently 1% of monthly Gross Sales. We will administer the fund and, on your request, make an annual unaudited financial statement available for your review 90 to 120 days following the year-end. We will not use contributions to the fund or any associated earnings for soliciting the sale of franchises. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the fund, neither we nor any affiliate will receive any payment for providing services or products to the fund. If we spend more than the contributions accumulated in the fund during any fiscal year, we have the right to receive, on demand, reimbursement in later years to the extent of the excess expenditure.

We are not required to spend any amount from the fund on advertising or promotions in the territory. If any contributions to the fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they will remain in the fund for use in following years. You will receive periodic accountings of how these contributions are spent. We reserve the right to terminate the fund at any time, but we will not do so until all monies in the fund have been spent for the purposes described in the franchise agreement or returned to contributors on a prorated basis.

In 2022, the fund spent: 0% for the sale of franchises, 0% for administrative expenses, 44% for media placement, 49% for digital marketing, and 7% for public relations and marketing. The media and digital marketing used by the fund was developed by in-house personnel, and the cost of development was not charged to the fund.

We have established a Franchise Advisory Council ("FAC") to advise us on advertising and promotional policies. Franchisees elect the members of the FAC. The FAC is advisory and has no operational or decision-making power. We may not change or dissolve the FAC, which will operate under its own bylaws.

Currently, you are not required to participate in a local or regional advertising cooperative.

You may use your own advertising and promotional materials: if they are dignified and conform to specifications in our Operations Manual; and if (a) we have approved the materials in writing before their use, or (b) you have submitted samples to us and we have not disapproved the samples in writing within 10 days after their receipt.

You may not have your own website or use the Marks on social media platforms without obtaining our prior written permission. We have registered the domain names www.abrakadoodle.com and abrakadoodleinc.com. We will list your business on our corporate website, www.abrakadoodle.com.

You must spend at least 1% of monthly Gross Sales on local advertising in your territory. You may choose your own local advertising sources. You are not required to participate in a local or regional advertising cooperative. See Item 12 for information about our National Accounts programs.

Computer Hardware and Software

You must purchase a laptop computer for accounting, marketing, training and record keeping. The computer hardware and software must meet the following minimum requirements:

Memory: 8 GB RAM
Microsoft Word, PowerPoint and QuickBooks or equivalents

The cost of the above computer hardware and software will range from $1,100 to $2,200. If the required software is not pre-loaded onto the laptop that you purchase, the cost will as much as an additional $300.

On reasonable notice, we may require you to discontinue using, to update and/or to substitute computer hardware or software at your expense. We estimate that the cost of upgrading and replacing computer hardware or software is about $50 to $2,500 but there are no contractual limitations on the frequency or cost of this obligation. If we modify or impose a requirement, we will notify you in our Manuals or other written communications. You are not required to obtain computer hardware or software from any particular source.

Unless we expressly provide otherwise in writing, we do not warranty any required computer hardware or software, and we disclaim all implied warranties to the extent permitted by law. Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You should determine for yourself whether or not any 3rd party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services.

You must use web-based or other class management programs that we periodically designate. Currently, we are using a web-based program by Jack Rabbit Technologies, PO Box 31421, Greensboro, NC 28231. This program includes class management, database, invoicing and scheduling functions. We will pay the initial implementation and training costs for the program. We will provide telephone support to you and the vendor will provide on-going email support to you. We currently require you to prepay this fee for your 1st 6 months of operation. After your 1st 6 months of operation, you pay this fee monthly, so that we can pay the vendor for its support. The web-based program will have a security device that allows us to deny you access if you fail to pay this fee or your franchise agreement is terminated. We will have independent access to the data in your computer system. There are no contractual limitations on our right to access your data. We may use a different program in the future.

You must subscribe to an on-line Internet service provider of your choice, which generally costs between $10 and $50 dollars per month, allowing you to participate in the ABRAKADOODLE Intranet.

You must participate in the Abrakadoodle Intranet and pay us technology fees. Currently, we require you to prepay these fees for your 1st 6 months of operation. After your 1st 6 months of operation, you pay these fees monthly, so that we can pay the vendor for its support. You will use our Intranet to connect on-line with us and other franchisees to gather information, exchange ideas and transfer data.

We may assist you in obtaining these items and services, but we are not obligated to do so.

Currently, no software that we require you to use includes any modules that support personnel-related functions, such as employee timekeeping, employee scheduling and payroll processing. If those types of modules are ever included in any software that we require you to use, your use of those modules will be non-mandatory. You will be permitted to use those modules on terms we specify, or you will have the

right to use alternate software of your choosing to handle personnel-related functions or to handle personnel-related functions in any other manner that you choose.

Operations Manual

We provide you with an Operations Manuals, which contains both mandatory standards, policies, specifications, techniques and procedures, and non-mandatory guidelines and recommendations, for the operation of the franchised business.

The Operations Manual covered the following subjects as of December 31, 2022:

Table of Contents	# of Pages	Remarks
Starting Your Franchise	20	Home Office Setup, Business Organization, Communications, Legal Aspects
All About ABRAKADOODLE	22	Mission Statement, Philosophy, Goals, FAQs, Model, Branding Strategy
Education	15	Educational Principles, Arts Education, Curriculum
Class Structure	18	Physical Setup, Class Sequence, Curriculum, Special Programs
Marketing I	70	Specific Program Types, Sales Process, Time Table, Collateral Materials
Marketing II	70	Additional Marketing Venues
Teacher Training	125	Staffing, Teacher Management, Training
Business Management	43	Basic Accounting Principles, Bookkeeping, Insurance, Payroll, Tax Issues and Benefits, Chart of Accounts, Building Your Business, Time Management, Technology
Franchise Owners Obligations	26	Use of Trademarks, Compliance, Branding Support
Appendix	3	Recommended Resources, Glossary, Approved Supplier List, Education Resources
TOTAL	**412**	

Training

You will receive the following training before you open your ABRAKADOODLE business:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
QUICK START (Self-instruction)			
Setting Up Your Business	0	2	Your home
On-Line Review of Arts Education	0	2	Your home
Market Research	0	14	Your home
Educational Principles	0	17	Your home
Digital Marketing	0	10	Your home
Marketing	0	4	Your home
All About ABRAKADOODLE	0	1.5	Your home
Total Quick Start Hours		**50.5**	

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
BUSINESS DEVELOPMENT			
Branding and Co-Branding	1	0	Sterling, VA
Curriculum	5	0	Sterling, VA
Class Structure	3	0	Sterling, VA
Digital Marketing	10	0	Sterling, VA
Marketing I	10	0	Sterling, VA
Marketing II	2	0	Sterling, VA
Staffing I	2	0	Sterling, VA
Staffing II	8	0	Sterling, VA
Technology	3	0	Sterling, VA
Franchise Role	1	0	Sterling, VA
Business Management	5	0	Sterling, VA
Total Business Development Hours	**50**		
TOTAL TRAINING HOURS		**100.5**	

All of our current instructors have 13 to 36 years of experience with the subjects they will teach, and 4 to 18 years of experience with us. Our current instructors are Rosemarie Hartnett, Carrie Sandler, Leonor Brazao, and Patricia King. The instructors, and consequently the level of experience of the instructors teaching the subjects, are subject to change at any time, but any instructors will have a minimum of 1 year of experience with the subjects they teach and 6 months of experience with us.

The hours devoted to each subject are estimates only and may vary substantially based on how quickly trainees grasp the material, their prior experience with the subject, and scheduling.

You must successfully complete Quick Start Training activities before you attend Business Development Training. Quick Start Training activities currently include reading designated information, viewing videos, DVDs or other media, setting up your business, telephone meetings with a pre-training counselor, and performing other tasks.

You will use an online version of our manual for Quick Start Training at your home, and we will use our manual as the basis for instruction during classroom training in the Washington, DC area. Instructional requirements will also include computer research for selected subjects in Quick Start and Business Development Training.

You must complete Business Development Training to our satisfaction either via on-line virtual sessions or at a location we designate in the Washington, D.C. area. This training generally begins within 30 days after your franchise agreement is signed, and lasts 5 business days. We generally develop training schedules at the beginning of each quarter for that quarter. You may choose to send up to 2 persons without paying a training fee. You must pay $3,500 for each additional trainee.

Business Development Training generally concludes 30 days or less before the projected opening of the franchised business. Franchisees must train employees (other

than an original manager) before the opening and during the initial operation of the franchised business.

Each year, you must attend a regional, national or international seminar we schedule and conduct. The focus of the seminar generally will be discussion and review of new business, marketing and educational ideas and concepts.

You (or your managing principal) and/or any previously trained managers must attend any refresher or follow-up training that we designate, and you must pay the applicable fees for this training.

You will not be charged for Quick Start or Business Development Training, but you must pay travel and living expenses for trainees and any compensation or benefits due trainees during Business Development Training or any other training period. You will be charged for remedial or follow-up training.

Training for replacement managers or transferees of the franchised business is required and provided on the same terms as the Business Development Training provided for you, except that if there is a replacement of managers more frequently than once every 2 years, there will be a fee for the training. Training for replacement managers and transferees will occur at a time we schedule and may not be available immediately after the replacement manager is hired or the transferee assumes control.

Commercial Office and/or Art Studio Site Selection

Initially, we approve the territory within which you must promote ABRAKADOODLE programs. The territory is determined on the basis of factors such as population demographics, as explained in Item 12. You are not required to maintain a commercial office or art studio for the operation of the franchised business, but if you choose to open a commercial office site or art studio, it must be within the territory. We may, but are not obligated to, assist you in locating an office site. We will approve or disapprove a proposed site (within 60 days after you propose it in writing with appropriate documentation as stated in the Operations Manual) based on such factors as neighborhood, traffic patterns, access, parking, size, layout, length of availability, and the terms of any proposed lease or purchase contract. If we disapprove a site, you must locate another site. If you open an office at an unapproved site, in violation of the franchise agreement, we may issue a notice of default, which may lead to termination of your franchise. You may not relocate your office without our approval.

Opening of Franchised Business

You must open the franchised business within 30 days after your successful completion of Business Development training. To open, you must have a business telephone dedicated solely to the ABRAKADOODLE business, keep regular business hours and make all of the filings necessary to operate as a legally independent business in your area. Should circumstances beyond your control prevent you from opening within the 30 days, you must provide us with a written request to delay opening. Your request must state: (1) that a delay is anticipated; (2) the reasons that caused the delay; (3) the efforts that you are making to proceed with the opening; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold our consent

to a delay, up to a maximum period of 60 days, if you have been diligently pursuing the opening.

The typical length of time between the signing of a franchise agreement and the opening of a franchised business is 30 to 60 days. Factors that may affect this time period include our training schedule, school year schedules, and ability to obtain business licenses and permits.

Item 12

TERRITORY

Territory

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We grant you the marketing rights for a protected territory generally defined by 5-digit ZIP codes and/or county boundaries. All areas in the territory must be contiguous. A protected territory means that we will not sell another ABRAKADOODLE franchise that includes the zip codes and/or county boundaries in your territory. The territory is described in Attachment 1 to your franchise agreement when you sign the agreement.

A standard local territory generally includes up to 20,000 qualifying households. If the local territory has more than 20,000 qualifying households but less than 50,000 qualifying households, we may charge a higher initial franchise fee. We do not generally grant a local territory above 49,999 qualifying households. A standard regional territory generally includes 50,000 to 60,000 qualifying households. If a regional territory has more than 60,000 qualifying households, we may charge a higher additional initial franchise fee, but we do not generally grant a territory with more than 100,000 qualifying households. A “qualifying household” is defined in the franchise agreement as a household that has an annual income of $75,000 or more.

When determining the territory, we may take into account the number of children in the territory, as well as other factors. We may use demographic studies provided by the U.S. Census Bureau.

Sales Quotas

There is no minimum sales quota during your 1st 12 months of operation. After your 1st 12 months of operation, you must meet a minimum annual Gross Sales Quota during each calendar year in order to retain the franchise. Currently, the minimum annual Gross Sales Quota is $75,000 for local and regional territories. Your initial minimum annual Gross Sales Quota will be specified in Attachment 1 to your franchise agreement. We may increase the minimum annual Gross Sales Quota annually, for 2024 and later calendar years, based on increases in the Consumer Price Index. If you elect to market additional programs that we make available, you may be required to sign an addendum to your franchise agreement specifying a higher minimum annual Gross

Sales Quota. If you fail to achieve a minimum annual Gross Sales Quota, we may terminate the franchise.

Additional Terms

You will provide services and products at host sites in the territory. Students who receive services and products at those sites may reside in or outside of the territory. You may provide services to customers in territories not assigned to another franchisee if you obtain our prior written permission.

In exchange for your marketing rights in the territory, you may not solicit business outside the territory through the use of a toll-free number, direct mail, Internet website, social networking or other advertising methods without our written approval, or provide services or products at host sites in other franchisees' territories, and must refer requests for services and products in other franchisees' territories to those franchisees in accordance with procedures stated in the Operations Manual.

Your marketing rights restrict us from operating a company-owned business in the territory that offers the same services and products that you offer, except through the National Accounts program, and from granting any other person the right to operate a business in the territory that offers the same services and products that you offer under the ABRAKADOODLE trademarks or different trademarks. However, we reserve all other rights, including the following:

1. We and our affiliates may contact international, national or regional educational/ recreational organizations with headquarters or locations in the territory for any purpose, including promoting the use or increased use of ABRAKADOODLE services or products marketed by us or our franchisees. If designated as a National Account, program services may be reviewed by the FAC, and may be provided by us, or you, or a combination of us and you. We may also share revenue from a National Account by granting a royalty rebate, in our sole discretion. We are not required to pay you if we exercise this right inside the territory.

2. We and our affiliates may operate, and grant others the right to operate, ABRAKADOODLE businesses anywhere outside of the territory, including in territories adjacent to the territory.

3. We and our affiliates may sell products under ABRAKADOODLE trademarks to persons in or outside of the territory. We and our affiliates currently offer ABRAKADOODLE products through the Internet at www.abrakadoodleart.com. We are not required to pay you if we exercise this right inside or outside the territory.

4. We and our affiliates may sell different services, under the ABRAKADOODLE trademarks or different trademarks, in or outside of the territory. We may offer you marketing rights for these services, subject to additional terms and conditions.

5. We and our affiliates may acquire or establish businesses operating under different trademarks in or outside of the territory. We may offer you marketing rights for these services, subject to terms and conditions. We currently do not operate or

franchise and do not have any plans to operate or franchise businesses under different trademarks.

We intend to add additional programs in the future that we may make available to qualified franchisees, subject to terms and conditions.

If you wish to maintain a commercial office and/or art studio, and wish to relocate that office and/or art studio, we must approve the new location. Our approval for your relocated office and/or art studio is generally based on factors such as the proposed site's centrality in the territory, the site's neighborhood and the site's proximity to qualified households in the territory. Acceptable sites may include freestanding buildings, or office park or strip center spaces. A relocated office and/or art studio must be located within the territory, and must meet the specifications in our then-current Operations Manual.

On renewal or transfer of a franchise, the territory may be modified. Depending on the then-current demographics of the territory, and on our then-current standards for territories and quotas, if the territory is larger than our then-current standard local or regional territories, we may require you or the transferee to: (a) accept a renewal territory or a transfer territory smaller than the then-current territory, if you or the transferee do not want higher quotas; (b) accept a renewal territory or a transfer territory identical to the then-current territory but with higher quotas; or (c) sign multiple franchise agreements with renewal territories or transfer territories and quotas that more closely match our then-current standards for territories and quotas.

As a franchisee, you do not receive the automatic right to acquire additional territories, but we may permit you to acquire additional territories in our discretion.

Item 13

TRADEMARKS

We grant you the non-exclusive right and obligation to use the trademark, service mark and trade name ABRAKADOODLE, and other trademarks, service marks, trade names, logos, trade dresses, and other commercial symbols ("trademarks") that we may make available to you, for providing services and products under our system in the territory. Except as we permit in writing, you may not use any trademark, any derivation or modified version of any trademark, or any confusingly similar mark or name: as part of your corporate, partnership, firm or other formal business name, website address, social media platform, username, user id, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design. You may not use our trademarks for the sale of unauthorized services or products or in any manner we have not authorized in writing. All rights in and good will from the use of our trademarks accrue solely to us.

Federal Registrations and Applications

We own the following trademarks ("Marks") registered on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

Mark	Registration Number	Registration Date
ABRAKADOODLE	2,808,698	January 27, 2004
FRAMEDOODLE	2,834,640	April 20, 2004
KIDS ON CANVAS	3,086,614	April 25, 2006
	4,630,835	November 4, 2014

We have filed all required affidavits and renewals for the Marks, and intend to file all additional affidavits and renewals for the Marks when required.

Determinations

There are no currently effective material determinations of the USPTO, any Trademark Trial and Appeal Board, any state trademark administrator or any court, nor are there any pending interference, infringement, opposition or cancellation proceedings or material litigation, involving any of the trademarks in any manner that is material to the franchised business. There are no decided infringement, cancellation or opposition proceedings in which we unsuccessfully fought to prevent registration of another trademark to protect the trademark.

Agreements

There are no currently effective agreements that significantly limit our rights to use or to license the use to franchisees of the Marks in any manner that is material to the franchised business.

Protection of Rights

We will control any administrative proceedings or litigation involving the trademarks. You must notify us promptly of any use by any person or legal entity other than us or our franchisees, of any of our trademarks or any variation of any of our trademarks.

We will decide the actions to be taken against the use of any of our trademarks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong and progressive actions (that may include bringing litigation) against that use. Any actions that we take will be at our expense.

You must notify us promptly of any litigation brought against you involving any of our trademarks, and you must deliver to us copies of any documents involving the litigation that we request. We will decide whether to settle or defend any trademark litigation brought against you. If we decide to take either action, we will do so at our expense, but you must cooperate with us. If the defense does not involve issues concerning the operation of your franchised business, we will reimburse you for your out-of-pocket costs. If we decide not to defend or settle any trademark litigation brought against you, you must defend or settle the litigation at your expense.

We will indemnify you to the extent that litigation involves defending against infringement or unfair competition if you are using the trademarks in accordance with the franchise agreement and the Operations Manual and if you give us notice of a claim within 30 days of your learning of that claim.

We may acquire or develop additional trademarks, and may use those trademarks ourselves, make those trademarks available for use by you and other franchisees, or make those trademarks available for use by other persons or entities.

We may modify or provide a substitute for any trademark. If we do, we will be responsible for your cost of compliance. We also may require you to use and display a notice in a form we approve that you are a franchisee under our system using the trademarks under a franchise agreement.

You may not directly or indirectly contest our rights in our trademarks.

Superior Prior Rights and Infringing Uses

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

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents or pending patents are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and curriculum materials that we created are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of promoting your business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise.

All of the provisions in Item 13 under the heading “Protection of Rights” apply to copyrights as well; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

Proprietary Information

We have a proprietary, copyrighted Operations Manual, and copyrighted curriculum manuals, that contain both mandatory standards, policies, specifications, techniques and procedures, and non-mandatory guidelines and recommendations, for the operation of the franchised business. Item 11 describes the Operations Manual and the manner in which you are permitted to use it. All documents provided to you, including the Operations Manual, are for your exclusive use during the term of the franchise, and may not be reproduced, lent or shown to any person outside our system.

You must have each employee sign an agreement before you grant him or her access to our manuals or any other proprietary and confidential information, in which he or she agrees to the confidentiality of the ABRAKADOODLE system, agrees not to use any information about the ABRAKADOODLE system for his or her own benefit without an appropriate license, and agrees not to compete in certain respects with your business and other franchisees' businesses (see Attachment 5 to the franchise agreement).

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. You (or an equivalently trained manager) must personally manage the franchised business at all times. You and any original manager of the franchised business must attend and successfully complete Business Development Training we provide. Any replacement manager also must successfully complete Business Development Training. An original manager or a replacement manager need not have an equity interest in the franchised business.

You must have any manager, and any instructor, supervisory employee or independent contractor, sign an agreement (Attachment 5 to the franchise agreement) in which he or she acknowledges the confidentiality of our system, agrees not to use any information about the system for his or her own benefit without an appropriate license, and agrees not to compete in certain respects with your business and other franchisees' businesses.

If you are a legal entity, each principal must personally guarantee your obligations under the franchise agreement and also must agree to be personally bound by, and personally liable for breach of, every term of the franchise agreement. This guaranty is included as Attachment 3 to the franchise agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use, offer for sale and sell only services and products that we have approved or authorized. You may not use, offer for sale or sell services or products that would detract from or be inconsistent with our system. You may use services or

products not purchased from us, but those services or products must be of comparable quality, and must be approved by us in writing before use to ensure maintenance of proper quality standards. You, your employees, your managers and your students must use branded materials and wear branded apparel during all classroom activities.

We have the right to change the types of services and products that we approve or authorize, if the services and products are compatible with our system. There are no other limits on our right to make these changes.

You must be open for business each week for minimum hours and days as stated in the Operations Manual. Your locality may require a valid reseller's number or license to purchase and resell products.

You may provide services or products to any customers in the territory. If you obtain our prior written permission, you may provide services or products in territories not assigned to other franchisees. You may not solicit or provide services or products to customers in territories assigned to other franchisees.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise agreement. You should read these provisions in the franchise agreement in Exhibit B in this disclosure document.

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	3.1	10 years
(b) Renewal or extension of the term	3.2	You have the right to renew for successive 10-year renewal terms, if you meet the requirements for renewal.
(c) Requirements for you to renew or extend	3.2	Notice, solvency, no ceasing to do business, no danger to public, no repeated defaults or misrepresentations to us, timely submission of accurate reports, no felonies or illegal conduct, signing of then-current agreement, renewal fee, broker fees. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.

Provision	Section in Franchise Agreement	Summary
(d) Termination by you	26.5 & 26.6	If with cause, notice, 60-day opportunity for us to cure. If without cause, 60 days' notice, payments current, general release; subject to state law.
(e) Termination by us without cause	Not applicable	Not applicable
(f) Termination by us with cause	26.1 to 26.3	With cause and automatic termination; with cause and notice; with cause, notice and 30 days to cure.
(g) "Cause" defined – curable defaults	26.3 & 26.4	Failure to comply with franchise agreement or Operations Manual, including: failure to pay us or our affiliates any required sum when due; failure to submit any required information when due; failure to maintain any standard, specification or procedure; failure to obtain our prior written acceptance, approval or consent; misuse or unauthorized use of our System or trademarks; failure to pay personal attention to business; failure to maintain records; failure to pay any third party (including any major supplier or taxing or licensing authority) any required sum when due; failure to attain any minimum annual Gross Sales Quota and subsequent failure to meet the next year's minimum annual Gross Sales Quota.
(h) "Cause" defined – non-curable defaults	26.1 26.2	<u>Automatic Termination</u> General assignment for creditors; involuntary bankruptcy petition not dismissed within 60 days; filing of voluntary bankruptcy petition; adjudication of bankruptcy; court-appointed receivership; foreclosure suit not dismissed within 30 days; premises or equipment sold after levy; or conviction of crime involving moral turpitude. <u>Termination on Notice</u> Insolvency; ceasing to operate franchised business; illegal conduct; danger to public health or safety, drug or alcohol abuse or other behavior that poses a danger to children or reflects adversely on our goodwill; repeated defaults within 12 months; material misrepresentation; transfer, or failure to transfer, in violation of franchise agreement; violation of non-competition or confidentiality provisions; tax lien, levy or enforcement suit; failure to open for business on schedule; underpayment or under-reporting of any amount due us by 5% or more for any 3-month period.

Provision	Section in Franchise Agreement	Summary
(i) Your obligations on termination/non-renewal	27	Fulfillment of continuing obligations under franchise agreement; de-identification; no use of system, trademarks, confidential information, materials; return of confidential information, materials; client, instructor, employee and independent contractor lists to us; assignment of telephone number(s), email address(es), etc. to us; cancellation of any assumed name or equivalent registration; final accounting (see also (r) below).
(j) Assignment of agreement by us	25.1	No restriction on our right to assign.
(k) "Transfer" by you – defined	25.2	Includes the conveyance or pledge of any interest in you (if you are a legal entity), the franchise or the franchised business.
(l) Our approval of transfer by you	25.2	We have the right to approve all transfers, our consent not to be unreasonably withheld.
(m) Conditions for our approval of transfer	25.2(b)	Compliance with franchise agreement; transferee qualification; payments current; general release; written transfer agreement; transferee's signing of then-current franchise agreement; transferee's agreement to complete training; transfer fee; initial materials fee; no exercise of our right of first refusal; equipment updated to our then-current specifications; our consent to material terms of transfer; subordination of obligations of transferee to transferor; broker fee, if any.
(n) Our right of first refusal to acquire your business	25.5	We can match any offer.
(o) Our option to purchase your business	25.6	On your death, disability or dissolution, we have the right (but not the duty), exercisable on written notice to you, to purchase for cash any assets of your business at fair market value, if not transferred within 240 days.
(p) Your death or disability	25.6	Your interest in the franchise must be transferred to an approved person within 240 days of representative's appointment.
(q) Non-competition covenants during the term of the franchise	21.2, 21.3(a)	No diversion of business or customers; no involvement in competing business anywhere in the U.S. or abroad; subject to state law.
(r) Non-competition covenants after the franchise expires or is terminated	21.3(b)	No involvement for 2 years in competing business in the territory or in the territory of any ABRAKADOODLE business operating or in planning at time of expiration or termination; subject to state law.
(s) Modification of the agreement	28.3	Both parties must agree in writing.

Provision	Section in Franchise Agreement	Summary
(t) Integration/merger clause	28.1	Only terms of franchise agreement, including its attachments are binding (subject to state law). Any representations or promises outside of this disclosure document and the franchise agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	32	Except for certain claims, all disputes must be arbitrated at AAA office nearest our home office, which is currently located in Sterling, VA (subject to state law).
(v) Choice of forum	32.7	Litigation in courts in the county or city (currently Sterling, VA) in which our home office is located at the time (subject to state law).
(w) Choice of law	29.6	The Federal Arbitration Act and Virginia law apply, except that the law of the state where the largest geographic portion of your territory is located applies to non-competition covenants, and except that Virginia franchise law does not apply if the territory is wholly outside of Virginia (subject to state law).

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

On December 31, 2022, we had 27 franchise owners with 34 franchised outlets. Of those franchise owners: 23 had operated their outlets for at least 12 full calendar months in 2022; 2 had operated their outlets for less than 12 full calendar months (they began operating in 2022); 1 had operated his/her outlet only partially in 2022, for personal reasons; and 1 had not operated his/her outlet in 2022, again for personal reasons.

The following table is based on Gross Sales reports submitted by the 23 franchise owners who had operated their outlets for at least 12 full calendar months in

2022. The Gross Sales shown in the table do not reflect the accounts receivable that the franchise owners were carrying as of December 31, 2022, due from school districts, schools, and community sites.

	High Annual Gross Sales (US$) of Franchisees	**Low Annual Gross Sales (US$) of Franchisees**	**Average Annual Gross Sales (US$) of Franchisees**	**Median Annual Gross Revenues (US$) of Franchisees**	# of Franchisees included in Quintile	# of Franchisees included in Quintile at or above Average	% of Franchisees included in Quintile at or above Average
1st Quintile	$834,877	$175,880	$430,525	$355,672	4	2	50%
2nd Quintile	$171,124	$114,115	$139,680	$131,117	5	3	60%
3rd Quintile	$107,410	$66,172	$84,747	$74,011	5	2	40%
4th Quintile	$59,647	$40,345	$52,802	$55,609	4	3	80%
5th Quintile	$38,471	$14,140	$27,766	$30,960	5	2	40%
23 Franchise Owners	$834,877	$24,299	$146,354	$75,823	23	7	35%

Notes:

1. The Gross Sales reports submitted to us were not audited, and we have not undertaken to independently verify the accuracy of the information in the reports, or to determine whether the reports were prepared in accordance with generally accepted accounting principles. However, we are not aware of any instance in which any franchise owner overstated Gross Sales in any report. We are not aware of any material differences between the franchise businesses operated by the 23 franchise owners and the franchise business described in this disclosure document.

As indicated above, we excluded: 2 franchise owners who had operated their outlets for less than 12 full calendar months as of December 31, 2022 (they began operating in 2022); 1 franchise owner who had operated his/her outlet only partially in 2022, for personal reasons; and 1 franchise owner who had not operated his/her outlet in 2022, again for personal reasons. We also excluded 2 company-owned units.

In 2022, 2 franchise owners ceased operations due to terminations or non-renewals, or for other reasons, and 1 franchise owner both began and ceased operations for personal reasons.

2. "Gross Sales" include all collected receipts of a business, including all class fees (whether for students or for teachers), registration fees, late charges, other amounts received or charged, the value of all services or products received for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid based on sales, if those taxes are separately stated when clients are charged, and also excluding bona fide refunds, allowances or discounts to clients. The Gross Sales attainable by any franchise owner is dependent on individual

management skills, experience and business acumen; the effectiveness of sales and marketing efforts; the quality of and prices charged for products and services offered to the public; and other economic and market conditions. The Gross Sales reported above do not reflect cost of goods or services sold; operating expenses such as payroll, rent and office expenses; or other expenses, such as amortization, depreciation, income tax, or other tax or debt service expenses.

3. The High Annual Gross Sales numbers are for the highest performing franchise owners in each of the quintiles for the 2022 calendar year.

4. The Low Annual Gross Sales are for the lowest performing franchise owners in each of the quintiles for the 2022 calendar year.

5. The "averages" are calculated by adding the numerical values of all data points in a quintile of franchise owners or all 23 franchise owners, and dividing by the number of data points in the quintile of franchise owners or all 23 franchise owners.

6. The "medians" are the numerical value of the data point in the middle of all data points in a quintile of franchise owners or all 23 franchise owners. If a quintile contains an even number of data points, the median is calculated by identifying the 2 data points in the middle of the quintile, adding their numerical values, and dividing by 2.

7. The first quintile consists of 4 franchise owners with a total of 8 franchised outlets. One of the franchise owners in this group had 3 operating franchised outlets. One of the franchise owners in this group had 2 operating franchised outlets. One of the franchise owners in this group had 1 operating franchised outlet and 1 non-operating franchised outlet. One of the franchise owners in this group had 1 operating franchised outlet. The High Annual Gross Sales number for this group was achieved by a franchise owner who had 2 operating franchised outlets.

8. The second quintile consists of 5 franchise owners with a total of 6 franchised outlets. One of the franchise owners in this group had 2 operating franchised outlets. The other 4 franchise owners in this group had 1 operating franchised outlet each. The High Annual Gross Sales number for this group was achieved by a franchise owner who had 1 operating franchised outlet.

9. The third quintile consists of 5 franchise owners with a total of 5 operating franchised outlets. The 5 franchise owners in this group had 1 operating franchised outlet each.

10. The fourth quintile consists of 4 franchise owners with a total of 5 franchised outlets. One of the franchise owners in this group had 2 operating franchised outlets. The other 3 franchise owners in this group had 1 operating franchised outlet each, and operated on a part-time basis (about 10-15 hours per week). The High Annual Gross Sales number for this group was achieved by a franchise owner who had 2 operating franchised outlets.

11. The fifth quintile consists of 5 franchise owners with a total of 6 franchised outlets. One of the franchise owners in this group had 1 operating franchised outlet and 1 non-operating franchised outlet. The other 4 franchise owners in this group had 1 operating franchised outlet each. All of the franchise owners in this group operated on a part-time basis (about 10-15 hours per week). The High Annual Gross Sales number for this group was achieved by a franchise owner who had 1 operating franchised outlet.

Written substantiation for this financial performance representation will be made available to you on reasonable request.

Some franchise owners have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rosemarie Hartnett, Abrakadoodle, Inc., 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164), (703) 860-6570, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
Systemwide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets At Start Of Year	Outlets At End Of Year	Net Change
Franchised	2020	43	37	-6
	2021	37	33	-4
	2022	33	34	1
Company-Owned	2020	2	2	0
	2021	2	2	0
	2022	2	2	0
Total Outlets	**2020**	**45**	**39**	**-6**
	2021	**39**	**35**	**-4**
	2022	**35**	**36**	**1**

TABLE NO. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor or an Affiliate) For Years 2020 to 2022

State	Year	Number Of Transfers
All States	2020	0
	2021	0
	2022	0
Total	**2020**	**0**

State	Year	Number Of Transfers
	2021	0
	2022	0

TABLE NO. 3
Status of Franchised Outlets
For Years 2020 to 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
AL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
AZ	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
CO	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CT	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
DC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
DE	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
FL	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	1	0
	2022	0	1	0	0	0	0	1
GA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
ID	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	1	0
LA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Outlets At Start Of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
MA	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
MD	2020	4	1	0	0	0	1	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
MI	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MN	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NC	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	5	0	0	0	0	2	3
	2021	3	1	0	0	0	1	3
	2022	3	0	0	0	0	0	3
NY	2020	3	0	0	1	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OH	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TX	2020	7	1	0	0	0	2	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
VA	2020	6	0	0	0	0	1	5
	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
Total	**2020**	**43**	**3**	**0**	**1**	**0**	**8**	**37**
	2021	**37**	**1**	**1**	**0**	**0**	**4**	**33**
	2022	**33**	**4**	**0**	**0**	**0**	**3**	**34**

TABLE NO. 4
Status of Company-Owned Outlets

For Years 2020 to 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
VA	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Total	**2020**	**2**	**0**	**0**	**0**	**0**	**2**
	2021	**2**	**0**	**0**	**0**	**0**	**2**
	2022	**2**	**0**	**0**	**0**	**0**	**2**

TABLE NO. 5
Projected Openings as of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened As of December 31, 2022	Projected New Franchised Outlets As of December 31, 2022 (In 2023)	Projected New Company-Owned Outlets As Of December 31, 2022 (In 2023)
Florida	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Connecticut	0	1	0
Maryland	0	1	0
Michigan	0	1	0
New York	0	1	0
North Carolina	0	1	0
South Carolina	0	1	0
Texas	0	1	0
Virginia	0	1	0
Total	**0**	**11**	**0**

Exhibit C contains the names of all current franchisees, and the addresses and telephone numbers of their outlets, as of December 31, 2022.

Exhibit D is a list of the names, cities and states, and current business telephone numbers (or if unknown, last known home telephone numbers) of our franchisees whose franchises were transferred (0), terminated (0), not renewed (0), or reacquired by us (0) in 2022, or who ceased operations for other reasons (3) in 2022. No franchisees failed to communicate with us within 10 weeks of the issuance date of this disclosure document.

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

We have a franchisee advisory council. Contact information is as follows: Dawna Kelly, 47769 Goff Court, Canton, MI 48188, (734) 495-0900, dkelly@abrakadoodle.com.

No current or former franchisees have signed confidentiality clauses with us during the last 3 fiscal years which would restrict them from speaking openly with you about their experience with us.

Item 21

FINANCIAL STATEMENTS

Exhibit E includes our audited financial statements as of December 31, 2020, 2021 and 2022.

Item 22

CONTRACTS

Exhibit B includes the franchise agreement, state riders, and all attachments, as follows:

Attachment 1 – Development Territory
Attachment 2 – Legal Entity Information Sheet
Attachment 3 – Guaranty Agreement
Attachment 4 – Listings Agreement
Attachment 5 – Manager/Supervisor Confidentiality and Non-Competition Agreement
Attachment 6 – Authorization for Automatic Payments
Attachment 7 – Sample General Release
Attachment 8 – Confidentiality Agreement

Item 23

RECEIPTS

Exhibit G includes detachable documents acknowledging your receipt of this disclosure document.

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 3 is amended to add the following:

   No person named in Item 2 is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling that person from membership in the association or exchange.

2. Item 17, Summary column for (c) is amended to add the following:

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

3. Item 17, Summary column for (f) is amended to add the following:

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

4. Item 17, Summary column for (h) is amended to add the following:

   The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).

5. Item 17 of this disclosure document is modified to include the following paragraph under the Summary column of part (m):

   You must sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

6. Item 17, Summary column for (r) is amended to add the following:

   The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

7. Item 17, Summary column for (s) is amended to add the following:

   Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

8. Item 17, Summary column for (u) is amended to add the following:

   The franchise agreement requires binding arbitration. The arbitration will occur at the offices of the American Arbitration Association nearest our home office (currently located in Sterling, VA), with cost being borne by the party that does not substantially prevail. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the franchise agreement restricting venue to a forum outside the state of California.

9. Item 17, Summary column for (v) is amended to add the following:

   The franchise agreement requires any litigation to be filed in Virginia. This provision may not be enforceable under California law.

10. The franchise agreement contains a provision which limits your rights, including but not limited to, a waiver of punitive damages and a waiver of jury trial.

11. Item 17, Summary column for (w) is amended to add the following:

    The franchise agreement requires application of the laws of the state of Virginia. This provision may not be enforceable under California law.

12. The financial performance representations do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

14. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

15. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

    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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart, which are applicable to franchises located in Illinois:

State Law

Illinois law governs the franchise agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise disclosure Act **or any other law of Illinois** is void.

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17 of this disclosure document is modified to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Item 17 of this disclosure document, in the summary column for item (d), is modified to state that the general release required as a condition of termination by you shall not apply to any claim arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of this disclosure document, in the summary column of item (h), is modified to state that provisions allowing termination on bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

4. Item 17 of this disclosure document, in the summary column for item (m), is modified to state that the general release required as a condition of transfer shall not apply to any claim arising under the Maryland Franchise Registration and Disclosure Law.

5. Item 17 of this disclosure document, in the summary column for item (v), is modified to state that the Virginia venue provision will not supersede your right to sue under the Maryland Franchise Registration and Disclosure Law in a Maryland court.

6. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

> 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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17 of this disclosure document, the summary column for item (m), is modified to include the following language after "general release":

"(for claims except those arising under the Minnesota Franchise Act)."

2. Item 17 of this disclosure document is modified to include the following paragraphs at the end of the chart:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or 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 jurisdiction.

3. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

.1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or

Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":**

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum",** and Item 17(w), titled "**Choice of law**":

   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

6. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

   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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA STATE ADDENDUM TO DISCLOSURE DOCUMENT

(1) Item 17(h) is amended to include the following paragraph:

Under Section 13.1-565 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement do 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) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchise, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

> 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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

STATE ADDENDUM TO DISCLOSURE DOCUMENT FOR INDIANA AND MICHIGAN

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

> 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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

AGENCIES/AGENTS
FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for enforcing franchise disclosure/registration laws, and state agencies serving as our agents for service of process if we are registered under the franchise disclosure/registration laws of their states.

In states and territories not listed, we do not have agents for service of process under franchise disclosure/registration laws, but we may have agents for service of process for other purposes.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	Attn: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulations 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance-Securities Regulations
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B

FRANCHISE AGREEMENT, STATE RIDERS, AND ATTACHMENTS

ABRAKADOODLE
FRANCHISE AGREEMENT, STATE RIDERS, AND ATTACHMENTS

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Attachment 5 – Manager/Supervisor Confidentiality and Non-Competition Agreement

Attachment 6 – Authorization for Automatic Payments

Attachment 7 – Sample General Release

Attachment 8 – Confidentiality Agreement

FRANCHISE AGREEMENT

THIS AGREEMENT is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164), ("we", "us" or "our"), and _____ whose address is _____

_____

("you" or "your").

RECITALS

A. We have expended time, skill, money and effort to develop a system for establishing and operating ABRAKADOODLE® businesses providing arts education programs for 20-month-old to 12-year-old children, curriculum materials for instructing teachers in arts education, and art classes and special events for adults, in public and private schools, community centers and other host sites (the "System").

B. We also have expended time, skill, money and effort in publicizing the System and the services and products offered under the System. We have developed and will continue to develop valuable goodwill in the service mark, trademark and trade name ABRAKADOODLE, and in its trade dress; and have or may develop or acquire other service marks, trademarks, trade names and trade dresses for use under the System, all of which marks, names and dresses are or will be our sole property (the "Marks").

C. We franchise others to use the System and the Marks, and provide to you continuing advice on the establishment and operation of ABRAKADOODLE businesses.

D. You desire to establish and operate an ABRAKADOODLE business, to use the Marks and all other elements of the System, and to derive the benefits of the System as developed by us. You acknowledge that it is essential to the maintenance of the high standards which the public has come to expect of ABRAKADOODLE services and products, and to the preservation of the integrity and goodwill of the Marks, that you adhere to the standards for the establishment and operation of ABRAKADOODLE businesses.

In consideration of the recitals above and of the terms below, we and you agree:

1. GRANT OF FRANCHISE

1.1 Subject to the terms of this Agreement, we grant to you the right, and you undertake the duty, to establish and operate an ABRAKADOODLE business ("Franchised Business") in the territory described in Section 2 ("Development Territory") for the term described in Section 3 (the "Franchise").

1.2 The Franchise includes the right and obligation to market ABRAKADOODLE arts education programs for 20-month-old to 12-year-old children, curriculum materials for instructing teachers in arts education, and art classes and special events for adults (as those programs, materials, classes and special events may

be modified), in public and private schools, community centers and other host sites; and also includes the right and obligation to market additional programs involving similar or dissimilar services or products for children and adults under the ABRAKADOODLE trademarks ("Additional Programs"), to the extent that the marketing rights for those programs are made available to ABRAKADOODLE franchisees and you accept those rights.

1.3 If the marketing rights for an Additional Program are made available to ABRAKADOODLE franchisees, you will have a 30-day option to accept or reject those rights. Acceptance of those rights by you may be conditioned on you agreeing to incur additional expenses, participate in additional training, be subject to an increased monthly minimum for the continuing franchise fee, and/or comply with other terms which we may specify. If you are offered but reject those rights, we will have the right to market the Additional Program ourselves in the Development Territory (as defined in Section 2.1), or to make available to any other person or entity, including any other franchisee, on terms comparable to those offered to you, the marketing rights for the Additional Program in the Development Territory.

1.4 The Franchise includes the right and obligation to use the complete System, as it exists or may be supplemented or modified during the term of the Franchise, as to the ABRAKADOODLE programs which you are entitled to market, and as to any Additional Programs which you may become entitled to market. You acknowledge that the System will continue to evolve in order to reflect changing market conditions and to meet new and changing consumer demands, and that variations and additions to the System may be required in order to preserve and enhance the public image of the System and to ensure the continuing operational efficiency of ABRAKADOODLE businesses generally. Accordingly, you agree that we may, on notice and acting reasonably, add to, modify and change the System, including the adoption and use of new and modified service marks, trademarks, trade names, trade dresses, materials, technology, techniques and methodologies relating to the preparation, marketing, promotion and sale of ABRAKADOODLE services and products, but any modifications or changes may not unreasonably increase your obligations under this Agreement or place an excessive economic burden on the Franchised Business. You further agree to promptly accept, implement, use and display in the operation of the Franchised Business all of those additions, modifications and changes at your expense.

2. DEVELOPMENT TERRITORY; RESERVED RIGHTS

2.1 Development Territory. You are granted the non-exclusive right to use the Marks and the ABRAKADOODLE arts education programs (other than Additional Programs that you have elected not to market under Section 1.3) in the Development Territory defined in Attachment 1. You must use your best efforts to solicit business within the Development Territory for ABRAKADOODLE programs and to locate, train and supervise sufficient numbers of employees and independent contractors to provide requested ABRAKADOODLE services and products within the Development Territory. You must achieve the minimum annual Gross Sales Quotas specified in Attachment 1 to retain the Franchise. You may not solicit clients in territories assigned to our other franchisees and must refer requests for services or products to

host sites in other franchisees' territories to those franchisees in accordance with our Operations Manual. You may provide services to customers in territories not assigned to another franchisee if you obtain our prior written permission. You must reasonably restrict your ABRAKADOODLE advertising, promotion and marketing (including direct mailings, personal visits, leaflets and signs), and any leads obtained through group advertising or pooled, centralized telephone arrangements in which you may participate with our other franchisees, to the ZIP code(s) of the Development Territory. You may advertise and promote the Franchised Business on the Internet or any comparable electronic network of computers only as specified in the Operations Manual. During the term of the Franchise, subject to rights reserved under Sections 2.3 and 2.4, we may not operate a company-owned business in the Development Territory that offers the same services and products to that you offer; and we may not grant any other person the right (by franchise, license or otherwise) to operate a business in the Development Territory that offers the same services and products that you offer. We may not modify the Development Territory during the term of the Franchise, but we may modify the Development Territory on renewal (as specified in Section 3.2) or transfer (as specified in Section 25.2) of the Franchise.

2.2 Requests for Service Within Another Franchisee's Territory. In accordance with Section 2.1, you will not solicit clients or promote ABRAKADOODLE programs in territories assigned to our other franchisees. You will provide services at host sites within the Development Territory. However, the students at those host sites may reside in or outside of the Development Territory. If you receive a request for service at a host site in another franchisee's development territory or from a client seeking a class location in another franchisee's development territory, you will refer that request to the other franchisee in accordance with referral procedures specified in the Operations Manual.

2.3 International, National and Regional Clients. The marketing rights granted to you in Section 2.1 do not restrict us or our affiliates from contacting international, national or regional educational or recreational organizations or other clients with headquarters or locations within the Development Territory for any purpose, including the purpose of promoting the use or increased use of ABRAKADOODLE services and products marketed by us or our franchisees, or for the purpose of creating or servicing a National Account program offering.

2.4 Our Reservations of Rights. We, on behalf of ourselves and our affiliates, reserve the rights, among others:

(a) to establish and operate, and to grant to others the right to establish and operate, ABRAKADOODLE businesses anywhere outside of the Development Territory, including in territories adjacent to the Development Territory;

(b) to offer and sell products under ABRAKADOODLE trademarks to persons in and outside of the Development Territory;

(c) to offer and sell different services, under ABRAKADOODLE trademarks or different trademarks, in or outside of the Development Territory, although

we may offer you marketing rights for these services under specified terms and conditions; and

(d) to acquire or establish, directly or indirectly, businesses operating under different trademarks in or outside of the Development Territory, although we may offer you marketing rights as to those businesses under specified terms and conditions.

3. TERM OF FRANCHISE

3.1 Initial Term. The Franchise will begin on the date we execute this Agreement and will continue for an initial term of 10 years unless sooner terminated under Section 26.

3.2 Renewal Terms. You will have the right to renew the Franchise for successive 10-year renewal terms, if:

(a) You have given us written notice, not more than 1 year and not less than 180 days before the expiration of the prior term, of your intention to renew;

(b) You are solvent (are able to pay your debts as they come due and have assets that are greater than your debts), have not abandoned the Franchised Business, are not operating the Franchised Business in a manner that endangers public health or safety, have not repeatedly committed defaults of this Agreement during the prior term that have been noticed by us, have not repeatedly failed to submit timely reports to us during the prior term, and have not repeatedly submitted false or incomplete reports to us during the prior term;

(c) You, or any of your principal officers, partners, or members if you are a legal entity have not been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our sole judgment, to have an adverse effect on the Marks, the System, the goodwill associated with the Marks or System, or our interest in the Marks or System; and

(d) You have executed our then-current standard franchise agreement for the renewal term and paid the renewal fee specified in Section 9.7. You acknowledge that our then-current standard franchise agreement may contain terms different from those in this Agreement, including different fees, advertising contributions, training requirements and quotas. Depending on the then-current demographics of the Development Territory, and our then-current standards for territories and quotas, if the Development Territory is larger than our then-current standard local or regional territory we may require you to: (a) accept a Renewal Territory smaller than the Development Territory, if you do not want higher quotas; (b) accept a Renewal Territory identical to the Development Territory but with higher quotas; or (c) execute multiple franchise agreements with Renewal Territories and quotas that more closely match our then-current standards for territories and quotas.

4. PERSONAL ATTENTION OF FRANCHISEE OR MANAGER TO BUSINESS

4.1 You, or a Manager who has successfully completed all required ABRAKADOODLE training, will personally manage the Franchised Business at all times.

4.2 You understand and agree that you or your Manager must give personal, continued and full-time attention to the operation of the Franchised Business. Personal, continued and full-time attention will include at least: availability during normal and peak business periods; participation in the development and implementation of management and operational policies; and involvement in the training and supervision of employees and independent contractors to ensure that the System is followed.

5. ESTABLISHMENT AND MAINTENANCE OF BUSINESS

5.1 You agree to establish the Franchised Business within 30 days after your successful completion of Business Development Training and to maintain the Franchised Business continuously after that time; but if you are delayed in establishing the Franchised Business because of reasons beyond your control, you will provide us with a written request to delay opening. The request will state: (1) that a delay is anticipated; (2) the reasons which have caused the delay; (3) the efforts you are making to open; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold its consent to a delay, up to a maximum of 60 days, if you have been diligently pursuing the establishment of the Franchised Business.

5.2 Establishing and maintaining the Franchised Business under Section 5.1 will involve at least all of the following:

(a) Establishing a home office for the operation of the business in accordance with the Operations Manual;

(b) Securing all permits and licenses necessary for the establishment and operation of the business;

(c) Securing adequate telephone service (minimum of one direct line) for use in the business and an ABRAKADOODLE telephone information listing. No other business will be transacted or advertised using any telephone number assigned to the business;

(d) Operating voice mail for the business during both business and non-business hours;

(e) Using your or your Manager's best efforts to obtain initial clients for ABRAKADOODLE programs; and

(f) Having sufficient staff, equipment, materials and supplies available to provide requested services and products within the Development Territory.

5.3 As indicated in Section 5.2(a), you are not required to establish or maintain a commercial office or art studio for the operation of the Franchised Business.

If choosing to establish and maintain a commercial office and/or art studio, however, you must:

(a) Locate a site for the office and/or art studio within the Development Territory and obtain our prior written approval of the site;

(b) Obtain our prior written approval of any lease or purchase agreement for the office and/or art studio location, and agree to adhere to all requirements and standards set forth in our Operations Manual for the furniture, fixtures, decorations and general appearance of the space;

(c) Conform the office to applicable building code requirements and to our specifications, as modified by you with our prior written consent to fit the particular site;

(d) Be responsible for securing all permits and licenses necessary for the establishment and operation of the office;

(e) Obtain our prior written approval of any plans for office construction or equipment installation, or of any deviations from the plans, to ensure that the plans or deviations conform to our specifications;

(f) Obtain our prior written approval of an outdoor sign for the business, and install the sign within 30 days after opening the office; and

(g) On written notice from us, promptly correct any variations from approved plans or deviations.

6. CONTINUOUS OPERATION OF BUSINESS

6.1 You must operate the Franchised Business on a continuous basis throughout the year, and must be open for business each week for the minimum hours and minimum days specified in the Operations Manual.

7. LIMITATIONS ON ACTIVITIES OF BUSINESS

7.1 In order to preserve the System and the identification of ABRAKADOODLE businesses operating under the Marks, you agree that the Franchised Business will not engage in activities other than those approved under the System. You further agree that you must obtain our prior written consent to offer any services or sell any products other than those approved under the System.

7.2 You may not engage in any deceptive or unfair trade practice or other activity, or offer any service or product which is harmful to the goodwill or reputation of you, us, our franchisees generally, the System or the Marks.

7.3 You may not maintain a website for the Franchised Business on the Internet or any comparable electronic network of computers. You are permitted to operate a social media platform or social networking site as long as you obtain our prior written permission, and adhere to all standards and specifications regarding social media and social networking in our Operations Manual.

8. PRICES CHARGED BY BUSINESS

8.1 You will have the right to offer services and products at any prices you may determine. If we recommend a price, that price is suggested only, and is in no way binding on you.

9. FEES PAYABLE TO US

9.1 Initial Franchise Fee. If this Agreement is not being executed as part of a renewal or transfer of the Franchise, you must pay to us, by cashier's check, on execution, a $25,400 initial franchise fee for a standard local territory. If this Agreement is for a local territory that is larger than the standard local territory, but less than our standard regional territory, we may require you to pay us, by cashier's check, on execution, an additional initial franchise fee calculated at a rate of $0.45 per additional household above 20,000 qualifying households (up to 49,999 qualifying households) in the Development Territory, rounded down to the nearest dollar, such additional initial franchise fee to be specified on Attachment 1. If this Agreement is for a territory that is defined as a standard regional territory, you must pay to us, by cashier's check, on execution, a $38,900 initial franchise fee. If this Agreement is for a territory that is larger than a standard regional territory, at our option, we may require you to pay us, by cashier's check, on execution, an additional initial franchise fee calculated at a rate of $0.45 per additional household above 60,000 qualifying households in the Development Territory, rounded down to the nearest dollar, such additional initial franchise fee to be specified on Attachment 1.

A qualifying household has an annual income of $75,000 or more. If you already operate a business similar to an ABRAKADOODLE business, or if you have been employed for a period of at least 1 year by an ABRAKADOODLE business, at our option, we may reduce the initial franchise fee by $1,000 for an local territory and $3,000 for a regional territory. We also may reduce the initial franchise fee by 10% for qualified veterans. Except as specified below, the initial franchise fee or any portion of the fee is non-refundable and fully earned by us when paid. If, before the successful completion of Business Development Training, we, in our sole and absolute right, decide that you cannot successfully complete Business Development Training and should not operate an ABRAKADOODLE business, we may cancel this Agreement. If we so cancel this Agreement, we will refund the initial franchise fee or any portion of the fee previously paid, less expenses incurred, if you agree to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3(b), 21.5-21.8, 27.1-27.2, and 32.

9.2 Continuing Franchise Fee. You must pay a continuing franchise fee of 8% of Gross Sales to us (as defined in Section 9.10) in the following manner:

(a) The fee is subject to a monthly minimum of $500 for a standard local or regional territory. The fee may be subject to a higher monthly minimum if you elect to market Additional Programs under Section 1.3 (see Attachment 1 for the applicable monthly minimum).

(b) The fee is due and payable by the 10th day of each month for the preceding month, and begins to accrue in the month in which the Franchised Business is established.

(c) Each payment of the fee must be accompanied by a statement in the form specified in the Operations Manual.

9.3 Advertising and Promotional Contributions. See Section 16.

9.4 Training Fees. See Sections 11.2(a),(b) and (d), 11.4 and 11.5.

9.5 Annual Conference Fee. See Section 11.2(c).

9.6 Audit Fee. See Section 13.7.

9.7 Renewal Fee. If this Agreement is being executed as part of a renewal of the Franchise, in lieu of paying the initial franchise fee specified in Section 9.1, you must pay to us on execution, a renewal fee equal to 5% of our then-current initial franchise fee for a comparable franchise territory. This fee will be non-refundable and fully earned by us when paid.

9.8 Transfer Fee. See Section 25.2(b)(viii).

9.9 Late Fees. If any sum required to be paid by you to us under this Agreement is not actually received by us by the due date, we may assess a $25 late fee, and the unpaid sum will bear interest calculated daily after the due date until paid at the lesser of a rate equal to 1.5% of the monthly balance of principal and interest, or the highest rate of interest allowed by law. If the due date for a sum is not specified in this Agreement, generally it will be the 30th day after the billing date. Any payment received toward an overdue sum will first be applied to the interest due and will be applied to the overdue sum only after all outstanding interest is paid. We may change the late fee by giving you 30 days' prior written notice. We may not change the late fee more than once every 12 months. Late fees will be in addition to any other rights or remedies that we may have under this Agreement or otherwise. Regardless of any designation by you, we, in our sole and absolute right, may apply any payments by you to any of your past due indebtedness to us or our affiliates. See also Section 13.7.

9.10 Gross Sales. For purposes of this Agreement, "Gross Sales" equal all of the collected receipts of the Franchised Business, including all class fees (whether for students or for teachers), materials fees, registration fees, late charges, other amounts received or charged, and the value of all services or products received, for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the client is charged, and also excluding bona fide refunds, allowances or discounts to clients. Refunds or incentive fees paid to facilities at which ABRAKADOODLE services or products are offered, are not excluded from "Gross Sales."

9.11 Withholding of Sums Payable; Prepayment of Certain Fees. You agree that you will not, on grounds of the alleged nonperformance by us of any of our

obligations under this Agreement, withhold payment of any fee or other sum payable to us under this Agreement, or of any other sum payable to us or our affiliated companies. We may require you to prepay certain fees to us. Currently, when you sign this Agreement, you must pay to us $3,864 as prepaid monthly minimum continuing franchise fees ($500 per month), class management program fees (currently $95 per month) and technology fees (currently $49 per month) for your first 6 months of operation (deemed to start 30 days after you complete initial training).

9.12 Equipment, Supplies or Supplier Testing or Inspection, and Grant or Approval of Equipment, Supplies or Suppliers. See Section 14.2.

9.13 Replacement Copies of Operations Manual. Currently $60 (subject to periodic change).

9.14 Class Management Program and Technology Fees. You must pay fees to us for monthly use of the web-based class management program (or any comparable future program or software) and for the monthly use of the Intranet that we provide to you for use in operating the Franchised Business.

9.15 Initial Materials Fee. You must pay us a non-refundable $5,500 materials fee when you sign this Agreement and if you transfer any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business.

9.16 Advertising Fee. See Section 16.5

9.17 Reimbursements and Penalty Fees. You must reimburse us for any charges that we incur on your returned checks, declined charges or similar financial defaults. You must pay us penalty fees for such defaults and for unpaid invoices to you for products or services, as outlined in the Operations Manual. Also, see Sections 14.1 (b) and (d).

10. SERVICES AND PRODUCTS FURNISHED BY US

10.1 During the term of the Franchise, we will provide the following:

(a) Within 30 days of the execution of this Agreement, our initial packet of materials for establishing an ABRAKADOODLE business (in some cases, specific materials may take up to 90 days for delivery) (see Section 14.1 for materials that you must purchase from us);

(b) Training programs and assistance as described in Section 11;

(c) Operations Manual as described in Section 12;

(d) Updates to the Operations Manual as described in Section 12;

(e) Specifications for equipment, materials, supplies and services used under the System, and continued efforts to negotiate purchasing

agreements with suppliers for equipment, materials, supplies and services, as described in Section 14;

(f) Samples of initial advertising and promotional materials (class schedules, ads, brochures, etc.), and assistance in implementing an initial advertising and promotional program;

(g) Periodic efforts to report improvements in the System to you as they may be developed or acquired by us in our sole and absolute right;

(h) Continuing assistance by telephone, electronic mail, voice mail, facsimile, mail, newsletters, or other methods, that we, in our sole and absolute right, deem reasonable under the circumstances; and

(i) Curriculum, manuals and related materials other than the Operations Manual which we, in our sole and absolute judgment, may select.

10.2 If requested by you, we will furnish additional guidance and assistance relative to the operation of the business, other than continuing assistance provided at no charge, at per diem charges established by us. If special training of business personnel or other assistance in operating the business is requested by you, and must take place at the location of the Franchised Business, all expenses for training, including our then-current per diem charges and all reasonable transportation, meal and lodging expenses incurred by our personnel supplying the additional assistance, will be paid by you.

10.3 We may maintain a website or websites on the Internet or any comparable electronic network of computers to advertise and promote our franchise system and products and services marketed by us and our franchisees. We may permit you to establish a website, of our design, as part of our website(s) and/or to establish an email link to you from our website(s). We may maintain an Intranet for use by our franchisees. Any representations and warranties of any kind whatsoever, express or implied, regarding our website(s), including representations and warranties as to the operation, functionality, lack of interruption or resources of our website(s), are expressly excluded. Without limiting the foregoing, we disclaim any implied warranties of merchantability and fitness for a particular purpose as to our website(s). As to any malfunctioning of our website(s), we will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that such damages are possible as a result of any breach of warranty or malfunction.

10.4 Our obligations under this Agreement are to you. No other person or entity, directly, indirectly or by subrogation, may rely on, enforce or obtain relief under this Agreement for any default by us.

11. TRAINING

11.1 You and your employees and independent contractors must maintain the standards of skill, efficiency and quality associated with the System.

11.2 To assist you in establishing and maintaining those standards, we will provide training as follows:

(a) We will provide you and your original Manager, if any, Business Development Training for the operation of an ABRAKADOODLE business, at a location designated by us. You and your original Manager, if any, must successfully complete Quick Start training activities before attending Business Development training. Business Development training will be of 5 business days' duration. You and your original Manager, if any, must successfully complete both Quick Start training activities and Business Development training to our satisfaction before opening the Franchised Business. We will bear the cost of providing Quick Start training materials and Business Development Training, including the cost of basic training materials, but you must bear the cost of trainees' wages and benefits, and trainees' travel, lodging and meal expenses while attending Business Development Training; and provided, however, that if you wish to send additional trainees, you must also pay us our then-current training fee for each additional trainee at Business Development Training.

(b) If the original or any succeeding Manager leaves your employ, a replacement Manager must successfully complete Quick Start training activities in order to attend Business Development training at a location designated by us, subject to scheduling by us, within 8 weeks of the date of replacement. You must bear the cost of the succeeding Manager's wages and benefits, and travel, lodging, and meal expenses. If we must provide Business Development Training to a succeeding Manager within 2 years of providing Business Development Training to a prior Manager, you must pay us our then-current training fee, as to that succeeding Manager training.

(c) We will conduct an annual conference for our franchisees to discuss and review new business, marketing, technology and educational ideas and concepts. The conference may be held on a regional, national or international basis. We will provide you with notice of the time and place of the conference, which time and place will be determined by us. You (or if you are not an individual, your principal operating officer or partner) or your Manager must attend the conference. For each of your representatives attending the conference, you must pay a non-refundable per-attendee fee to us equal to the approximate out-of-pocket cost of holding the conference, and also must pay all wages and benefits, and all travel, lodging and meal expenses, of your attendees.

(d) You and your Manager, if any, must successfully complete remedial or follow-up training if, in our sole and absolute judgment, that training is necessary. As to that remedial or follow-up training, you must pay our then-current training fees, and must bear the cost of you and your Manager's wages and benefits, and travel, lodging and meal expenses. If remedial or follow-up training is held within the Development Territory, you also must bear the then-current per diem charges for our trainers and the actual and reasonable travel, lodging and meal expenses of those trainers.

11.3 Except as otherwise stated in this Section 11, you are responsible for training instructors, employees and independent contractors other than your Managers.

11.4 If our trainers are requested by you to give any Business Development Training, remedial or follow-up training at your location, you must pay those trainers' per diem fees, and their actual and reasonable travel, lodging and meal expenses.

11.5 We may require you to make reservations for trainees or attendees in advance of any training or conference. We may require deposits for those reservations (which may be refunded or, in our sole and absolute right, applied toward training or conference fees) and may charge cancellation fees if reservations are cancelled.

12. OPERATIONS MANUALS; ADDITIONAL MANUALS AND MATERIALS

12.1 We have developed a copyrighted Operations Manual, which contains both mandatory standards, policies, specifications, techniques and procedures, and non-mandatory guidelines and recommendations, for the operation of the Franchised Business in accordance with the System. The Operations Manual is and will remain our exclusive property, and is merely loaned to you for the term of the Franchise. We may also loan to you additional manuals and materials developed by us related to aspects of the System. In order to protect our reputation and goodwill, the System and the Marks, you must operate the Franchised Business in strict conformance with the Operations Manual and any additional manuals or materials developed by us that are loaned to you.

12.2 You acknowledge that the System may be modified by us, and that modifications to the System may require modifications to the Operations Manual and to any additional manuals or materials developed by us, as long as those modifications do not unreasonably increase your obligations under this Agreement or place excessive economic burdens on the Franchised Business. You agree to operate the Franchised Business in strict conformance with any modifications to the Operations Manual and any additional manuals or materials developed by us. Modifications will be effective on receipt by you, unless otherwise stated by us.

12.3 The mandatory standards, policies, specifications, techniques and procedures applicable under the System in the Operations Manual, and any modifications of those standards, policies, specifications, techniques and procedures that are made by us, constitute provisions of this Agreement as if fully set forth in this Agreement. All references in this Agreement to the Operations Manual mean those mandatory standards, policies, specifications, techniques and procedures, and all modifications thereof, as of the time they are in effect.

12.4 You must at all times ensure that your copies of the Operations Manual and any additional manuals or materials developed by us are up-to-date and kept in a secure place. If there is any dispute as to their contents, the terms of the

master copies of the Operations Manual, and any additional manuals or materials developed by us and maintained at our headquarters, will be controlling.

12.5 You must treat the Operations Manual, any additional manuals or materials developed by us and loaned to you that are designated as "confidential," and the information in those manuals and materials, as confidential, and must take all reasonable precautions to maintain the confidentiality of those manuals and materials. You may not, without our prior written consent, copy, duplicate, record or otherwise reproduce the Operations Manual or any additional manual or material developed by us, in whole or in part, or otherwise make the same available to any person who is not bound by the confidentiality terms of this Agreement or who has not signed a separate confidentiality agreement (see Section 20.2 and Attachment 5).

13. ACCOUNTING PROCEDURES

13.1 You must use a computerized record-keeping system as prescribed by us.

13.2 You recognize the importance of financial and statistical analysis, and agree to provide us with monthly sales reports (by the 10th of each month for the preceding month) in the forms prescribed in the Operations Manual. All financial information provided by you to us must be prepared in accordance with accounting methods acceptable to us, consistently applied.

13.3 You must provide us annually, within 3 months after your fiscal year end, with a statement of revenues, expenses and income (or loss) for the year, and a statement of assets and liabilities as of the end of the year, which statements must be prepared in accordance with accounting methods acceptable to us, consistently applied. At our option, we may require this statement to be prepared by an independent certified public accountant in accordance with the standards for a compilation or review. Simultaneously with this statement, you must provide us with copies of all tax returns filed by you for the year as to the Franchised Business, including federal and state income tax returns, and with the business names, contact names, addresses and telephone numbers for all facilities at which ABRAKADOODLE services and products were offered by you at any time during the year.

13.4 You must submit to us any other financial or statistical reports, records, statements or information that we may reasonably deem to be required or desirable, in the forms and at the times and places reasonably specified by us, in the Operations Manual or otherwise in writing. We may specify that you use software or web-based applications that give us independent access to your records.

13.5 All financial or statistical information provided by you to us must be accurate and correct in all material respects.

13.6 We will have the right to use any financial or statistical information provided by you, as we deem appropriate. We will not identify you as the source of that information, and will not disclose any information shown in any of your tax returns (other than information disclosed in other documents submitted to us) except: (i) with your

permission; (ii) as required by law or compulsory order; or (iii) in connection with audits or collections under this Agreement.

13.7 We or our designated agents will have the right, at all reasonable times, to examine, copy and audit your books, records and tax returns and the books, records and tax returns of the Franchised Business. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at the lesser of a rate equal to 1½% of the monthly balance of principal and interest or the highest rate of interest allowed by law. If an examination or audit discloses an underpayment or understatement of any amount due us by 3% or more for any 3-month period, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, you must, in addition, reimburse us for the cost of having your books examined or audited. If an examination or audit discloses an underpayment or understatement of any amount due us by 5% or more for any 3-month period, we will have the right to terminate the Franchise under Section 26.2(n). These rights and remedies will be in addition to any other rights or remedies we may have under this Agreement or otherwise.

13.8 During and after the term of the Franchise, you must maintain and preserve all books, records and accounts of the Franchised Business for at least 5 years after the close of the fiscal year to which the books, records and accounts relate.

14. EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES

14.1 You may generally purchase your equipment, materials, supplies and services from whomever you decide, except that:

(a) You must subscribe to an on-line computer network as prescribed by us.

(b) You must use equipment, materials, supplies and services which meet specifications prescribed by us in the Operations Manual. These specifications may include specific brand names and products or designate approved suppliers. The purpose of these specifications is to protect and maintain the quality of ABRAKADOODLE materials and classes, and the goodwill of the System and the Marks. We may charge you penalty fees if you fail to use equipment, materials, supplies or services prescribed by us in the Operations Manual, or if you use, offer for sale or sell products or services that are not approved or prescribed by us in the Operations Manual.

(c) You must use software and/or web-based and/or other programs meeting the specifications that we periodically prescribe in our Operations Manual or otherwise in writing.

(d) You must purchase equipment, materials or supplies with our trademarks from us or suppliers that we approve or designate, and you must purchase an initial packet of materials from us when you sign this Agreement. We may charge you penalty fees if you fail to use the required equipment, materials or supplies

with our trademarks, including if you, your teachers, your managers or your students fail to wear ABRAKADOODLE branded apparel in class.

14.2 We reserve the right to inspect and re-inspect the products, supplies and facilities of your suppliers, to determine their conformity with this Section 14. We will maintain and make available to you a list of certain equipment, materials, supplies and services which meet our specifications. We may modify this list. If you desire to use items or services not on the list, you will so notify us in writing before using the items or services and, if we so request, will provide us samples of the items or services and any relevant data. At your option, we will test any item or service to determine whether it meets the required specifications and will notify you accordingly within a reasonable time. You will reimburse us for our expenses relating to item or service testing or grant or approval of items or services, and for the then-current per diem charges for our personnel. If we determine that any item or service does not meet the required specifications, you agree that you will not use the item or service in the Franchised Business. The supplier of any item or service proposed for use by you under this Section 14.2 may be required to demonstrate to our reasonable satisfaction that:

(a) the supplier meets our specifications, including its quality, quantity, warranty, variety, service and safety specifications, for the item or service and for the facilities used in the production and distribution of the item or service.

(b) the supplier has the capacity to supply franchisee requirements;

(c) the supplier has a sound financial condition and business reputation; and

(d) the supplier will supply items or services to a sufficient number of our franchisees to enable us to economically monitor compliance by the supplier with our specifications.

14.3 We or our related companies may offer to sell to you items or services used in operating an ABRAKADOODLE business, which may be purchased by you at your option. We or our related companies will endeavor, to the extent we are able to do so based on total purchases by our franchisees, to negotiate volume-purchasing arrangements for items and services, and to offer them to our franchisees at prices not otherwise generally available to the franchisees.

14.4 Unless specifically stated otherwise in writing, we do not provide any warranty or guarantee to you or any third party for any item or service which we may sell or provide to you, and you may not make any representation to the contrary to any third party. If we are able to secure from any manufacturer any warranty, guarantee or assumption of liability which we are authorized to convey to you, we will so notify you.

14.5 Security deposits or advance payments may be required by us or our related companies as to purchases of items or services by you. You agree to pay all invoices rendered by us or our related companies for items or services within 30 days after the dates of the invoices.

15. DESIGN AND APPEARANCE OF BUSINESS

15.1 You are not required to establish a commercial office or art studio for the operation of the Franchised Business. If, however, you choose to establish and maintain a commercial office and/or art studio, you acknowledge that the design and appearance of the office and/or art studio must be in conformity with the design and appearance of other offices and art studios within the System, must meet our approval and must be subject to the requirements and standards set forth in our Operations Manual.

15.2 You may make no change to your commercial office and/or art studio design or appearance without our prior written consent, and must maintain and renovate periodically, at your expense, the interior and exterior of the office and/or art studio in the manner reasonably prescribed by us so as to maintain standards of design and appearance consistent with the image of the System. We will have the right to require remodeling changes to the office and/or art studio at your expense no more often than once every 5 years, but you will not be required to make any changes if the remodeling would occur within 1 year of the expiration date of any term of the Franchise.

15.3 You agree to purchase or lease, and to display at your commercial office and/or art studio, whether attached to a building or free-standing, only signs, emblems, logos, lettering and pictorial materials that are in accordance with specifications prescribed by us in the Operations Manual or otherwise in writing, subject to changes for which we have given our prior written consent. We have the right to revise the specifications for signs, emblems, logos, lettering and pictorial materials, and you must promptly alter your signs, etc., at your location to conform with the revised specifications. The alterations will be at your expense if revisions are required no more often than once every 3 years.

15.4 You must maintain your commercial office and/or art studio and all adjacent areas in good, clean, attractive and safe condition at all times. You must, at your expense, undertake all maintenance and make all repairs, replacements, alterations and additions as may be required for that purpose, including periodic cleaning, repainting, repairs and replacement of obsolete fixtures, furnishings, equipment, materials and supplies as we may reasonably require.

15.5 You, at your or your employees' expense, will cause your instructors, employees and independent contractors to present themselves to clients and prospective clients, in terms of general appearance, dress and accessories, in accordance with written standards prescribed by us in the Operations Manual or otherwise in writing.

16. ADVERTISING AND PROMOTION

16.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, you agree to contribute, on a

monthly basis during the term of the Franchise, 1% of Gross Sales to a system-wide advertising and promotional fund ("Fund").

16.2 The Fund will be maintained as follows:

(a) You will contribute to the Fund on or before the 10th day of each month based on Gross Sales for the preceding month.

(b) Any company-owned ABRAKADOODLE businesses will make contributions to the Fund on a basis at least equal to that described in Section 16.1.

(c) We will direct all advertising and promotional programs, with the sole and absolute right of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. You agree that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or pro rata from the placement of advertising.

(d) You agree that the Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Fund will be maintained in a separate account from our general funds and will not be used to defray our general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Fund (up to 15%), including conducting market research, preparing and distributing advertising and promotional materials, and collecting and accounting for contributions to the Fund.

(e) If we expend less than the total of all contributions to the Fund during any fiscal year, we will have the right to retain those contributions for use in subsequent years. If we expend more than the contributions accumulated in the Fund during any fiscal year, we will have the right to receive from the Fund, reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

(f) An unaudited summary report on the operation of the Fund will be prepared annually and will be made available to you on request 90 to 120 days after fiscal year end.

(g) Although the Fund is intended to be of perpetual duration, we retain the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a prorated basis.

16.3 If you use advertising or use promotional materials, those advertising and promotional materials must be dignified and conform to specifications in the Operations Manual. If prescribed advertising or promotional materials are available

from us, you may not use any materials other than those prescribed by us, and must pay all reasonable fees and expenses associated with the provision of those materials. Otherwise, you must submit samples to us (by fax, or by receipted mail or delivery service) and obtain our prior written approval (except as to prices to be charged), of all advertising and promotional materials (including direct mailings, leaflets, brochures, any approved on-line media, signs, audios, videos and CDs) that you desire to use and that have not been prepared or previously approved by us. If written disapproval is not received by you (by fax, or by receipted mail or delivery service) within 10 days after our receipt of the materials, we will be deemed to have given the required approval. If any advertising or promotional materials previously approved by us are later disapproved, you must discontinue their use promptly on written notice from us.

16.4 You must spend at least 1% of your monthly Gross Sales on local advertising in your territory.

16.5 When you sign this Agreement, you must pay us a non-refundable 1-time $600 advertising fee.

16.6 When you sign this Agreement, you must sign the Listing Agreement (Attachment 4) in connection with the Franchised Business.

17. INSURANCE

17.1 You must secure before opening the Franchised Business, and then must continuously maintain during the term of the Franchise, insurance at your expense, as follows:

(a) Workers' compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of the Franchised Business.

(b) Automobile liability insurance with a $500,000 combined single limit or a $250,000/$500,000 split limit.

(c) Comprehensive general liability insurance with a limit of at least $1,000,000.

(d) If maintaining a commercial office and/or art studio, insurance on the office and/or art studio, equipment (except portable equipment), materials and supplies, for loss or damage by fire, windstorm, flood and other risks usually insured against by the owners or lessors of similar property. The insurance must be for at least 90% of the replacement cost of the property. Unless a written waiver is obtained from us, any ABRAKADOODLE office or art studio sustaining loss or damage must be repaired, restored or rebuilt within 60 days of the date of the loss or damage. You must provide proof of adequate insurance prior to occupancy of any office or art studio.

17.2 If circumstances require for the protection of you and us, we, in our sole and absolute right, may increase or modify the insurance limits noted above and

may require additional types of insurance. If we determine that any required insurance is not generally available to you at a cost which we, in our sole and absolute judgment, deem to be reasonable, then we may modify the insurance requirements to provide for lower limits until the insurance becomes available at a reasonable cost.

17.3 Each insurance policy maintained by you for the Franchised Business must: name you as the insured; except for the workers' compensation insurance policy, name us, and our affiliates, successors, assigns, shareholders, partners, officers, directors, employees and agents as additional insureds (we will provide you with a list after you sign the franchise agreement); require the insurer to defend each person or entity if there is a claim; provide that any liability coverage afforded applies separately to each person or entity against which a claim is brought as though a separate policy had been issued to that person or entity; contain no provision which limits or reduces coverage if there is a claim by one or more additional insured, or by reason of any insurance which may be maintained by us; and provide coverage for your indemnification obligation under Section 24.2 of this Agreement. Coverage for the additional insureds will apply on a primary basis irrespective of any other insurance, whether collectable or not. All insurance policies must be issued by insurance companies with performance ratings of at least A+ as rated in the most recent edition of Best's Insurance Reports or comparable publication.

17.4 Within 30 days after opening the Franchised Business and then annually when annual financial statements are provided, you must furnish to us a then-current copy of each insurance policy, including all amendments and endorsements, evidencing the limits noted above or as then required, and proof of premium payments, and providing that the insurance will not be cancelled, amended or modified without 30 days' prior written notice to us, together with evidence of payment of premiums.

17.5 You may not reduce any insurance limit, restrict any insurance coverage, or cancel, alter or amend any insurance policy without our prior written consent. If you fail to obtain or maintain any required insurance, you agree that we may, but are not obligated, to obtain the insurance and that you will reimburse us for the cost of the insurance, and for any reasonable expenses incurred in procuring the insurance, within 30 days of the date of our invoice. You expressly waive any objection to our purchase of insurance under this Section.

18. LEGAL COMPLIANCE, TAXES, LICENSES, UTILITIES AND OTHER OBLIGATIONS

18.1 You must comply with all laws applicable to the operation of the Franchised Business, including all administrative and governmental regulations relating to fictional business names, occupational hazards, health, consumer protection, and unfair or deceptive practices, securing and promptly paying for all licenses, permits and inspections, and promptly paying all withholding, unemployment, occupational, privilege, license, sales, use and income taxes and the like, including all taxes and fees levied and asserted on your business property, and all water, sewer, gas, telephone, electric, power and other utility charges assessed or charged to the Franchised Business.

18.2 You must promptly satisfy any other indebtedness that you incur in operating the Franchised Business.

18.3 You must promptly notify us of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that may adversely affect the operation of the Franchised Business.

18.4 If there is any bona fide dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, you may not permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

19. PROPRIETARY MARKS

19.1 The Marks are our exclusive property. You acknowledge that your use of the Marks is a temporary authorized use under franchise and that we retain all ownership interests in the Marks and all goodwill generated by the Marks. All uses of the Marks by you will inure to our benefit. You agree to use the Marks only in accordance with the terms of this Agreement and acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our prior written consent, is an infringement of our exclusive right, title and interest in and to the Marks. You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks, or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

19.2 You must provide services and products to the public under the service mark, trademark and trade name “ABRAKADOODLE.” Except as we permit in writing, you may not use any Mark, any derivation or modified version of any Mark, or any confusingly similar mark or name: as part of any corporate, partnership, firm or other business name, website address, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design. You agree to execute, during or after the term of the Franchise, at our request, any consents necessary for the registration of our corporate name in the state where you conduct the Franchised Business.

19.3 You agree that when any Mark is affixed to any packaging or point of sale display, or is used in advertising or promotional materials, the Mark will be accompanied either by an appropriate notice immediately following the Mark (“TM” if on a product package and “SM” if advertising a service) or by an asterisk immediately following the Mark and the legend “*Service mark or trademark of Abrakadoodle, Inc. (or other appropriate corporate name)” printed on or in the package, display, advertisement or material. A suitably abbreviated form of the legend, approved by us, may be used

where space restrictions so require. If a Certificate of Registration is received by us from the United States Patent and Trademark Office for any Mark, the symbol "®" will be substituted for the notices described above, and the word "Registered" will precede the word "service" in the legend described above, as required by written notice from us to you.

19.4 If it becomes advisable at any time, in our sole and absolute judgment, for the business to modify or discontinue use of any Mark and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, you agree to comply with our directions to modify or otherwise discontinue the use of the Mark, and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, within a reasonable time after receiving notice from us. You will be responsible for the costs of modifying or discontinuing the use of any trademark, service mark or trade name, or using one or more substitute trademarks, service marks or trade names. We will not be responsible for reimbursing you for any loss of goodwill in connection with the modification or discontinuation of any trademark, service mark or trade name.

19.5 During the term of the Franchise, in conjunction with the use of any Mark, you must identify yourself as the operator of the Franchised Business on letterhead sheets, invoices, order forms, receipts, contracts and similar documents, and, where required by us, on signs. The form and content of the identification must comply with specifications in the Operations Manual.

19.6 During the term of the Franchise, you must file and maintain requisite trade name or fictitious name registrations, and must execute any documents deemed necessary by us or our counsel to obtain protection for the Marks or maintain their continued validity and enforceability.

19.7 You must promptly notify us of any use, by any person or entity other than us or another of our franchisees, of any Mark or any name or mark confusingly similar to any Mark.

19.8 You must promptly notify us of any litigation brought or threatened by any person or entity against you, involving any Mark. If we, in our sole and absolute judgment, undertake the defense or settlement of that litigation or claim, we will do so at our own expense, but you agree to execute any documents, and to render any assistance (excluding financial assistance) as may, in the sole and absolute right of our legal counsel, be reasonably necessary to carry out the defense or settlement. If the defense does not involve issues concerning the operation of your business, we will reimburse you for all reasonable out-of-pocket costs incurred in connection with assisting in the defense or settlement.

19.9 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction,

court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief.

20. TRADE SECRETS AND CONFIDENTIAL INFORMATION

20.1 You acknowledge that the System involves trade secrets owned by us and that, during your relationship with us, you will acquire knowledge of confidential information, including know-how, sales, organizational, operational and other information concerning the System.

20.2 You agree that, without our prior written consent, you will never either during or after the term of the Franchise, use or allow the use of any trade secret or confidential information except in connection with the operation of the Franchised Business by persons actively involved in the operation of the business. You further agree that you will not disclose the contents of any manuals, plans, records or other documents relating to the Franchised Business to any third party, except a party who is actively involved in the operation of the business and who has a valid need for disclosure. Any third party or employee to whom a trade secret or confidential information is disclosed will be informed that the trade secret or confidential information is confidential and proprietary to us and that it may not be used except under a franchise agreement with us. You must have each of your Managers, supervisory employees and independent contractors, and persons attending Business Development Training enter into a Confidentiality and Non-Competition Agreement substantially similar to Attachment 5.

20.3 You agree to promptly reveal to us discoveries, inventions, innovations or improvements made by you, or, for any of your Managers, instructors, employees or independent contractors relating to materials, devices, methods or processes in any way connected with the System, and further agree that all proprietary interests in the information, materials, devices, methods, techniques, know-how and processes utilizing those discoveries, inventions, innovations and improvements will be our property.

20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and expressly waive all claims for damages caused by the wrongful issuance of any injunction.

21. NON-COMPETITION

21.1 Unless otherwise specified in this Agreement, the term "you" in this Section 21 includes, collectively and individually, each shareholder, member, partner, officer and/or director ("principal"), and each direct or indirect holder (and each principal of each holder) of any beneficial interest in you, if you are a legal entity.

21.2 You agree that during the term of the Franchise, you will not, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person or entity, divert or attempt to divert any business or customer of the Franchised Business to any competitor or other person by direct or indirect inducement or otherwise, but this Section 21 will not prevent you from referring customers in good faith to other businesses, including competitors' businesses, that may be able to provide those customers with services or products not available from the Franchised Business.

21.3 You acknowledge: that certain methods of doing business and other elements comprising the System are unique and distinctive, and have been developed by us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the System; and that you recognize your continuing obligation to promote the Franchised Business. You accordingly agree as follows:

(a) During the term of the Franchise, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity: own, operate, engage in, have any interest in, be employed by or perform any service for any business located in the United States or abroad which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services or products that are or could be offered by you under this Agreement; or use the trademarks of any third party in connection with the ABRAKADOODLE business, unless you have obtained our prior written consent.

(b) You agree that, for an uninterrupted period of 2 years after the expiration or termination of the Franchise, regardless of the cause of expiration or termination, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business, which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services or products that were or could have been offered by you under this Agreement, and which operates: (1) within the Development Territory, or (2) within the development territory of any other ABRAKADOODLE business operating or in planning at the time of expiration or termination.

21.4 You acknowledge that your violation of any term of this Section 21 will cause irreparable injury to us for which no adequate remedy at law is available. You accordingly consent to the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Section 21.

21.5 Each term and subpart of a term of this Section 21 is independent of each other term and subpart of a term of this Agreement. If a term or subpart of a term of this Section 21 is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by any lesser term or subpart that imposes the maximum duty permitted by law, as if the resulting lesser term

or subpart were separately stated in this Section 21, and also agree to be bound by each other subpart of a term of this Agreement.

21.6 You acknowledge that we may, in our sole and absolute right, reduce the scope of any term or subpart of any term in this Section 21 without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, which will be fully enforceable notwithstanding any other term or subpart of this Agreement.

21.7 You agree that any claim you may have against us, whether or not related to the Franchised Business, will not be a defense to the enforcement by us of any term of this Section 21. You further agree that we will be entitled to set off any amounts owed by us to you against any loss or damage to us arising from your breach of this Agreement, including this Section 21.

21.8 This Section 21 will not apply to any ownership by you of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation.

21.9 You must have each of your Managers and supervisory employees and independent contractors enter into a Confidentiality and Non-Competition Agreement substantially similar to Attachment 5.

22. INSPECTION BY US

22.1 Our field representative or designee may make an announced or unannounced inspection of the Franchised Business at any reasonable time to ensure compliance with all terms of this Agreement, which inspection may include interviews of your Manager, instructors, employees and independent contractors to ascertain their knowledge of and compliance with the System, as well as interviews with your clients to determine their level of satisfaction. You acknowledge that any feedback, coaching or suggestions given by our field representative or designee to any personnel of the Franchised Business during any such inspection will be informational and non-mandatory. You agree that our field representative or designee will be allowed to take a physical inventory of the assets of the Franchised Business, and to inspect any records of the Franchised Business, including your books and financial accounts, at any time during normal business hours. Any inspection will be made at the expense of us or our designee, but if we or our designee must make 2 inspections concerning your repeated or continuing failure to comply with this Agreement, we will have the right to charge you for the costs of making all further inspections concerning your failure to comply, including travel expenses, room, board and compensation of our field representative or our designee. At the conclusion of his or her inspection, our field representative or designee will prepare a written report. You (or if you are not an individual, your principal operating officer or partner), if present, or your Manager, will be given a copy of the report and will sign a second copy to be sent to us, on which he or she may acknowledge or contest the field representative's or designee's conclusions and observations.

22.2 During any inspection, you agree to cooperate fully and to give any assistance reasonably requested. Promptly after receiving notice of any deficiencies detected in an inspection, you agree to take steps necessary to correct the deficiencies, including if necessary the temporary closing of the Franchised Business. Without limiting our other rights and remedies, we will have the right, but not the obligation, if you fail or refuse to act promptly, to make or cause to be made any required corrections and to charge the costs of correction to you.

23. FRANCHISEE AS INDEPENDENT CONTRACTOR

23.1 Relationship of Parties. Under this Agreement, you are an independent contractor with entire control and direction of the Franchised Business, subject only to the terms of this Agreement and its attachments. This Agreement is not intended to, and does not create a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee or servant of any other party for any purpose. In that regard:

(a) We have no right or duty to operate the Franchised Business, and disclaim any liability under this Agreement for any damages arising out of the operation of the Franchised Business.

(b) You are solely responsible for recruiting, interviewing, hiring, timekeeping, scheduling, payroll processing, supervising, disciplining and firing your personnel, and your personnel are not our employees, independent contractors or agents. We have no right or duty to supervise, or to exercise control over, your personnel in the operation of the Franchised Business, and disclaim any rights or responsibilities as to your personnel. You are solely responsible for consulting with your own third party human resources ("HR") service provider and/or legal counsel concerning compliance with personnel laws and regulations that are applicable within the Development Territory, and for complying with those laws and regulations.

(c) Except as provided in this Agreement, you are solely responsible for training your employees and independent contractors. To the extent that we provide you with guidelines, recommendations and materials related to training your non-management personnel, you may use those resources, or may choose to use alternate resources, so long as your personnel are trained to operate the Franchised Business in a System-compliant, legal and safe manner.

(d) You are solely responsible for establishing and enforcing your own policies related to personnel practices and labor relations. To the extent that we provide you with guidelines, recommendations and materials related to personnel practices and labor relations, you may use those resources, or may choose to use alternate resources. You are solely responsible for consulting with your own third party HR service provider and/or legal counsel concerning compliance with personnel and labor relations laws and regulations that are applicable within the Development Territory, and for complying with those laws and regulations.

23.2 Notices to Public, Etc.. During the Term, you agree to hold yourself out, to the public, public officials, your suppliers, your independent contractors and others, as an independent contractor operating the Franchised Business pursuant to rights granted by us, but not jointly with us. You agree to take any reasonable action that we consider necessary to that end, including exhibiting notices of the parties' relationship in a conspicuous manner at the Franchised Business, and on websites, letterhead, forms, business cards, electronic communications, advertisements, and other materials we designate. We reserve the right to specify and change the content and form of these notices.

23.3 Statements to and Acknowledgements by Employees. During the Term, you shall hold yourself out to your prospective employees, and to your employees, as an independent contractor operating the Franchised Business pursuant to rights granted by us, but not jointly with us. You shall take any reasonable action that we consider necessary to that end, including (i) stating conspicuously on each employment application that the prospective employee is applying to be your employee and not an employee of ours, (ii) stating your entire business name, rather than just using our brand name and/or logo, on your payroll checks and/or payroll-related communications to employees, and (iii) requiring employees to sign acknowledgements that they are not employees of ours, even though they are selling products and services identified by our brand name and/or logo, are receiving payroll checks and other communications that contain our brand name and/or logo, may have applied for jobs through our website(s), or may communicate with or receive non-mandatory feedback, coaching or recommendations from our representatives in emails or other electronic or written communications, or during telephone calls, meetings or inspections. We reserve the right to specify and change the content and form of these statements and acknowledgements.

23.4 Contracts, Etc.. Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf; to incur any obligation, debt or expense in our name; or to make any representation to any third party tending to indicate a business relationship with us beyond that created under this Agreement. We disclaim any liability for, and will not be liable under this Agreement for any claim or judgment arising as a result of, any such action. Under this Agreement, no party is responsible for any obligations, debts or expenses of any other party.

24. INDEMNIFICATION

24.1 We must indemnify you, your affiliates, successors and assigns, and your principals, for any expenses arising out of any claim for copyright or trademark infringement or unfair competition directly or indirectly related to your authorized use of our materials or the Marks under this Agreement and the provisions of the Operations Manual, if you notify us in writing within 30 days, or within any shorter period necessary to avoid prejudice, after learning of the claim, and also if we are given the opportunity, if we so choose, in our sole and absolute right, to control the settlement or defense of the claim. You may not settle any claim to which this Section 24.1 applies without our prior written consent.

24.2 You must indemnify us, our affiliates, successors and assigns, and our principals, for any expenses arising out of any claim directly or indirectly related to your operation of the Franchised Business or performance or lack of performance under this Agreement, if the claim does not arise from our negligent or wrongful conduct. You specifically acknowledge (i) that we do not have any reserved or general right to exercise control over, and do not exercise any indirect or direct control over, the day-to-day operation of the Franchised Business (including operations-related functions such as safety and security, the use of equipment and motor vehicles, and the delivery of products and services to customers, and personnel-related functions such as recruiting, interviewing, hiring, timekeeping, scheduling, payroll processing, supervising, disciplining and firing), (ii) that all liability arising out of the operation of the Franchised Business is therefore your responsibility, and (iii) that your indemnification obligation under this Section 24.2 covers any "joint employer," "agency," "ostensible agency" or similar claims by third parties based on the establishment or operation of the Franchised Business. You must promptly notify us of any claim by or against you directly or indirectly related to your operation of the Franchised Business and, on request, must furnish us with copies of any filings in any proceeding involving the claim.

24.3 As used in this Section 24, the word "expenses" includes all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to reputation or goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

24.4 The indemnification obligations of us and you will survive the expiration or termination of the Franchise for as long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, we and you each waive the effect of any statute of limitation which would, by lapse of time, limit our indemnification obligations.

25. TRANSFERS OF INTEREST

25.1 Transfer by Us. We may sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber ("transfer") all or any part of our rights, interests or obligations in this Agreement to any person or entity.

25.2 Transfer by You.

(a) Your rights and obligations under this Agreement are personal to you, and we have granted the Franchise in reliance on your and/or your principals' business skill, financial capacity, personal character, and reputation for honesty, integrity and fair dealing. Accordingly, you, and your successors, assigns, and principals, may not transfer any interest in you, in this Agreement or any related agreement, in the Franchise or the Franchised Business, without our prior written consent. Any purported transfer not having our prior written consent will be null and void.

(b) We will not unreasonably withhold our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring either a controlling interest in or operating control of you, this Agreement, any related agreement, the Franchise or the Franchised Business, we may, in our sole and absolute right, require as conditions to our consent that:

(i) You are in compliance with the terms of this Agreement;

(ii) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has demonstrated to our satisfaction that it meets the then-current standards which we would normally apply to any prospective franchisee. The transferee, for example, has demonstrated that it meets our educational, personal, managerial and business standards; possesses a good moral character and a good business reputation; has the aptitude and ability to conduct the Franchised Business (as may be shown by prior related experience); has adequate financial resources and capital to pay a fair and reasonable price for the franchise and to operate the Franchised Business; is financially responsible and has a good credit rating; will be likely in our sole and absolute judgment to comply with the terms of this Agreement and our then-current standard franchise agreement and Operations Manual; and has no direct or indirect connection with any actual or potential competitor of us or any of our franchisees;

(iii) Your debts to us and others relating to the Franchised Business have been satisfied;

(iv) You and the transferor have executed a general release, in a form satisfactory to us, of any claims against us and our principals, in their corporate and individual capacities (see Attachment 7);

(v) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has entered into a written transfer agreement, in a form satisfactory to us, assuming and agreeing to discharge your and/or the transferor's obligations under this Agreement and any related agreements;

(vi) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) executes our then-current standard franchise agreement (excluding any requirement to pay an initial franchise fee) and any related agreements (including any guaranty agreements). The then-current franchise agreement may have the same term expiration date of this Agreement, but may contain terms substantially different from those in this Agreement, including different fees, advertising contributions, training requirements, territory(ies) and quotas. Depending on the then-current demographics of the Development Territory, and on our then-current standards for territories and quotas, if the Development Territory is larger than our then-current standard local or regional territory, we may require the transferee to: (a) accept a Transfer Territory smaller than the Development Territory, if the transferee does not

want higher quotas; (b) accept a Transfer Territory identical to the Development Territory but with higher quotas; or (c) execute multiple franchise agreements with Transfer Territories and quotas that more closely match our then-current standards for territories and quotas.

(vii) The transferee and its Manager, if any, have agreed to successfully complete (at the transferee's expense and to our satisfaction) any then-current initial training programs;

(viii) You or the transferor has paid, in lieu of paying the initial franchise fee specified in Section 9.1, a transfer fee equal to 8% of the total sales price, including all equipment, goodwill, materials and all other elements of the sale. This fee is subject to a minimum transfer fee that is equal to 30% of our then-current initial franchise fee for a comparable franchise territory. Additional fees include our then-current initial materials fee, and full reimbursement for any actual and reasonable travel, lodging and meal expenses incurred by us in connection with the transfer;

(ix) We have decided not to exercise our right of first refusal, if any, under Section 25.5;

(x) You have updated your equipment, materials and supplies to our then-current specifications in the Operations Manual;

(xi) We have consented to the material terms and conditions of the transfer, including the price and terms of payment, which will not be so burdensome as to adversely affect the operation of the Franchised Business by the transferee;

(xii) If any part of the sale price of any transferred interest is to be financed, the transferor will have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by the transferor in the assets of the Franchised Business will be subordinate to the obligations of the transferee to pay continuing franchise fees, advertising contributions and other amounts due to us and our affiliated companies, or otherwise to comply with this Agreement or the franchise agreement executed by the transferee; and

(xiii) You or your transferee has paid all applicable broker fees, if a broker was involved in the transaction.

(c) Except as specified below, the transfer fee specified in Section 25.2(b)(viii) is non-refundable and fully earned by us when paid. If, before the completion of the transferee's initial training, we, in our sole and absolute right, decide that transferee should not operate an ABRAKADOODLE business, we may cancel this Agreement or the transferee's then-current franchise agreement. If we so cancel this Agreement or the transferee's then-current franchise agreement, we will refund the transfer fee, less expenses incurred, if the transferee agrees to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3(b), 21.5-21.8, 27.1-27.2, and 32.

(d) No transfer in the nature of a grant of a security interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business

will be permitted without our prior written consent, in our sole and absolute right. If we consent to a transfer in the nature of a grant of a security interest, and if the holder of the security interest later seeks to exercise your right or assume the interest of you in the Franchise, this Agreement, any related agreement, you or the Franchised Business due to a default under any documents related to the security interest, we will have the option to purchase the rights of the secured party by paying all sums then due to the secured party, and the secured party will sign an agreement to that effect before any transfer takes place.

25.3 Transfer to Franchisee's Legal Entity. If a proposed transfer is to a legal entity controlled by you which is formed solely for the convenience of ownership, our consent to the transfer may, in our sole and absolute right, be conditioned on the following requirements:

(a) The legal entity's activities will be confined exclusively to operating the Franchised Business;

(b) You will own a majority stock interest or partnership interest in the transferee legal entity, and will act as its principal operating officer, member, shareholder or partner;

(c) Each stock certificate, evidence of ownership, or certificate of interest will have conspicuously endorsed on its face a statement in a form satisfactory to us that it is held subject to, and that further transfer is subject to, all restrictions on transfers in this Agreement;

(d) All principals will jointly and severally guarantee the legal entity's performance and will bind themselves to the terms of this Agreement and any related agreements;

(e) You will maintain a then-current list of all principals and beneficial owners, and furnish the list to us on request; and

(f) Copies of the transferee's Certificate and Articles of Incorporation, Certificate and Articles of Organization, Certificate and Agreement of Partnership, By-Laws, resolution authorizing entry into this Agreement and any other significant governing documents, promptly will be furnished to us.

25.4 Transfer and Issuance of Securities. If you are a legal entity, you will maintain stop transfer instructions against the transfer of any stock certificate, certificate of interest, or evidence of ownership contrary to the terms of this Section 25, and will issue no certificate on the face of which the following statement does not legibly and conspicuously appear:

The transfer of this {stock certificate, certificate of interest, or evidence of ownership} is subject to the terms of a Franchise Agreement dated _____ between Abrakadoodle, Inc. and {the legal entity}.

25.5 Our Right of First Refusal.

(a) If you or any other person or entity at any time determines to sell an interest in you, the Franchise or the Franchised Business, a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to us by you or the other person or entity involved. The offer must apply only to an interest in you, the Franchise or the Franchised Business. It must not include the purchase of any of your other property or rights (or those of your principal), but if the offeror proposes to buy any other of your property or rights (or those of your principal) under a separate, contemporaneous offer, the price and terms of purchase offered to you (or to your principal) for the interest in you, the Franchise or the Franchised Business will reflect the bona fide price offered and will not reflect any value for any other property or rights. We will have the right, exercisable by written notice delivered to you, or the person or entity involved, within 30 days after receipt of the copy of the offer, to purchase the interest for the price and on the terms and conditions contained in the offer, but we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in the offer. Our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than 60 days to prepare for closing. If the parties cannot agree on a cash equivalent within a reasonable time, they will either jointly select one appraiser, or three appraisers will be selected (one by us, one by you, and one jointly by the 1st two appraisers), and his, her or their determination will be binding. The parties will share equally the fees and expenses of any appraiser jointly selected, but each must pay any separately selected appraiser individually. We will be entitled to purchase the interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of any corporation whose stock is purchased. If we do not exercise our right of first refusal, you or the person or entity involved may complete the sale to the purchaser under the terms of the offer subject to our consent to the transfer under Section 25.2(b), but if the sale to the purchaser is not completed within 120 days after receipt of the offer by us, or if there is a material change in the terms of the sale, we will have an additional right of first refusal for 30 days on the same terms and conditions as were applicable to the initial right of first refusal.

(b) If a proposed transferee is the spouse, child or parent of the proposed transferor, or is a person or entity already holding an equity interest in you or the Franchised Business, as of the date of this Agreement, that has been disclosed to us, we will not have any right of first refusal as provided in Section 25.5(a), unless the proposed transferee has a direct or indirect connection with any actual or potential competitor of us or any of our franchisees. However, written notification of this type of

transfer must be provided to us by the transferor at least 30 days before consummation of that transfer.

25.6 Transfer On Death, Permanent Incapacity or Dissolution. On the death or permanent incapacity of any person with an interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, or on your dissolution if you are a legal entity, the executor, administrator, personal representative or trustee ("personal representative") of that person or entity will transfer his, her or its interest to a third party acceptable to us within 180 days after assuming that capacity. Any transfer of this type, including a transfer by devise or inheritance, will be subject to the same requirements as other transfers under this Agreement, but if the transfer is to a spouse, child or parent, the fee required under Section 25.2(b)(viii) will not be required. If the personal representative is unable to meet these conditions, the personal representative of that deceased person will have an additional 60 days to dispose of the interest, which disposition will be subject to the requirements for transfers in this Agreement, including the requirements of this Section 25. If the interest is not disposed of within the additional 60 days (a total of 240 days after the death or permanent incapacity of any person with an interest in you), we may terminate this Agreement, or may exercise an option to purchase the Franchised Business at fair market value, determined by reference to the income and asset value of the Franchised Business as a going concern, but the earnings multiple used to determine the going concern value will be reduced to exclude any goodwill associated with your use of the Marks. The going concern value, which will be determined as of the date of the transfer, will be payable in cash or cash equivalent at closing, unless otherwise agreed by the parties. If the parties fail to agree on a going concern value, three appraisers will be designated (one by Franchisor, one by the personal representative, and one by the first two appraisers), and their determination will be binding. The parties will share the appraisers' fees and expenses equally.

25.7 Non-Waiver of Claims. Our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business will not be a waiver of any claims we may have against the transferring party, nor will it be a waiver of our right to demand the transferee's compliance with the terms of this Agreement.

26. DEFAULT AND TERMINATION

26.1 Automatic Termination. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be deemed to be in default under this Agreement, and the Franchise will automatically terminate without notice to you, if you make a general assignment for the benefit of creditors, suffer the filing of an involuntary bankruptcy petition which is not dismissed within 60 days after filing, file a voluntary bankruptcy petition, are adjudicated a bankrupt, or suffer temporary or permanent court-appointed receivership of substantially all of your property; if suit to foreclose any lien or mortgage against the premises or equipment of your business is instituted and not dismissed within 30 days; if the premises or equipment of your business is sold after levy thereupon by any sheriff, marshal or constable; or if you (or a principal, if you are a legal entity) are convicted of a crime involving moral turpitude.

26.2 Termination Upon Notice. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be in default and we may, in our sole and absolute right, terminate the Franchise, without giving you any opportunity to cure the default, effective immediately on giving written notice of termination to you, if:

(a) You are insolvent (are unable to pay your debts as they come due or have debts that are greater than your assets) and not otherwise subject to automatic termination under Section 26.1;

(b) You, without our prior written consent, cease to operate the Franchised Business;

(c) You (or your principal, if you are a legal entity) are convicted of a felony, a crime involving consumer fraud, or any other crime that is reasonably likely, in our sole and absolute judgment, to have an adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or our interest in the System or the Marks;

(d) The operation of the Franchised Business is creating a threat or danger to public health or safety, or we know or reasonably suspect that you (or your principal, if you are a legal entity) are abusing drugs or alcohol, or otherwise engaged in activities that could pose a danger to children or have an adverse effect on the goodwill associated with the System or the Marks;

(e) You have repeatedly failed to make timely payments of continuing franchise fees or any other monies owed to us, or have repeatedly committed defaults of this Agreement, within 12 months of any prior default for which we have given you written notice;

(f) You knowingly make a material false or incomplete statement in any report submitted to us;

(g) We discover that you knowingly made a material false or incomplete statement to us to obtain the Franchise;

(h) You or any other person or entity purportedly transfer any interest contrary to Section 25;

(i) You participate in in-term competition contrary to Section 21;

(j) You improperly disclose the contents of the Operations Manual or any other information learned or received under this Agreement and designated as “confidential”, contrary to Section 12 or 20;

(k) An approved transfer is not effected following death, permanent incapacity or dissolution as required by Section 25.6;

(l) You suffer any federal, state or local tax lien, levy or suit to enforce the same brought against you or your property;

(m) You fail to open for business within the period specified in Section 5.1 of this Agreement; or

(n) You underpay or under-report any amount by 5% or more for any 3-month period.

26.3 Termination After Notice and 30-Day Opportunity to Cure. You will have 30 days, or any greater period permitted by us or required by law, to cure any default for which we have given written notice of termination to you under this Section 26.3, and to provide us with evidence of the cure. If a default is not cured within that period, the Franchise will terminate without the need for further notice to you, effective immediately on the expiration of the cure period. We may give written notice of termination under this Section 26.3 for any failure by you to comply with any term of this Agreement or any requirement in the Operations Manual. Defaults may include, for example, if:

(a) You fail, refuse or neglect to pay to us or any affiliated company any sum owing when due, or to submit to us any required information when due;

(b) You fail to maintain any standard, specification or procedure required to be maintained or followed by this Agreement or the Operations Manual;

(c) You fail, refuse or neglect to obtain our prior written acceptance, approval or consent as required by this Agreement;

(d) You misuse or make any unauthorized use of the System or the Marks, or otherwise materially impair the goodwill associated with or our rights in the System or the Marks;

(e) You or your Manager fail to comply with the requirement of personal attention in Section 4;

(f) You fail to maintain books and records as specified in the Operations Manual and other manuals, and in a manner which permits an accurate determination of Gross Sales; or

(g) You fail, refuse or neglect to pay to any third party, including any major supplier, or government taxing or licensing authority, any sum owing when due, or to satisfy any other material obligation relating to the Franchised Business.

We disclaim any right under this Agreement to terminate the Franchise based on any decision or action by you regarding recruiting, interviewing, hiring, keeping the time of, scheduling, processing the payroll of, supervising, disciplining or firing your personnel.

26.4 Termination For Failure To Meet Minimum Annual Gross Sales Quota. Except for the first 12 months of operation, if you fail to meet a minimum annual Gross Sales Quota (see Attachment 1) for any calendar year thereafter, we may give written notice of default to you within 6 months of the end of the period, putting you on notice that you should take action to increase Gross Sales. If you fail to meet the

minimum annual Gross Sales Quota for the next calendar year, we may give written notice of termination to you within 6 months of the end of that calendar year, and you will have 6 months in which to transfer the Franchise to an independent third party in accordance with the terms of Section 25.2 of this Agreement or to close your Franchised Business.

26.5 Termination With Cause by Franchisee. You may terminate the Franchise with cause, if we have materially defaulted in the performance of any material obligation under this Agreement, and if:

(a) You have given us written notice of termination; and

(b) We have failed to cure a noticed default within 60 days after the notice is given; but if we will be delayed, hindered in or prevented from the performance of any act required by the notice because of strike, labor trouble, inability to procure materials, restrictive governmental law or regulation, riot, insurrection, war or act of war, default of another party, or other reason beyond our control, then performance of the act will be excused for the period of delay, and the period of performance of the act will be extended for a period equivalent to the period of the delay.

26.6 Termination Without Cause by Franchisee. You may terminate the Franchise without cause at any time, if:

(a) You have given us 60 days' written notice of termination;

(b) You have satisfied your monetary obligations to us and all other suppliers and clients of your Franchised Business; and

(c) You have executed a general release, in a form satisfactory to us, of all claims against us and our partners, shareholders, officers, directors, employees and agents, in their corporate and individual capacities (see Attachment 7).

27. OBLIGATIONS ON REPURCHASE, EXPIRATION OR TERMINATION

27.1 On repurchase, expiration or termination of the Franchise, in addition to fulfilling your other continuing obligations under this Agreement:

(a) You promptly will surrender to us or our designee, or, if directed by us, destroy and immediately discontinue the use of, any materials or designations indicating or intending to indicate in any way that you are our franchisee and discontinue any advertising (whether Internet, radio, television, newspaper, print or otherwise) which may in any way identify you with our services or products;

(b) You immediately and permanently will discontinue use of the System and any information received under this Agreement and designated as "confidential";

(c) You promptly will deliver to us or our designee the Operations Manual and all other manuals, bulletins, instruction sheets, forms, devices,

client, employee and independent contractor lists, and written materials, and all copies of the same, received by you under this Agreement;

(d) You promptly will pay all charges due for telephone services and listings that contain or use the Marks or otherwise used in connection with the Franchised Business , and assign those telephone listings to us or our designee in accordance with the Transfer of Service Authorization, unless we have waived our right to any such assignment(s);

(e) You promptly will pay all charges due for on-line computer network (Internet service provider) services, and cause any appropriate Internet or comparable authority (such as InterNIC) to assign to us ownership of any email address(es), domain name(s), social media platform(s) or other electronic identifier(s) containing the Marks or otherwise used in connection with the Franchised Business in accordance with the Transfer of Service Authorization, unless we have waived our right to any such assignment(s);

(f) You promptly will cease using the Marks in any form, including any previously authorized Internet use of the Marks, and take any action necessary to cancel any assumed name or equivalent registration that contains the mark ABRAKADOODLE or any other Mark, and submit to us proof of cancellation within 30 days after repurchase, expiration or termination.

27.2 You and we will make a prompt and final accounting on expiration or termination of the Franchise. Any sums owed under this Agreement, any sums related to the Franchised Business owed to third parties, and any other sums related to the Franchised Business owed for judgments or otherwise, promptly will be paid by the owing party.

28. ENTIRE AGREEMENT; EXECUTION DATE; MODIFICATION

28.1 This Agreement and its attachments are the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to you, except representations made to you in our Franchise Disclosure Document (including its exhibits and any updates or amendments). Nothing in this Agreement requires you to waive reliance on the representations made in the Franchise Disclosure Document. The terms of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns.

28.2 The execution date of this Agreement is the date it is countersigned by us.

28.3 Except as otherwise specified in this Agreement, this Agreement may not be modified except in a written agreement of at least equal formality signed by the parties.

29. INTERPRETATION

29.1 The caption headings of this Agreement are for convenience only and should in no way affect the manner in which any term of this Agreement is interpreted.

29.2 Whenever the context requires, the singular includes the plural, the plural includes the singular, the whole includes any part, and any gender includes all other genders.

29.3 The following words have the following meanings in this Agreement and any related agreements: “including” means “including but not limited to”; “will” means “shall”; and “repeatedly” means “at least 3 times”.

29.4 Whenever this Agreement gives us the right to perform an act in the future, that act may be performed “from time to time”, when we choose, in our sole and absolute right, unless stated otherwise in this Agreement.

29.5 If two or more parties sign this Agreement for you or as guarantors for you, their liability is joint and several.

29.6 This Agreement is governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the laws of the Commonwealth of Virginia; but if any term of this Agreement not governed by the Federal Arbitration Act is not enforceable under the laws of the Commonwealth of Virginia, that term is governed by the laws of the state in which the largest portion of the Development Territory is located. If the Development Territory is wholly outside the Commonwealth of Virginia, the Virginia Retail Franchising Act and its regulations will not apply.

30. PARTIAL INVALIDITY

30.1 If any Section of this Agreement is determined to be wholly invalid, that determination will not be deemed to affect the validity of any other Section. The parties agree that the remaining Sections will be deemed to be in full force and effect as if they had been executed by the parties after removal of the invalid Section. If any Section is determined to be partially invalid, the remainder of that Section will continue to be enforceable if in accordance with the intent of the parties.

30.2 If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of or refusal to renew the Franchise than is required by this Agreement or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the notice and/or action required by the law or rule will be substituted for the notice or action requirements of this Agreement, or the invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. The modifications to this Agreement will be effective only in the jurisdiction requiring them, and this Agreement will be enforced as originally made and entered into in all other jurisdictions.

31. WAIVER AND ESTOPPEL

31.1 No failure of us to exercise any right reserved to us under this Agreement, or to insist on compliance by you with any term of this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, will constitute a waiver of our right to demand compliance with any term of this Agreement. Waiver by us of any default will not affect or impair our rights as to any subsequent default of the same or a different nature; nor will any delay, forbearance or omission by us to exercise any right as to any default of any term of this Agreement affect, impair or be a waiver by us of any right as to any subsequent default. Our rights and remedies under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude us from exercising or enforcing any other right or remedy to which we are entitled.

32. ARBITRATION; ENFORCEMENT

32.1 Except as otherwise specified in this Agreement, the parties agree that any dispute between them, or any claim by one or more of them, concerning this Agreement, any related agreement, the Franchise or the Franchised Business that cannot be settled through negotiation or voluntary mediation, will be resolved solely and exclusively by binding arbitration initiated at and supervised by the American Arbitration Association ("AAA") office nearest our home office at the time, unless agreed otherwise by the parties.

32.2 Arbitration will be conducted under the then-prevailing commercial arbitration rules of the AAA by 1 arbitrator. Any arbitration hearing will take place at the AAA office nearest our home office at the time, and will be conducted on an individual, not a class-wide, basis. No arbitration award will have any preclusionary or collateral estoppel effect in any other arbitration or adjudicatory proceeding. Judgment on an arbitration award may be entered in any court of competent jurisdiction, and will be binding, final and non-appealable.

32.3 If any dispute or claim cannot be the subject of arbitration, the parties agree that the dispute or claim will be separated from all other disputes and claims, which other disputes and claims will first be resolved by arbitration, after which any dispute or claim which cannot be the subject of arbitration will be brought before any court specified in Section 32.7. If the parties are unable to separate out these matters, their allegations and positions on them will be brought before the arbitrator(s), who will rule separately on the matters, and that ruling will be subject to appropriate judicial review on the petition of a party.

32.4 Nothing in this Section 32 will prevent us from obtaining temporary, preliminary or permanent injunctive relief, without bond, from a court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage that can be remedied under usual equity rules.

32.5 If any arbitration, any action for any dispute or claim which cannot be the subject of arbitration, or any action for injunctive relief is started concerning this Agreement, any related agreement, the Franchise or the Franchised Business, the party

which substantially prevails in that arbitration or action will be entitled to a judgment against the other party for the costs of the arbitration or action, including reasonable attorneys' fees, reasonable expenses of arbitration or litigation, and arbitration or court costs.

32.6 Any claim concerning the Franchised Business, the Franchise or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within 2 years after the date on which you or we knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

32.7 **You and we each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each party will be limited to the recovery of actual damages sustained by it. You and we each irrevocably waive trial by jury in any action, whether at law or equity, brought by either party. You and we each also agree that any action brought by either party relating to this Agreement, any related agreement, the Franchise or the Franchised Business will be brought in a state or federal court of general jurisdiction in the county or city in which our home office is located at the time. You irrevocably submit to the jurisdiction of these courts and waive any objections you may have to the venue of these courts.**

Your Initials _____

33. NOTICES

33.1 Any notice required to be given under this Agreement will be deemed to be given when delivered: by certified, registered or other receipted mail; by fax; by receipted courier or delivery service; by telegram; or personally. If delivery has not occurred after at least two of these methods have been used, any notice required to be given under this Agreement will be deemed to be given 3 days after being posted by first-class mail, postage prepaid.

33.2 Notices to us will be sent to our address as stated in this Agreement or to any other address we may specify to you in writing. Notices to you will be sent to the address of the Franchised Business as stated in this Agreement or any other address you may specify to us in writing.

34. ACCEPTANCES, APPROVALS AND CONSENTS

34.1 Acceptances, approvals and consents required by this Agreement will not be unreasonably withheld or delayed.

34.2 Whenever this Agreement requires our prior acceptance, approval, or consent, you will make a timely written request to us for the acceptance, approval or consent, which will be obtained in writing.

34.3 We assume no liability or obligation to you by providing any acceptance, approval, consent or suggestion to you, or by delaying action on or denying any request for an acceptance, approval or consent.

35. ACKNOWLEDGEMENTS BY FRANCHISEE

35.1 You acknowledge that:

(a) **You have represented to us that neither you nor any of your owners have been designated as suspected terrorists as set forth on the list of Specially Designated Nationals as promulgated by the Office for Asset Control under the U.S. Department of Treasury.**

Your Initials _____ _____

(b) **You acknowledge that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole and absolute right, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other ABRAKADOODLE franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.**

Your Initials _____ _____

Each of the undersigned agrees to the terms of this Agreement.

FRANCHISEE ("You")

Name: _____

Name: _____

Date Franchise Agreement Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Franchise Agreement Signed: _____

RIDER FOR USE IN ILLINOIS

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164) ("we", "us" or "our"), and _____ whose address is _____ _____ ("you" or "your").

Illinois law governs the franchise agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, the franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

Name(s):_____

_____

Date Rider Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Rider Signed: _____

RIDER FOR USE IN MARYLAND

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164) ("we", "us" or "our"), and _____ _____whose address is _____ _____ _____ ("you" or "your").

The Franchise Agreement is amended as follows:

1. Section 25.2b(iv), Transfer by You, and Section 26.6c, Termination Without Cause by Franchisee, are modified to add the following sentence:

   The general release required as a condition of transfer or on termination by you without cause shall not apply to any claim arising under the Maryland Franchise Registration and Disclosure Law.

2. The 3rd sentence in Section 32.7 is revised to add the following sentence:

   But you and we each agree that any action based on any claim arising under the Maryland Franchise Registration and Disclosure Law may be brought in a court in Maryland.

3. The following Section 32.8 is added:

   32.8 You understand that any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.

4. The following Section 35.2 is added:

   35.2 All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

   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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

Name(s):_____

_____

Date Rider Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Rider Signed: _____

RIDER FOR USE IN MINNESOTA

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164) ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

1. Section 19.9 is deleted in its entirety and replaced with the following paragraph:

   19.9 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will entitle us to seek an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief.

2. Section 20.4, the 1st sentence, is deleted in its entirety and replaced with the following paragraph:

   20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and will entitle us to seek an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief.

3. Section 21.5 is deleted in its entirety and replaced with the following paragraph:

   21.5 You acknowledge that we are entitled to seek the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Section 21.

4. Section 25.2(b)(iv) is modified to add ", except any claims arising under the Minnesota Franchise Act".

5. Section 26 is modified to include the following paragraph:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sect. 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise.

6. Section 29.6 is modified to include the following sentence:

   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 jurisdiction.

7. Section 32.4 is modified by deleting the words “from obtaining” and substituting in their place the words “from seeking to obtain”.

8. Section 32.7 is modified by deleting the last 3 sentences.

9. Section 32.8 is added:

32.9 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 jurisdiction.

10. Attachment 5, Section 6, is deleted in its entirety and replaced with the following:

6. Injunctive Relief. We or ABK, in addition to other legal and equitable rights and remedies, will be entitled to seek a temporary, preliminary or permanent injunction, without bond, restraining any actual or threatened violation by you of any covenant in this Agreement.

11. The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

Name(s):_____

_____

Date Rider Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Rider Signed: _____

RIDER FOR USE IN NEW YORK

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164) ("we", "us" or "our"), and __ _____whose address is __ _____ _____ ("you" or "your").

1. The 12th line of Section 9.1 is modified to replace "in our sole and absolute right" with "in our good faith judgment."

2. Section 19.9 is modified to replace "entitle" with "entitle us to apply for".

3. The 2nd line of Section 21.5 is modified to replace "You accordingly consent to the" with "You accordingly consent to the application for the".

4. The following Section 21.11 is added.

   21.11 We and you agree that if a panel of arbitrators selected under Section 32 or a court of competent jurisdiction finds that you had proper grounds for terminating the franchise with cause under Section 26.5, you will be relieved of your post-termination obligations under Sections 21.3(b).

5. Section 24.1 is modified to include the following sentence:

   However, we will not be required to hold harmless or indemnify you for any claim arising out of a breach of this Agreement by you or any other civil wrong of Franchisee.

6. Section 24.2 is modified to include the following sentence:

   However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of ours.

7. Section 25.1 is modified to include the following sentence:

   However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

8. Section 25.2(b)(iv) is modified by adding the following proviso:

, but all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

9. Section 28.3 is modified to include the following sentence:

No amendment or modification of any provision of this Agreement, however, will impose any new or different requirement which unreasonably increases your obligations or places an excessive economic burden on your operations.

10. Section 29.6 is modified to include the following language:

The foregoing choices of law will not be a waiver of any right conferred on you or us by the General Business Law of the State of New York, Article 33.

11. The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

Name(s):_____

_____

Date Rider Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Rider Signed: _____

RIDER FOR USE IN WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchise, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this Rider.

Dated this ____ day of _____ 20___.

_____ _____

STATE RIDER TO FRANCHISE AGREEMENT FOR CALIFORNIA, INDIANA, MICHIGAN, AND VIRGINIA

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

> 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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

Name(s):_____

_____

Date Rider Signed: _____

ABRAKADOODLE, INC. ("We")

By:_____

Its: _____

Date Rider Signed: _____

Attachment 1

DEVELOPMENT TERRITORY

The Development Territory is as follows:

_____

_____

_____

_____

If the U.S. Postal Service alters the boundary(ies) or number(s) of any assigned ZIP codes(s), we will reassign to you the re-designated ZIP code(s) which most closely correspond to any previously held ZIP code(s). If you renew or transfer the Franchise under specified circumstances, we may change the boundaries of the Development Territory or divide it into multiple territories (see Sections 3.2(d) and 25.2(b)(vi) of the Franchise Agreement).

During the 12-month period from the 13th month after you complete Business Development Training through the 24th month after you complete Business Development Training, and during each calendar year ending later than the 24th month after you complete Business Development Training, you must meet a minimum annual Gross Sales Quota. For a local or regional territory, the initial minimum annual Gross Sales Quota is $75,000, subject to our right to increase this quota amount annually, for 2024 and later calendar years, based on increases in the Consumer Price Index.

If the Development Territory specified in this Attachment 1 is larger than a standard local or regional territory, the initial franchise fee is $_____ (higher than the $25,400 to $38,900 standard fee).

If you elect to market Additional Programs under Section 1.3 of the Franchise Agreement, a higher minimum annual Gross Sales Quota and/or a higher monthly minimum for continuing franchise fees may be required.

If you renew or transfer the Franchise under specified circumstances (see Sections 3.2(d) and 25.2(b)(vi) of the Franchise Agreement), higher or multiple minimum annual Gross Sales Quotas may be required.

Attachment 2

LEGAL ENTITY INFORMATION SHEET

Legal Entity Name/Type: _____

State/Date of Formation: _____

List of Shareholders/Members/Partners:

% Interest	Class/General Partner	or	Limited	Name
% Interest	Class/General Partner	or	Limited	Name
% Interest	Class/General Partner	or	Limited	Name
% Interest	Class/General Partner	or	Limited	Name
% Interest	Class/General Partner	or	Limited	Name
% Interest	Class/General Partner	or	Limited	Name

Documents:

	Not Required	Provided to Us	To Be Provided to Us Within 30 Days
Certificate and Articles of Incorporation	☐	☐	☐
Certificate and Agreement of Partnership	☐	☐	☐
Certificate and Articles of Organization	☐	☐	☐
By-Laws	☐	☐	☐
Partnership Agreement	☐	☐	☐
Resolution Authorizing Franchise Agreement	☐	☐	☐
Other:	☐	☐	☐

Conditions:

The legal entity's activities must be confined exclusively to operating the Franchised Business.

_____ (or another person with our written consent) must act as the legal entity's operating principal.

Each principal who has an interest of more than 5% must sign the Guaranty Agreement (Attachment 3).

The legal entity must maintain stop transfer instructions against transfer on its records of any stock certificate or certificate of interest or certificate of ownership contrary to the terms of Section 25 of the Franchise Agreement.

Each stock certificate or certificate of interest or certificate of ownership must include the statement specified in Section 25.4 of the Franchise Agreement.

The legal entity must maintain a current list of all principals and other beneficial owners, and must furnish the list to us on request.

Attachment 3

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the execution by ABRAKADOODLE, INC. ("we", "us" or "our") of the Franchise Agreement between us and _____ ("Franchisee") executed _____ (the Agreement") each undersigned Guarantor ("you or "your") personally and unconditionally, for the term of the Franchise and thereafter as provided in the Agreement, (1) guarantees to us and our successors and assigns, that Franchisee will punctually pay or perform each obligation in the Agreement and (2) agrees to be personally bound by, and personally liable for the default of, each term of the Agreement. Each of you waives:

(1) our acceptance and notice of acceptance of these undertakings;

(2) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed;

(3) protest and notice of default to any party as to any indebtedness or nonperformance of any obligation guaranteed;

(4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(5) any other notices and legal or equitable defenses to which you may be entitled.

Each of you agrees that:

(1) your direct and immediate liability under this guaranty is joint and several;

(2) you will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses to do so punctually;

(3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchisee or any other person; and

(4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may grant to Franchisee or any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claim, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable for as long as any obligation in the Agreement remains in effect.

Each of you affixes your signature to this guaranty as of the same date as the date of execution of the Agreement.

GUARANTOR

Name: _____

Address: _____

_____

Percentage Ownership in Franchise: _____

GUARANTOR

Name: _____

Address: _____

_____

Percentage Ownership in Franchise: _____

Attachment 4

LISTINGS AGREEMENT

THIS LISTINGS AGREEMENT is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164) ("we", "us" or "our"), and _____ _____ whose address is _____ ("you" or "your").

RECITALS:

A. We are the franchisor of ABRAKADOODLE® businesses and the owner of service marks, trademarks, trade names and trade dresses related to the operation of those businesses (the "Marks");

B. We and you have executed a Franchise Agreement dated _____ (the "Franchise Agreement"), under which you are granted a franchise (the "Franchise") involving certain rights to use the Marks in your business listings to promote your ABRAKADOODLE business; and

C. You are authorized to continue using the Marks until the Franchise is transferred, repurchased, terminated, expires or is not renewed.

In consideration of the recitals above and the terms below, we and you agree:

1. You must obtain a business telephone service and listing for the Franchised Business. You may not use a residential service or listing as the business line for the Franchised Business. You may not use the business telephone service for the Franchised Business in conjunction with any other business.

2. You must obtain white page and information listings under ABRAKADOODLE and any other Marks you may be authorized to use. No proper names or city names may be used in conjunction with the listing using the Marks. No additional listings may be used with any telephone number(s) assigned to the Franchised Business, without our prior written consent. You are authorized, but not required, to obtain yellow page advertisements. All yellow page advertisements must be approved by us in advance in writing.

3. You acknowledge that all uses of the Marks on the Internet, whether in a web page, social media platform or networking site, or any other form of technology or linking, must be approved by us in advance in writing. If we approve use of the Marks on the Internet, you must thereafter continuously comply with our standards and specifications, including periodic approval of content.

4. You must pay to service providers all charges for telephone service, white page, yellow page and information listings, and yellow page advertisements, Internet

service and any other use that we may periodically authorize for use in connection with the Franchised Business.

5. You acknowledge and agree that we own all rights to and interest in the goodwill arising from or in connection with the use of each telephone service, telephone directory listing, email address, domain name, social media platform or other electronic identifiers that use the Marks or are associated in any way with the Franchised Business ("Listing").

6. On repurchase, termination or expiration of the Franchise, you acknowledge that your right to the use of any Marks made available to you for use under the Franchise Agreement will immediately end, and that all Listings appearing under the Marks will immediately become our property. This Agreement irrevocably releases to us all rights to and use of all Listings and grants us the authority to change, transfer or terminate any Listing on your behalf if the Franchise expires, is not renewed, is terminated or transferred.

7. You irrevocably authorize the telephone company, Internet service provider, or any other provider of a Listing (each, a "Provider"), on notification by us of termination, expiration, non-renewal, transfer or repurchase of the Franchise, without the need for any further document(s) from you, to:

(a) Assign all telephone numbers to us or our designee, or to disconnect those telephone numbers and to transfer calls coming to those disconnected numbers to any telephone numbers issued by the telephone company, to us or our designee.

(b) Assign to us or our designee any email addresses, domain names, social media platforms or other comparable electronic identities using the Marks or otherwise associated with the Franchised Business or relating to the Franchise.

8. You irrevocably release each Provider, us, and our respective successors, assigns, directors, officers, employees and agents, from liability of any kind which may result directly or indirectly from our exercise of our rights under this Agreement or from the Provider's cooperation with us in effecting the terms of this Agreement.

The undersigned agree to the terms of this Agreement as of _____.

FRANCHISEE:

_____

ABRAKADOODLE, INC.

_____

Name: _____

Title: _____

Attachment 5

MANAGER/SUPERVISOR CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(Note: To be signed by Franchisee and Manager or Supervisor, if Applicable)

THIS AGREEMENT is entered into by _____ ("we", "us", or "our"), a franchisee of ABRAKADOODLE, INC. ("ABK"), and _____ (""you", "your" or "yourself").

RECITALS

A. We desire to engage you; and

B. You desire to be engaged or employed by us, in connection with our ABRAKADOODLE® business.

In consideration of the recitals above and the terms below, the parties agree:

1. Covenants Not to Disclose; Covenants Not to Compete. You acknowledge that certain methods of doing business and other elements comprising the ABRAKADOODLE system are distinctive and have been developed by ABK and us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the ABRAKADOODLE system; and that you recognize your obligation to promote and develop our ABRAKADOODLE business. You accordingly agree as follows:

(a) Except as required in duties performed for us, you will never, either during or after the term or engagement or employment, either directly or indirectly, use, or disseminate or disclose to any person or entity, any trade secrets or confidential information, including client names, other client information and business methods, of ABK or us, and will always seek to preserve the confidentiality of those trade secrets and confidential information.

(b) During your engagement or employment, you will not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, divert or attempt to divert any business or client of ours to any competitor or other person by direct or indirect inducement or otherwise, but this Section will not prevent you from referring customers in good faith to other businesses, including competitors' businesses, that may be able to provide those customers with services or products not available from our business.

(c) During your engagement or employment, you will not, without the prior written consent of us and ABK, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business other than us located in the

United States which, offers or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services and products offered by us or ABK.

(d) For 1 year after termination of your engagement or employment, regardless of the cause of termination, you will not, without the prior written consent of us and ABK, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to the services or products that were or could have been offered by us or ABK when you were engaged or employed, and which operates: (1) within our Development Territory, or (2) within the Development Territory of any other ABRAKADOODLE franchisee's business operating or in planning at the time of termination.

2. You acknowledge that we may, if required by us in our sole and absolute right, reduce the scope of any term or subpart of any term in this Agreement without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, which will be fully enforceable notwithstanding any other term or subpart of this Agreement.

3. Covenants As Independent and As Conditions Precedent to Employment. Your covenants in Section 1 are independent of any other terms of this Agreement, and are conditions precedent to engagement or employment. Any claim or cause of action against us or ABK, whether predicated on this Agreement or otherwise, will not be a defense to the enforcement by us or ABK of the covenants in Section 1.

4. Covenants Concerning Company Property. You agree that all our records, including records of our clients and all other records relating in any manner to our ABRAKADOODLE business, whether prepared by you or otherwise coming into your possession, are the exclusive property of us or ABK. Additionally, you agree that all files, records, documents, drawings, specifications and similar items relating to our ABRAKADOODLE business, including all copies of those items, whether prepared by you or otherwise coming into your possession, will not be removed by you from our premises without our prior written consent. Any records not at our premises will immediately be returned to us by you on termination of your engagement or employment, regardless of the cause of termination.

5. Severability. If a part of a covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, you agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. If an entire covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, the remaining covenants in this Agreement will continue in effect.

6. Injunctive Relief. We or ABK, in addition to other legal and equitable rights and remedies, will be entitled to temporary, preliminary or permanent injunctive relief,

without bond, restraining any actual or threatened violation by you of any covenant in this Agreement.

7. Attorneys' Fees. In a legal action for damages, injunctive relief, the return of property or any other legal or equitable remedy, you agree to pay our or ABK's reasonable attorneys' fees, court costs and reasonable out-of-pocket expenses related to the action.

8. Governing Law. This Agreement will be governed by the laws of the state in which our principal business office is located on the date of execution of this Agreement.

9. Binding Effect. This Agreement will be binding on the parties, and their heirs, executors, administrators, successors and assigns.

10. Modification. This Agreement may not be modified except in written agreement of at least equal formality signed by the parties.

The undersigned agree to the terms of this Agreement.

_____

INDEPENDENT CONTRACTOR OR EMPLOYEE

Date: _____

_____

COMPANY

Name: _____

Title: _____

Date: _____

Attachment 6

AUTHORIZATION FOR AUTOMATIC PAYMENTS

I authorize Abrakadoodle, Inc., through the financial institution named below, to initiate variable charges to my checking/savings account designated below, for service fees that are due, and for amounts that are overdue for services or products received from Abrakadoodle, Inc. As to the financial institution, this authority will remain in effect until I notify the financial institution in writing to cancel it in such time as to afford the financial institution an opportunity to act on the notice. As to Abrakadoodle, Inc., this authority will remain in effect until I notify Abrakadoodle, Inc. in writing and provide Abrakadoodle, Inc. with a replacement authority designating a different financial institution and/or account. I can stop payment on any charge by notifying Abrakadoodle, Inc. or the financial institution three (3) days before my account is charged. I can have the amount of an erroneous charge immediately credited to my account up to fifteen (15) days following issuance of my account statement or forty-five (45) days after posting, whichever occurs first.

If there are insufficient funds in my account to cover any proper charge by Abrakadoodle, Inc., I authorize Abrakadoodle, Inc. to initiate a charge of any amount due, plus a five (5) percent administrative fee, to the credit card designated below.

Name of Franchisee:_____

Name of Financial Institution:_____

Address of Franchise:_____

City:_____

State and Zip:_____

Checking Account Number:_____

Or Savings Account Number:_____

Bank Routing Number (on bottom left of check):_____

Credit Card Type:_____

Credit Card Number:_____

Credit Card Expiration Date:_____

Signature:_____

Printed Named:_____

Date:_____

Attachment 7

SAMPLE GENERAL RELEASE

This GENERAL RELEASE is made and executed by **{NAME}**, individually ("you"), as of **{DATE}** ("Effective Date").

WHEREAS, ABRAKADOODLE, INC., a Virginia corporation doing business as ABRAKADOODLE ("us") and you entered into a franchise agreement dated **{DATE}**, and **{DESCRIBE FACTS}**.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasors"), hereby release and forever discharge us and each of our predecessors, successors, affiliates, subsidiaries, assigns, officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, demands, causes of action, suits, debts, obligations, sums of money, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, which against Releasees the Releasors ever had, now have or which Releasors hereinafter can, shall or may have, for, upon or by reason of any matter, cause or thing whatsoever, through the Effective Date, {except that this General Release does not apply to any claim under the Maryland Franchise Registration and Disclosure Law.}

{FOR CALIFORNIA RESIDENTS}

YOU ACKNOWLEDGE THAT YOU ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

YOU, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF YOUR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR {JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNITS}.

{FOR WASHINGTON-ASSOCIATED FRANCHISEES}

This GENERAL RELEASE does not apply with respect to claims arising under the Washington Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

_____
Name, individually

STATE OF _____ §
§
COUNTY OF _____ §

I hereby certify that before me, a notary public, personally appeared **{NAME}** who made oath in due form of law that s/he was executing the foregoing General Release for the purposes therein contained.

As witness, my hand and Notarial Seal on _____, 20___.

_____
Notary Public
My Commission Expires:

Attachment 8

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is made and effective this _____ day of _____ _____ 20____ by and between Abrakadoodle, Inc. (hereinafter "ABK") and you, _____ _____ individually and/or on behalf of _____ _____ (hereinafter "Recipient").

1. Confidential Information.

ABK is the owner of a registered trademark, Abrakadoodle®. ABK also owns certain proprietary and intellectual property rights as well as confidential information about Abrakadoodle®, the Abrakadoodle ® Art Program and the Abrakadoodle ® Franchise Program.

ABK proposes to disclose certain of its confidential and proprietary information (the "Confidential Information") to you, the Recipient, acting individually or on behalf of any legal entity that you own, operate or represent.

Confidential Information shall include, but not be limited to, all data, materials, products, technology, computer programs, specifications, manuals, business plans, software, marketing plans, financial information, and other information disclosed or submitted, orally, in writing, or by any other media concerning Abrakadoodle ®, the Abrakadoodle ® Art Program and the Abrakadoodle ® Franchise Program to you as the Recipient by ABK. Nothing herein shall require ABK to disclose any of its information.

2. Recipient's Obligations.

(a) You, as the Recipient, agree, acting individually or on behalf of any legal entity that you own, operate or represent, that the above referenced Confidential Information is to be considered confidential and proprietary to ABK.

(b) You, as the Recipient agree, individually and on behalf of any legal entity that you own, operate or represent, that you and any such entity shall hold the same in confidence, shall not use the Confidential Information other than for the purposes of your or its own decision making concerning, and business with, ABK. You, as the Recipient, shall disclose the Confidential Information only to any officers, directors, or employees with a clear and specific need to know. You, as the Recipient, acting individually or on behalf of any legal entity that you own, operate or represent, that you will not disclose, publish or otherwise reveal any of the Confidential Information received from ABK to any other party whatsoever, whether directly or indirectly, knowingly or unknowingly, except with the specific prior written authorization of Owner, which consent shall be given only at its own discretion.

(c) Confidential Information furnished in tangible form shall not be duplicated by you as the Recipient except for purposes of this Agreement. Upon the request of ABK, you, as the Recipient, shall return all Confidential Information received in written or tangible form, including copies, or reproductions or other media containing such Confidential Information, within ten (10) days of such request. At your option, any documents or other media developed by you, as the Recipient, you may destroy containing Confidential Information. You as the Recipient, acting individually or on behalf of any legal entity that you own, operate or represent, shall provide a written certificate to Owner regarding destruction within ten (10) days thereafter.

3. Term.

The obligations of Recipient herein shall be effective from the date ABK first discloses any Confidential Information to you as Recipient pursuant to this Agreement. Further, the obligation not to disclose shall not be affected by bankruptcy, receivership, assignment, attachment or seizure procedures, whether initiated by or against you as Recipient, nor by the rejection of any agreement between ABK and you as the Recipient, by any trustee for you in bankruptcy, or by the you as a debtor-in-possession or the equivalent of any of the foregoing under local law.

4. No License.

Nothing contained herein shall be construed as granting or conferring any rights by license or in any Confidential Information. It is understood and agreed that neither party solicits any change in the organization, business practice, service or products of the other party. Confidential Information may pertain to prospective or unannounced products. You, as the Recipient, agree not to use any Confidential Information as a basis upon which to develop or have a third party develop a competing or similar product.

5. Governing Law and Equitable Relief.

(a) This Agreement shall be governed and construed in accordance with the laws of the United States and the Commonwealth of Virginia. You, as the Recipient, consent to the exclusive jurisdiction of the state courts and U.S. federal courts located in the Commonwealth of Virginia of and for the County of Fairfax, for any dispute arising out of this Agreement. If you as the Recipient are found at fault with respect to this Agreement, you will be liable for ABK's reasonable costs, disbursements and attorneys' fees.

(b) You, as the Recipient, agree that the Proprietary Information being provided to you by ABK is special and unique to ABK. In the event of any breach or threatened breach by you as the Recipient, ABK may obtain, in addition to any other legal remedies which may be available, such equitable relief as may be necessary to protect ABK against any such breach or threatened breach.

6. Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. Only a further writing that is duly executed by both parties may modify this Agreement.

7. No Assignment.

You, as Recipient, may not assign this Agreement or any interest or any part herein without ABK's express prior written consent.

8. Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then this Agreement, including all of the remaining terms, will remain in full force and effect as if such invalid or unenforceable term had never been included.

9. Notices.

Any notice required by this Agreement or given in connection with it, shall be in writing and shall be given to the appropriate party by personal delivery or by certified mail, postage prepaid, or recognized overnight delivery services.

If to ABK: 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164)

If to Recipient: (Recipient Address)

10. No Implied Waiver.

Either party's failure to insist in any one or more instances upon strict performance by the other party of any of the terms of this Agreement shall not be construed as a waiver of any continuing or subsequent failure to perform or delay in performance of any term hereof.

11. Headings.

Headings used in this Agreement are provided for convenience only and shall not be used to construe meaning or intent.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Abrakadoodle® Inc.

By_____

Date_____

An Officer of the Corporation

By_____

Individually and/or on behalf of

Date_____

EXHIBIT C

FRANCHISEES

(AS OF DECEMBER 31, 2022)

ALABAMA

Cornwell, Margaret
3344 Lexington Rd.
Montgomery, AL 36106
334-265-5758

CONNECTICUT

Ballou, Brian
124 Riding Trail Drive
Middletown, CT 06457
860-578-2364

Chistoni, Camille & Walter
12 Hunter Lane
Trumbull, CT 06611
203-385-1010

COLORADO

Gray, Steven & Barbara
Unit 1
16248 W. Ellsworth Drive
Golden, CO 80401
303-945-6460

Gray, Steven & Barbara
Unit 2
16248 W. Ellsworth Drive
Golden, CO 80401
303-945-6460

FLORIDA

Corral, Silvia & Joe
3462 N Moorings Way
Coconut Grove, FL 33133
305-608-5760

LOUISIANA

Allen, Ruby
Nero, Israel
104 Swenson St
Mandeville, LA 70448
504-544-4103

MARYLAND

Blanton, Milagro
106 Kari Court
Rising Sun, MD 21911
443-967-4725

Burke, Stephanie
2646 Hamilton Place Apt. 103
Waldorf, MD 20602
301-404-8775

Daley, Marianne
2244 Autumn Valley Circle
Gambrills, MD 21054
410-381-5566

Delasos, Nancy
Unit 1
6433 Tuckerman Lane
Rockville, MD 20852
301-674-9558

Delasos, Nancy
Unit 2 (Washington, DC)
6433 Tuckerman Lane
Rockville, MD 20852
301-674-9558

MICHIGAN

Kelly, Dawna & Al
Unit 1
47769 Goff Court
Canton, MI 48188
734-495-0900

Kelly, Dawna & Al
Unit 2
47769 Goff Court
Canton, MI 48188
734-495-0900

MINNESOTA

Hustad, Lezlee
5415 River Oak Drive
Savage, MN 55378
952-440-6035

Luer, Gertrud
4665 Merrimac Lane North
Plymouth, MN 55446
612-605-8379

NEW JERSEY

Roberts, Bill & Krista
Unit 1
669 Albin Street
Teaneck, NJ 07666
201-836-1160

Roberts, Bill & Krista
Unit 2
669 Albin Street
Teaneck, NJ 07666
201-836-1160

Shabazz, Laura & Shaheed
150 Mount Airy Rd
Bernardsville, NJ 07924
908-367-3131

NEW YORK

Onwuemeli-Peters, Caroline
18 Kossuth Place
Peekskill, NY 10566
914-987-6828

Ortiz, Migdalia
120-08 97th Avenue, 4A
South Richmond Hill, NY 11419
929-500-4012

NORTH CAROLINA

Norris, Kathleen
917 Penn Lo Drive
Whitsett, NC 27377
336-485-5040

OHIO

Anderson, Ceneetra
P.O. Box 428837
Cincinnati, OH 45242
513-297-5655

PENNSYLVANIA
Williams, Sharon
1308 Broadview W.
Downingtown, PA 19335
484-237-1844

TEXAS

Cohn, Eric
6503 Backbay Pass
San Antonio, TX 78244
210-310-1313

Deshmane, Chinmay
8401 Memorial Lane
Apt. 3103
Plano, TX 75024
337-412-4462

Kenj, Juliana
Moscoso, Romina
de Cara, Julieta
Yannone, Dana
Unit 1
25523 Westbourne Drive
Katy, TX 77494
832-243-2578

Moscoso, Romina
de Cara, Julieta
Yannone, Dana
Kenj, Juliana
Unit 2
923 Peachwood Bend Drive
Houston, TX 77077
832-348-9257

Stapleton, Charles
3315 McMahon Way
Missouri City, TX 77459
832-679-3238

Stuart, Charla
3576 Link Valley Drive
Houston, TX 77025
832-908-8016

VIRGINIA

Smith, Yolanda & Kevin
21218 Crucible Court
Ashburn, VA 20147
571-367-3100

Walia, Susan
Unit 1
6909 Custis Pkwy.
Falls Church, VA 22042
703-538-4278

Walia, Susan
Unit 2
6909 Custis Pkwy.
Falls Church, VA 22042
703-538-4278

Walia, Susan
Unit 3
6909 Custis Pkwy.
Falls Church, VA 22042
703-538-4278

COMPANY-OWNED OUTLETS

Abrakadoodle, Inc.
Unit 1
46030 Manekin Plaza
Suite 110
Sterling, VA 20166
(on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164)
703-860-6570

Abrakadoodle, Inc.
Unit 2
46030 Manekin Plaza
Suite 110
Sterling, VA 20166
(on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164)
703-860-6570

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

EXHIBIT D

FORMER FRANCHISEES

(LEFT SYSTEM IN 2022)

TRANSFERRED

None

TERMINATED

None

NOT RENEWED

None

REACQUIRED BY US

None

CEASED OPERATIONS FOR OTHER REASONS

Georgia

Nubel, Kim & Ryan
Victor, ID 83455
404-591-5701

Idaho

Kilpatrick, Allie & Christian
Nampa, ID 83687
208-571-9333

Massachusetts

Gibson, Ande & Nate
ewton, MA 02458
617-527-2856

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

EXHIBIT E

FINANCIAL STATEMENTS

ABRAKADOODLE, INC.

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2022, 2021 AND 2020

BELL, FRECH & JACOBS, LLC
Certified Public Accountants
Columbia, Maryland

BFJ FINANCIAL GROUP
ACCOUNTING | TAX | CONSULTING
Build a Better Future

Bell, Frech & Jacobs, LLC
CERTIFIED PUBLIC ACCOUNTANTS

T 301.260.8600 / 410.825.3322 | F 301.260.8093 / 410.825.3325
10500 Little Patuxent Parkway, Suite 710 | Columbia, MD 21044

Independent Auditor's Report

Board of Directors and Stockholder
Abrakadoodle, Inc.

Opinion

We have audited the accompanying financial statements of Abrakadoodle, Inc. which comprise the balance sheets as of December 31, 2022, 2021, and 2020 and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Abrakadoodle, Inc. as of December 31, 2022, 2021, and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Abrakadoodle, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Abrakadoodle, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Abrakadoodle, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bell, Frech & Jacobs, LLC

Bell, Frech & Jacobs, LLC
Columbia, MD
April 21, 2023

ABRAKADOODLE, INC.

BALANCE SHEETS

DECEMBER 31, 2022, 2021 AND 2020

	2022	2021	2020
ASSETS			
Current Assets			
Cash and money market accounts	$ 757,661	$ 740,241	$ 785,653
Accounts receivable	277,668	29,793	18,091
Prepaid expenses and deposits	34,328	33,895	31,804
Current portion of deferred selling costs	21,780	23,113	24,103
Total Current Assets	1,091,437	827,042	859,651
Property			
Property and equipment	30,966	30,966	30,966
Less: accumulated depreciation	(30,966)	(30,966)	(30,966)
Total Property	-	-	-
Other Assets			
Accounts receivable - Ad Fund	55,397	96,574	96,574
Deferred selling costs	102,181	123,184	139,803
Total Other Assets	157,578	219,758	236,377
TOTAL ASSETS	$ 1,249,015	$ 1,046,800	$ 1,096,028
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Accounts payable	$ 3,000	$ -	$ 1,949
Current portion of deferred income	60,468	61,716	73,081
Total Current Liabilities	63,468	61,716	75,030
Long-term Liabilities			
Deferred income tax	35,390	9,517	21,535
Deferred income	302,355	318,953	428,113
Total Long-term Liabilities	337,745	328,470	449,648
TOTAL LIABILITIES	401,213	390,186	524,678
Stockholder's Equity			
Capital stock, $1 par value, 50,000 shares authorized;			
33,000 shares issued and outstanding	33,000	33,000	33,000
Additional Paid in Capital	405,739	405,739	405,739
Treasury stock	(219,549)	(219,549)	(219,549)
Retained earnings	628,612	437,424	352,160
Total Stockholder's Equity	847,802	656,614	571,350
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 1,249,015	$ 1,046,800	$ 1,096,028

See independent auditor's report and notes to the financial statements.

ABRAKADOODLE, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

DECEMBER 31, 2022, 2021 AND 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance, January 1, 2020	$ 33,000	$ 405,739	$ 306,830
Net income for the year			45,330
Balance, December 31, 2020	$ 33,000	$ 405,739	$ 352,160
Net income for the year			85,264
Balance, December 31, 2021	$ 33,000	$ 405,739	$ 437,424
Net income for the year			191,188
Balance, December 31, 2022	$ 33,000	$ 405,739	$ 628,612

See independent auditor's report and notes to the financial statements.

ABRAKADOODLE, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	2022	2021	2020
Income			
Franchise sales	$ 213,554	$ 170,314	$ 283,547
Royalties	573,505	463,658	408,384
Product sales	10,917	7,912	9,749
Other operating income	79,144	63,448	62,738
Total Income	877,120	705,332	764,418
Operating Expenses	655,789	634,119	771,814
Net Operating Income (Loss)	221,331	71,213	(7,396)
Other Income			
PPP loan proceeds	-	-	63,815
Interest income	52	55	862
Total Other Income	52	55	64,677
Net Income before Income Tax	221,383	71,268	57,281
Income Tax (Benefit)			
Federal	22,117	(14,133)	5,663
State	8,078	137	6,288
Total Income Tax	30,195	(13,996)	11,951
NET INCOME	$ 191,188	$ 85,264	$ 45,330

See independent auditor's report and notes to the financial statements.

ABRAKADOODLE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

Increase (Decrease) in Cash	2022	2021	2020
Cash Flows from Operating Activities			
Net income	$ 191,188	$ 85,264	$ 45,330
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	-	-	-
Changes in assets and liabilities:			
Accounts receivable	(247,875)	(11,702)	29,695
Prepaid expenses and deposits	(433)	(2,091)	(9,099)
Current and long term deferred selling costs	22,336	17,609	38,959
Accounts receivable - Ad Fund	41,177	-	-
Accounts payable	3,000	(1,949)	1,949
Current and long term deferred income	(17,846)	(120,525)	(113,874)
Deferred income tax	25,873	(12,018)	11,552
Net Cash Provided by (Used in) Operating Activities	17,420	(45,412)	4,512
Cash Flows from Financing Activities			
Proceeds from Payroll Protection Program	-	-	63,815
Forgiveness of Payroll Protection Program Loan	-	-	(63,815)
Net Cash Provided by (Used in) Financing Activities	-	-	-
Net Increase (Decrease) in Cash	17,420	(45,412)	4,512
Cash at Beginning of Year	740,241	785,653	781,141
Cash at End of Year	$ 757,661	$ 740,241	$ 785,653
SUPPLEMENTAL INFORMATION:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ 12,848

See independent auditor's report and notes to the financial statements.

ABRAKADOODLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Basis of Presentation and Description of Business

Abrakadoodle, Inc. ("the Company") was incorporated October 17, 2003 in Virginia. The Company was formed to develop and sell franchises. Franchises provide art education services to schools and other host educational sites. The Company provides support to franchisees and may sell products to franchisees and the public.

2. Accounting Policies

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off all balances that are considered uncollectible.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is determined using the modified accelerated cost recovery system over the estimated useful lives of the assets which range from 3 to 7 years. In 2022, 2021 and 2020, the Company recorded no depreciation expense.

Deferred Revenue

After adoption of ASC 606 revenue from franchise sales is amortized over the initial franchise term. Unamortized amounts are presented on the balance sheets as deferred income. If a franchise closes before the expiration of the initial term, unamortized deferred income is recorded as income in the year of closure.

Revenue Recognition from Contracts with Customers

The Company's revenues are from contracts with customers and are comprised of franchise revenue, which includes royalties, national Ad Fund contributions, technology fees, initial and successor franchise fees, and transfer fees. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides. Additionally, the Company is required under the franchise agreement to provide training which is considered a distinct service. Management estimates the cost of the distinct service based on comparable costs that would be incurred to provide similar training. The cost of the distinct service is recognized as revenue when training is completed.

2. Accounting Policies, *continued*

Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise revenues over the term of the franchise agreement. Under the franchise agreements, advertising contributions paid by franchisees must be spent on advertising, marketing and related activities. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, technology fees as well as Ad Fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur. Franchise renewal and transfer fees cover the Company's costs associated with renewal and transfer activities and are recognized when paid. Additionally, under ASC 606, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Treasury Stock

Treasury stock is valued on an identified cost basis.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. Deferred taxes represent the future tax return consequences of those differences which will either be taxable when the assets and liabilities are recovered or settled.

Advertising Costs

The Company expenses advertising costs in the year incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Forgivable Loans

The Company received a loan of $63,815 under the Payroll Protection Program which, if certain conditions are met, is forgivable. Those conditions include eligibility for receiving the loan and meeting requirements to maintain prescribed workforce levels and expending required amounts to support payroll and other eligible costs. The Company believes it met all the requirements for forgiveness of the loan and on January 25, 2021 it received

2. Accounting Policies, *continued*

notification that the Small Business Administration approved the Company's application for forgiveness of the entire loan. The forgivable loan is accounted for analogous to a forgivable government grant and the proceeds of the loan have been reported as Other Income on the Income Statements and are identified as Financing Activities on the Statements of Cash Flows.

3. Concentration of Credit Risk

The Company maintains substantially all its cash balances at a financial institution located in the greater Washington, D.C. metropolitan area. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2022, the uninsured balances totaled $274,948.

4. Advertising Fund

Under the terms of the franchise agreement, franchisees are required to contribute 1% of gross tuition fees to a system wide advertising and promotional fund (the Advertising Fund). The Advertising Fund is maintained by the Company in a separate bank account identified for such purpose. The Company directs the advertising and promotional programs and is reimbursed by the Advertising Fund for costs incurred. If the Company expends less than the contributions received from franchisees, it retains the excess contributions for use in subsequent years. As of December 31, 2022, the Advertising Fund account cash balance was $12,715.

As of December 31, 2022, the Company had incurred advertising and advertising related costs in excess of contributions received by the Advertising Fund. The excess was recorded as Accounts Receivable – Ad Fund. At December 31, 2022, the Company agreed to reduce the balance owed by $55,397 which was one-half the balance.

Under the terms of the Franchise Agreement, the Company is entitled to charge the Advertising Fund for indirect costs it incurs on behalf of the Advertising Fund and a reasonable administrative fee. In 2022, 2021, and 2020, the Company did not charge the Advertising Fund such indirect costs or administrative fees.

ABRAKADOODLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

5. Leases

The Company entered into a five year extension of an office lease which commenced in 2013 and expires May 31, 2023. The lease calls for remaining annual payments of:

Year	Base Rent
2023	$23,983
Thereafter	$ -

FASB Accounting Standards Codification section 842 which generally require that for accounting periods beginning after December 15, 2021 all leases are classified as either an operating or financing type lease and that a right of use asset and lease liability is recorded on the balance sheet. The Company has elected to account for leases with a remaining life of less than 12 months as short-term leases and accordingly has not applied FASB ASC 842. The Company has recorded rent expense of $59,528, $54,566 and $58,117 for 2022, 2021, and 2020 respectively.

6. Income Taxes

The provision for income taxes consists of the following components:

	2022	2021	2020
Current taxes:			
Federal	$ 4,108	$ -0-	$ -0-
State	214	(1,977)	-0-
	$ 4,322	$(1,977)	$ -0-
Deferred taxes:			
Federal	$18,009	$(14,133)	$ 5,663
State	7,864	2,114	6,288
	$25,873	$ (12,019)	$ 11,951
Total taxes	$30,195	$(13,996)	$ 11,951

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Company's assets and liabilities, income and expense, or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022, 2021, and 2020.

6. Income Taxes, *continued*

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examination for the years prior to January 1, 2019.

7. Retirement Plan

The Company maintains a Simplified Employee Pension (SEP) retirement plan. The plan allows the Company to contribute discretionary amounts each year to eligible employees. Substantially all employees are eligible. For 2022, 2021, and 2019 the Company declared no contributions.

8. Related Party Transactions

On January 25, 2016, all the common stock of the Company was acquired by Mega Education, Inc. (Mega), a Samoan corporation with its principal place of business in Beijing, China. Mega owns an equity interest in Gym Consulting, Inc., franchisor of the My Gym children's fitness franchise system. Mega also owns affiliated companies with principal business locations in China.

Gym Enterprise Asia Limited, which is a related party due to common ownership, owns the Abrakadoodle master franchise for China. On January 26, 2016 an unrelated company entered into a ten year curriculum usage agreement with Gym Enterprise Asia Limited calling for annual royalty payments of $240,000 to Abrakadoodle. The agreement expires January 26, 2026. As of December 31, 2022, the 2022 annual royalty payment of $240,000 had not been paid and is recorded as an account receivable. The annual royalty payment was received in January 2023.

9. Subsequent Events

The Company has evaluated subsequent events through April 21, 2023, which is the date that the financial statements were available to be issued, and determined that there are no items requiring disclosure through that date.

EXHIBIT F

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	[Pending]
Illinois	April 26, 2023
Indiana	[Pending]
Maryland	[Pending]
Michigan	January 8, 2023
Minnesota	[Pending]
New York	[Pending]
Virginia	[Pending]
Washington	[Pending]

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT G

RECEIPTS

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.

If Abrakadoodle, Inc. ("we" or "us") offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this disclosure document at the 1st personal meeting. **Michigan** requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **New York** requires that we give you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Rosemarie Hartnett, 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164), (703) 860-657; and

_____.

Date of Issuance: April 25, 2023

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 25, 2023 that includes the following Exhibits:

A. Agencies/Agents for Service of Process
B. Franchise Agreement, State Riders, and Attachments
C. Franchisees
D. Former Franchisees
E. Financial Statements
F. State Effective Dates
G. Receipts

_____ Date: _____
Prospective Franchisee

_____ Date: _____
Prospective Franchisee

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is also available PDF format by request to rosemarie@abrakadoodle.com.

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 Abrakadoodle, Inc. ("we" or "us") offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

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F. State Effective Dates
G. Receipts

_____ Date: _____
Prospective Franchisee

_____ Date: _____
Prospective Franchisee

Please sign this copy of the Receipt, date your signature, and return it to us addressed as follows: Rosemarie Hartnett, 46030 Manekin Plaza, Suite 110, Sterling, VA 20166 (on or about July 1, 2023, 100 Carpenter Drive, Suite 110, Sterling, VA 20164), or by email or fax to Rosemarie Hartnett at rosemarie@abrakadoodle.com or (703) 860-6574.